



INEM

**International Network for
Environmental Management**

A Manual on Practical and Convincing Communication for Future-Oriented Companies

The INEM Sustainability Reporting Guide

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The Project

This manual on sustainability reporting was sponsored by the Deutsche Bundestiftung Umwelt {'German Federal Environment Foundation'} as part of the research project 'Integration of Sustainability Aspects into Corporate Environmental Reporting'. The project was carried out from February 2000 to June 2001 by the Institut für ökologische Wirtschaftsforschung {'Institute for Ecological Economy Research'}, Berlin, in co-operation with imug Institut für Markt-Umwelt-Gesellschaft {'Institute for Market, Environment, Society'}, Hannover, and the following companies: Wilkhahn Wilkening & Hahne GmbH, Bad Münder; Weleda AG, Schwäbisch-Gmünd; Gundlach GmbH&Co, Hannover. Practical support came from Otto Versand mail order company.

In the first stage of the project a concept for sustainability reporting was designed. A survey of the scientific and practical status quo of sustainability reporting was accompanied by an analysis of the develop-

ments of environmental and social reporting and a survey among stakeholders concerning their demand for information and appropriate means for delivering it. Based on these findings a procedure to produce sustainability reports in the participating companies was developed.

The second stage of the project produced sustainability reports for the pilot enterprises and Otto Versand. An enclosed questionnaire for the readers delivered further information.

A central target of the project was the applicability of its results to other interested companies, which was promoted by the integration of interested parties in an advisory committee. The work of the Global Reporting Initiative (GRI) was followed closely during the project. The main requirements of GRI were taken into account in the project by the participating institutes, which in parallel also contributed to the GRI process.

The INEM Sustainability Reporting Guide – A Manual on Practical and Convincing Communication for Future-Oriented Companies

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Foreword

The INEM Sustainability Reporting Guide is a practical guide for credible communications for companies that wish to achieve sustainability. The guide can be useful not only to large corporations but also to small and medium-sized enterprises.

It incorporates practical experience from the preparation of sustainability reports by four leading companies, the Gundlach Group, Otto Versand GmbH & Co, Weleda AG and Wilkhahn, Wilkening & Hahne GmbH & Co. Each of these companies is committed, as a member of BAUM (the German Environmental Management Association), to work for further development and dissemination of the methods of sustainable company management. BAUM was founded in 1984, and was the first business association dedicated to environmental management worldwide.

The International Network for Environmental Management (INEM) was established in February 1991 when three existing business associations for environmental management in Germany (BAUM), Austria (BAUM Österreich, founded in 1989) and Sweden (Svenska BAUM, later renamed NMC, founded in 1990) decided to link themselves in a more formal registered network and provide assistance to new associations which were in the process of being created around the world.

Today, INEM includes some 30 business associations and Cleaner Production Centres in 25 countries. *The INEM Sustainability Reporting Guide* will gain great interest among the companies of the INEM network. The member companies of the INEM associations will act as multipliers in every country.

This is not for the first time that INEM is supporting the environmental movement through dissemination of innovative publications.

The first book describing an Integrated System of Environmental Business Management with detailed checklists for all areas and levels of company management was published in 1987. *Business and the Environment* was based on the experiences of a medium-sized company which also was involved in the founding of BAUM. The national associations for environmental management and INEM have helped to publish the book in additional languages: the German edition was published in 1987, (6th edition in 1998), the first English edition in 1988, French in 1989, Swedish in 1990, Norwegian and Danish in 1991, Portuguese and the first Russian edition in 1992, Chinese in 1993, Slovenian in 1994, Hungarian in 1997, and Polish in 1998. It was the first book on environmental management in each of these languages. The standardisation systems developed in the nineties (BS7750, EMAS, ISO 14001) were largely able to build on this body of knowledge published in the eighties.

INEM would also very much like to see publication of *The INEM Sustainability Reporting Guide* in several more languages in the near future. The excellent recommendations of the authors of this guide and the participating companies have earned wide dissemination and implementation.

Dr. Georg Winter
Chairman
International Network for
Environmental Management (INEM)



Dr. Georg Winter,
INEM

Doing Sustainable Business - and communicating it!



Dr. Jochen Hahne,
Wilkhahn Wilkening +
Hahne GmbH+Co

Securing long-term business success requires more than just maximum profit-orientation on the one hand and a limited focus on social issues or environmental protection on the other. It is particularly our medium-sized enterprises that increasingly have to meet the challenge of weighing economic success, social justice and environmental impacts in order to achieve an even balance.



Prof. Dr. Peter Hansen,
Gundlach Group

This task is not new, after all, as relations with employees, customers, suppliers, neighbours and nature itself are always far more direct and tangible in a medium-sized company than in large concerns or administrative bureaucracies.

What is new, however, is the endeavour to comprehensively report about these issues and thus account to oneself and the wider public. Not only do we gain approval and support from stakeholders but also more transparency and confidence in our own actions.



Dr. Wolf Berthold,
Gundlach Group

Therefore, we would like to explicitly encourage other companies to opt for the same route. Our experiences have contributed to this manual on the production of sustainability reports. Everyone is free to use them to his advantage; no one must. The diversity of the participating companies makes for the diversity of our reports. This manual may serve to provide a framework of possibilities and be a practical aid in orientation. What is of even greater importance, however, is the serious commitment of a company to continuously re-examine all facets of business activity and enter the debate with the largest possible audience. We sincerely hope that this manual will encourage companies to pursue this debate both within the enterprise itself as well as with their respective stakeholders. That would be a major step towards sustainability!

Dr. Jochen Hahne

Prof. Dr. Peter Hansen

Dr. Wolf Berthold



Dr. Manfred Kohlhase,
Weleda AG

Dr. Manfred Kohlhase

Sustainability must succeed – a Foreword

The guiding principle of our sponsorship at the Deutsche Bundesstiftung Umwelt {'German Federal Environment Foundation'} is sustainable development. 179 countries committed themselves to this guiding principle at the United Nations Conference on Environment and Development in Rio de Janeiro when they signed the action plan for the 21st century called Agenda 21. Preventive environmental protection requires more than just new environmentally friendly technologies and products; it also requires environmental communication that can change behaviour and provide a permanent footing to those who are working to realise sustainable development in any given locale.

The prime target group of our foundation is small and medium-sized enterprises. Sustainable businesses can only develop and thrive if sustainability takes concrete shape at the company level. The most important tool in this context is the sustainability report. The exemplary production of sustainability reports based on the experience at the Wilkahn, Gundlach and Weleda companies provided an opportunity to make entrepreneurial experience transparent from its very beginning, to make it available for other companies and to document it by means of this manual. Scientific support and co-ordination by the Institut für ökologische Wirtschaftsforschung (IÖW) {'Institute for Ecologic Economy Research'} and the Institut für Markt-Umwelt-Gesellschaft (imug) {'Institute for

Market, Environment, Society'} rendered the results both comprehensibly and transferably.

The stimulus to sustainability reporting given by our foundation's sponsorship of the project is particularly important in times of decreasing regulation and increasingly independent company responsibility. Voluntary public accounting of companies on issues of sustainability is becoming ever more important. This applies to both financial, environmental and social aspects. High-quality reporting on sustainability can be a catalyst with a positive influence on corporate culture and the integration of sustainability into society at large.

The German government puts great emphasis on the sustainability issue. Therefore, it has set up a permanent secretary-level committee that is to develop a national sustainability strategy and to suggest concrete projects for its realisation. A supporting body, the 'Council for Sustainable Development' was constituted in spring 2001. It comprises prominent representatives of the business community, environmental and consumer lobbies, agriculture, science, trade unions, churches



Verena Exner,
Head of Department,
German Federal
Environment
Foundation'

and municipalities. Hence, enterprises will have to take a position regarding 'sustainable development' and to do their share. Based on the initiative of the Federal Association of German Industry the 'Forum on Sustainable Development' was founded in Berlin in summer 2000. A great number of large companies including, Allianz AG, BASF AG, Gerling Konzern Versicherungs-Beteiligungs AG, Heidelberger Zement AG, Henkel KgaA, Siemens AG, Tetra PAK GmbH, Association of the German Chemical Industry and Volkswagen AG took part in this initiative .

Funding and support by the German Federal Environment Foundation can give crucial stimuli in this process of social transformation, especially with regard to small and medium-sized enterprises. Projects such as 'Sustainability in the Retailing Trade', 'Environmental Education for Sustainable Development through the Co-operation of Schools and the Business Com-

munity'} and The Sustainable Development Checklist (available in German from www.future-ev.de) may serve as cases in point.

The German Federal Environment Foundation is convinced that sponsorship of the present and further projects supports German businesses in their efforts to contribute to our society's progress towards sustainable development.

I would like to take this opportunity to sincerely thank all the partners that have contributed to this project. I am convinced that this manual will encourage more companies to adopt sustainability reporting.

Verena Exner

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1. Sustainability – from Vision to Action in Business

Sustainability as a social vision

Ever since the United Nations Conference on Environment and Development in Rio de Janeiro in 1992, 'sustainability' has become a widely accepted concept and vision. The term 'sustainability' denotes the basic idea that people should live on this planet in such a fashion that '...the needs of the present can be satisfied without jeopardising the ability of future generations to satisfy theirs,' (Hauf 1987). Since Rio, governments, international bodies, municipalities, companies, and individual consumers have been urged to develop constructive approaches to the vision of sustainability and to do their fair share.

When wondering what sustainability stands for in detail and to what extent the vision of sustainability differs from the well-known goal of producing and consuming as 'environmentally friendly' as possible, two main aspects need to be considered:

1. The vision of sustainability sets a new and higher priority on the objectives of business-related and product-related environmental protection. Centre stage is given to those aspects with the most far-reaching effects on the chances of future generations to shape the world they live in. Companies with a good environmental track record now ought to be well-prepared to meet the challenges of sustainability in the future.

2. Along with its environmental aspects, the vision of sustainability entails a social and an economic dimension as well. Sustainable development will not only be 'environmentally friendly'; it will also enhance social cohesion within our society and among nations and provide a secure economic foundation for the welfare of present and future generations. Thus, the vision of sustainability transcends a one-sided environmental perspective, equally accounting for social and economic objectives.

More and more companies are adopting these principles. In the Global Compact, the World Business Council for Sustainable Development as well as companies of the International Network for Environmental Management (INEM) are actively working towards sustainable development. For these companies, the sustainability principle translates into future-orientation and innovation.

Sustainability is more than conservation.

The Forum on Sustainable Development aims to improve the climate for innovation.

The provisional integration of environmental, social and economic aspects provides more security in planning and avoids surprises.

There is a great opportunity for businesses to meet environmental, social and economic requirements and achieve an even balance among these three dimensions. Counterproductive one-sided biases can be avoided and genuine compromises can be found. It becomes easier to unambiguously formulate the number one question for innovation: what new products, processes, regulations and initiatives can, or at least partially, contribute to all three objectives?

If the latter question has encouraged you to consider the potential for innovation in your company – innovations that could simultaneously further economic, social and environmental objectives – you have already taken a step with us in the direction towards sustainable development.

Checklist:

- Take your time to intensely reflect upon and deal with the vision of sustainability.
- Assess the current and also the potential future contribution of your company to the realisation of this vision (which will take ever more concrete shape).
- Assess and – if necessary – improve corporate planning and targets and try, wherever possible, to formulate very concrete economic, social and environmental goals, for actions and measures for monitoring their success.
- Establish appropriate reporting for your employees, customers, suppliers and the interested public about your plans, the successes you have and the difficulties you face.
- Establish a dialogue – both in-house and with your customers, suppliers and the interested public – on the concrete significance of sustainability for your company.

2. The Case for Sustainability Reporting

'Do good and let it be known' is a famous slogan in business communication textbooks. Many medium-sized German enterprises have heeded this slogan in recent years and have integrated environmental aspects into product information or publicised their commitment to environmental protection in environmental reports or environmental statements according to the European Union's Eco-management and Auditing Scheme (EMAS).

Due to the sustainability debate we are witnessing a shift of emphasis. Stakeholders are increasingly interested in information about the social and environmental dimensions of a company's activities. In reaction to these changing expectations a growing number of companies are interested in publicising their performance.

Note, however, that the term sustainability is not very well-known, yet. In Germany, for example, only 13% of the population is familiar with the term (BMU/UBA 2000), and a similar number can be expected internationally.

We therefore recommend that you not put too much emphasis on the term 'sustainability' as such, and not to make it the centre piece of your communication strategies. While interested readers and those with prior knowledge in the field should, of course, learn that you are familiar with the concept of sustainability and are actively pursuing it, all other readers will be interested in specific issues, social and environmental aspects and their successful implementation in the economic context

quite independent of this complex term.

The sustainability report can be a comprehensive and true-to-life description of your company. Your enterprise can not only present its performance and achievements in terms of the promotion of economic growth, of social balance and social justice; it can also frankly communicate difficulties you might have in certain branches of business activity. This is a chance to put all the opportunities, strengths and weaknesses of your enterprise into an overall perspective. The result may well be used as a general company brochure to enhance corporate communication.

Both the target groups of sustainability reports (see chapter 3 'Target Groups and Interests in Information') and the motives for reporting may differ a lot between different companies. Motives for active communication are known to vary considerably even within the same industry. A survey conducted by IÖW identified three major motives for reporting (HMWVL/HT 1999):

- market-oriented motives,
- management-oriented motives and
- public relations-oriented motives

For all practical purposes, these motives will obviously often overlap, playing parallel roles.

The readers of your report gain an overall impression of your company.

Motives and expected benefits differ.

From environmental reporting to sustainability reporting

The term sustainability is not well-known.

2.1 Market-Oriented Motives

Most companies that have already developed an interest in sustainability reporting have probably done so to enhance their marketing position. If environmental and social considerations are relevant purchase criteria in a company's markets, its sustainability report should definitely have a clear market-orientation. This particularly applies to major market segments in the foodstuffs, textiles, cosmetics, construction and housing industries. Consumer advice centres and publications will continue to further raise consumer awareness.

The practical example of Wilkhahn: In August 2000, the furniture company Wilkhahn published its first sustainability report called 'Wilkhahn Added Values'. This report was part of the preparation for Orgatec, a trade fair of central importance for Wilkhahn, and published in parallel to its exhibition at EXPO 2000. It sparked major international interest and attention. It mainly addresses the key market target groups: present and potential future customers (above all, industrial users), architects and designers as opinion-leaders as well as the print media of the office furniture industry.

EMAS II calls upon the European Union and its member states to establish a framework that enables public institutions to integrate environmental management efforts and performance into the decision-making process for the award of public tenders. This will increase the importance of environmental and, in the near future, social performance of companies in the European markets.

A general rule in marketing says that you do not only have to perform well; you also have to unambiguously communicate that to the market. Active information by means of the sustainability report can be quite effective in such markets provided, of course, that your company really does score high on the sustainability scale.

EMAS II suggests the consideration of environmental management criteria for the award of public tenders.

The practical example of Gundlach: The sustainability report entitled, 'Gundlach nachhaltig', {'Gundlach Sustainable'} addresses Gundlach's partners in and around Hanover, customers, craftsmen, tradesmen, partners at administrative and public institutions, institutes and banks - but it was written for the 2,000 employees as well. The management regards it as the first comprehensive report on this multi-facetted group of companies in the construction and real estate industries since its first annual report in 1990. The sustainability report thus has come to replace the general company brochure for years to come – and that at a very high standard.

The sustainability report might be of even greater significance for pioneering small companies in niche markets that consider environmental or social aspects as central to their business philosophy and product range. This type of company typically tends to be active in a limited market segment (niche), sometimes only in a small region; some breweries or construction companies might serve as cases in point. Frank and comprehensive sustainability reporting communicates business philosophy, creates credibility and improves sales potential in a market segment where environmental and social aspects are key purchase criteria.

2.2 Management-Oriented Motives

Many small and medium-sized enterprises do not see themselves as the subjects of public interest. If they have ever published an environmental statement (according to EMAS) it often elicits only limited interest from external parties. These companies also rarely experience criticism from environmental organisations or a critical press.

The essential task of sustainability reporting in these companies will therefore be the promotion of their internal social and environmental management. The main objective of their reports is delivery of management information as well as employee information and motivation. For such companies, the employees are by far the most important target group of the reports. Their design may be simple and they may be photocopied. They are basically internal company documents, predominantly used as a means of communication within the enterprise itself.

Employee motivation as a benefit

The use of a sustainability report as a means to support management functions only makes sense if you intend to establish a systematic management of sustainability aspects. For helpful suggestions turn to chapter 9 'The Road to the Sustainability Report and Sustainability Management'.

2.3 Public Relations-Oriented Motives

A number of industries, and especially their large companies, have been under close public scrutiny in recent years, some even decades. The chemical industry is still suffering from a lack of public trust in their environmental protection efforts and in the safety of their plants and products. The increasing use of genetic engineering further erodes its image in some countries. Other large enterprises, such as steel and cement works or power plants, often have major effects on their immediate environments and are under constant attack from neighbouring communities, the press and environmentalists.

The textile industry has very vocal critics who express concerns about the commitment of suppliers from developing countries in meeting minimum social standards. The accusation of using child labour has embarrassed companies such as Nike and Otto Versand in recent years, and the international 'clean-clothes-campaign' continues to keep an eye on them.

The practical example of the Otto Versand mail order company: Otto Versand has regularly published environmental reports since 1993. Social issues were included for the first time in 2000. The brochure entitled, 'Report 2000 – Sustainability at Otto' now also provides comprehensive information on decent working conditions in developing countries and NICs. Otto Versand employs social audits at its suppliers and their subcontractors.

It is one of the prime targets of companies in this industry to gain trust, credibility and greater public acceptance of their products by means of communication. Since an issue such as sustainability could cover a wide variety of topics, it is essential to keep track of priorities and to employ communication about sustainability honestly and as a genuine element of the transformation towards social and environmental progress, instead of just providing lip service and a veneer of goodness.

The integrated, interdimensional structured presentation of a sustainability report enables you to clearly point out to your stakeholders the various interconnections and conflicting aims among different dimensions, thus raising the readers' awareness of the problems. Once stakeholders gain a better understanding of the dilemmas you are facing, their willingness to compromise and their acceptance of company decisions is likely to rise.

Checklist:

- Whatever the driving motive behind your sustainability reporting may be: do not forget that sustainability reports are not mere advertisements.
- You are free to design your sustainability report as you please. To get best results in terms of positive feedback from customers, employees and the wider public we recommend that you follow the rules outlined in chapter 4 'Principles of Reporting'.
- The hints and ideas compiled in this manual should not limit your options nor impair your flexibility. They are meant to provide ideas and help you to produce a sustainability report with a maximum degree of credibility to effectively support the dialogue between your company, its customers and the public at large.

3. Target Groups and Interests in Information

Sustainability reports are a promising tool for informing the various stakeholders of your company of its performance. The production of such a report alone signals your company's readiness to assume the responsibility assigned to it by society. Stakeholder trust in your company can thus be stabilised, your image improved.

A first prerequisite for successful sustainability reporting is the simply reaching your important stakeholders with information that is interesting, tangible and comprehensible for this target group.

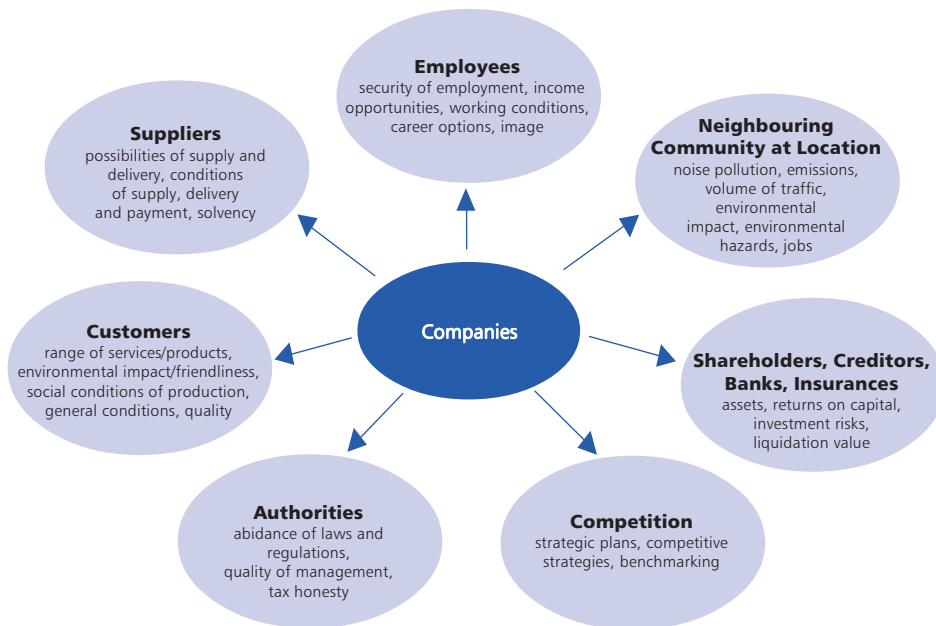
3.1 Determining the Relevant Target Groups

Now, what are the different social groups with claims and demands on your company? Whose interests might be touched by your company's activities? Every company

will have to answer these questions for itself. Generally, the most important stakeholders are employees, customers and consumers, the media and the authorities.

Interest in information varies a lot among different stakeholders. Satisfying this demand is anything but easy, as your report ought not to be too long and complex. Hence, determining the target group and analysing this group's informational needs and interests before the actual report is written is an indispensable prerequisite for a successful report. Experience with environmental reporting highlights the importance of this step. Environmental reports in the past often failed to put sufficient thought into the identification of the target groups and, therefore, failed to streamline the report's contents according to their needs.

Before drafting a sustainability report you need to determine the main target group.



Company Stakeholders and their Interests in Information

Instead, it was often assumed, that the report would automatically find its appropriate readership. As a consequence, many environmental reports tended to be too extensive and did not meet the target group's expectations.

Hence, once you have determined who to mainly address in your report, you will have to find out what topics might be of special interest to them. This will enable you to identify focal points and to properly prepare and present the relevant information to your readership.

3.2 Identification of Interests in Information

In order to identify topics and contents of particular interest to the target groups of your company, i.e. those that definitely need to be included in your report, there are various possibilities:

Setting up Reporting Teams

A good number of interests in information actually need not be researched. Every company has some knowledge about what its employees and customers are interested in. You can tie-in the informational interests of these two target groups by integrating corresponding representatives into the reporting team. A works council

member, for instance, knows the interests of the workforce; external duty and sales staff have direct customer contact and thus knowledge about information needs of customers. In short: make use of the in-house knowledge about the informational interests of the target groups.

Evaluation of Opinion Polls

Information on citizen (and thus customer) expectations can be gained from opinion polls. According to a recent German study (Stern 1999) for example, almost two out of three Germans interviewed feel that the business community, i.e. companies and their associations, are responsible for the economical utilisation of resources and fuel supplies. Likewise, a clear majority is of the opinion that the main responsibility for the 'protection of the air, soil and water from pollution' and the 'promotion of environmentally friendly products/packaging' lies with the business community. And almost every third German assigns number one responsibility for the promotion of equal opportunities for men and women to the world of business.

A representative German survey on the choice of environmental retailing outlets conducted by imug in co-operation with Emnid in 1999 comes to the same conclusion. According to this study, the range of social and environment-related aspects of a company's performance with a positive influence on the purchase decision is quite high: 86% of the interviewees stated such motives.

Opinion polls may yield information on interests in information.

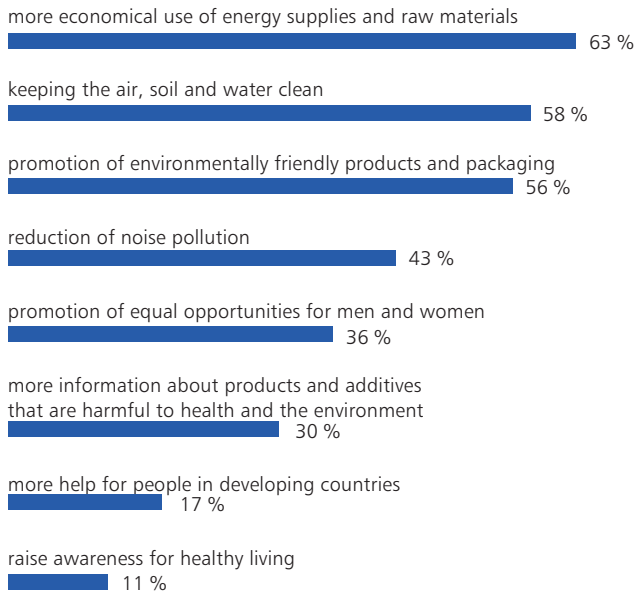
Make use of your knowledge about the target groups.



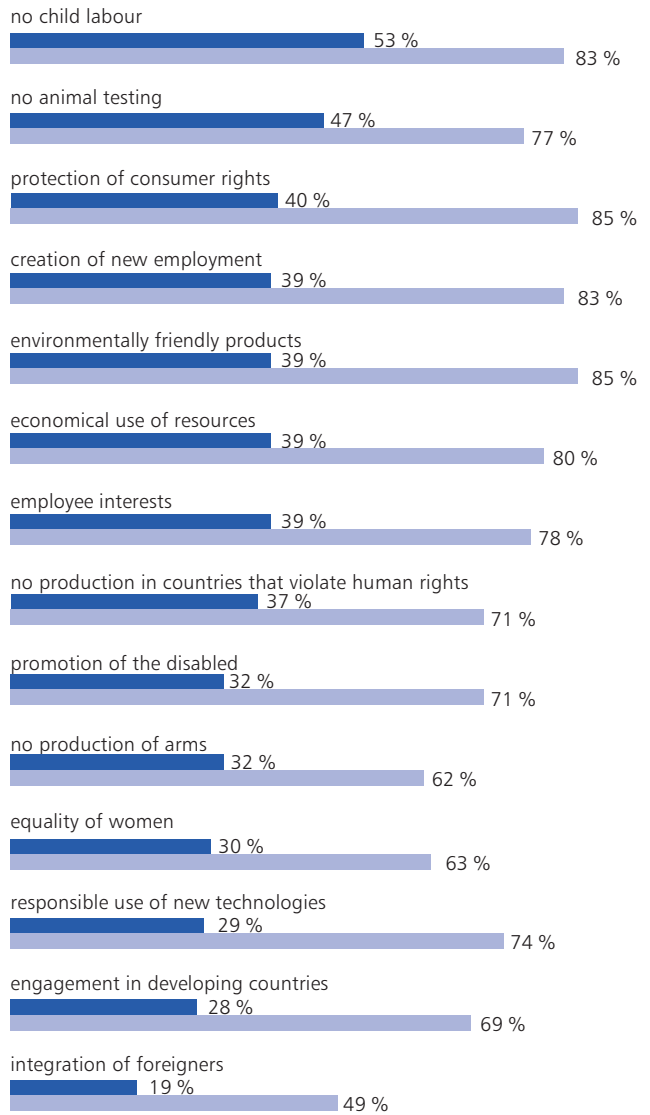
Among these, the most important aspects are the absence of child labour (53%), the absence of animal testing (47%) and consumer rights (40%). Security of employment (39%), the economical use of energy and raw materials (39%) and the development of environmentally friendly products (39%) closely follow. Besides, there is a whole number of social and political issues that influence consumer behaviour. Non-involvement in arms production (32%) e.g. is as equal in importance as the employment of disabled people in the company.

Responsibility of Companies

Who in our society should assume responsibility for the following? [percentage of answers 'Business Community' (companies, associations)]



Reasons for Company Preference



filter: applies only to the interviewees who prefer responsible companies at least sometimes

- TOP 1: I would always prefer this company
- TOP 2: I would often prefer this company

n=1015-1022
all figures in per cent

Stern: Dialoge 5, 1999

imug: Responsible Purchasing – A Representative Household Survey. December 1999

Informational interests can be identified by direct dialogue with the relevant group.

Dialogue with different Target Groups

A useful, albeit quite time-consuming, method to identify crucial issues is the invitation of specific groups to a dialogue. As this tool requires a major effort, you will tend to mainly address groups of strategic importance with whom you are not in permanent contact. Large companies often make use of focus groups in order to establish contact with environmental and consumer associations. Typical in this context are talks on 'hard' problems, for instance between companies producing and processing PVC and their critics; but it can also be used to propose cooperation with potential partners. Hence, besides the identification of topics for the report, the establishment of better connections to groups and individuals will also play a role in this context.

The practical example of DB-Deutsche Bahn AG, the German Railway company: DB-AG organised several workshops with environmental and traffic associations to deal both with operational environmental protection (e.g. waste separation on trains) and strategies (e.g. the extensive railway network scheme). 'The workshops promote the development of mutual trust by means of information and dialogue. During the workshops the associations have expressed their readiness to support DB AG's efforts to secure concepts of environmentally friendly mobility.'

DB AG: Umweltbericht 1997

3.3 Accounting for Informational Interests in the Report

In order to make sure that your sustainability report really reaches its addressees you should focus on the questions your target groups are really asking you. You should report in greater detail and a comprehensible fashion on vital aspects and keep brief on points of lesser importance.

Focus your report on essentials.

The practical example of Wilkhahn: The experience of the furniture manufacturer Wilkhahn in producing its sustainability report 'Wilkhahn Added Values' illustrates the importance of gearing the report to the targeted readership: 'The first draft of almost 80 pages was so extensive and complex that it could only have been digested by specialised circles of scientists and specialists. As the 'survival' of a medium-sized company exclusively depends on the success of its products and as it cannot afford to publish different versions of its sustainability report for different target groups on top of the environmental statement and the company report, Wilkhahn decided to 'shrink' and re-design the report. Thus it became digestible for the non-specialist reader and offered different options of reading: someone only willing or able to invest a limited amount of time to browse through the publication was to be satisfied just as much as a reader approaching the report and the underlying dimensions with a greater degree of concentration and attention to detail. The publication focused on raising the intended readership's awareness for the way sustainability works, which would in turn improve Wilkhahn's position on the market.'

Burkhard Remmers, Wilkhahn in: Zeitschrift für Unternehmensethik, 2001

It is generally easier to kindle the target group's interest if the report contains real news and addresses topical issues. While writing the report, you should, therefore, ask yourself:

- What sets your company apart from others?
- What is your specific contribution to important topical issues?
- What (bad and good) experiences have you learned from?

You should also air difficulties and open questions. That way you might be able to draw journalists' attention to your company and pave the way for investigation.

Checklist:

- Identify the primary target groups of your report and streamline it according to their informational interests.
- Integrate your own employees (who are of great importance as one of your report's target groups).
- Try to tie important external target groups into the report's production process.

4. Principles of Reporting

As with annual and environmental reports, you should also follow certain basic rules when producing a sustainability report. The principles listed below improve the objectivity and credibility of reports, which turns them into a basis for dialogue.

The report ought to describe the entire company.

The Reporting Company

If at all possible the report should cover all the relevant activities, products and services of the company, which enables the reader to get an overall picture of the enterprise and its objectives. An unambiguous description of the reporting company is as important as the demarcation of those parts covered in the report from those that are not dealt with. The latter may apply if data on some production sites abroad is not yet available, for instance, or if some activities are carried out by subsidiaries or joint ventures not accounted for in the report.

Certain time periods and points in time are important.

Time and the Report

You should give the period of time your report is referring to as well as the date of publication. Provided you publish the report in the Internet, you also need to document the 'last update' - otherwise, readers who read the report more than once might get confused by surprising changes of data and text.

If the report contains data on stock, you should provide the date of stocktaking. In case changes of utmost importance take place after the end of the time period

covered by the report – but before its publication – make mention of this in the report or, at least, provide reference to the corresponding updated information in the Internet.

Truth and Relevance

All the information in the report should be true. What is more: it should enable the reader to get a true-to-life impression of your company and its strengths and weaknesses. Several features of the report can facilitate this:

1. It is crucial to present the information according to its relevance in social, environmental and economic contexts. In this sense, data is essential both if it is important for the company and also if it is of importance for its environment. For example, information about hazardous materials stored on the grounds of a chemical factory would be very important. However, even if no such substances are stored this is relevant to the immediate environment, as well. For a mail order business, for instance, the volume of the textiles purchased constitutes essential information. In addition from the reader's point of view, the textiles' country of origin may be of great interest for getting an idea about possible social problems of suppliers.

2. Furthermore, the report has to comprehensively deal with all the central issues. As a 100% complete analysis of the many issues that are closely connected with the topic of sustainability is hardly possible, it becomes necessary to draw the line between the truly crucial questions and those of lesser importance in a plausible and comprehensible manner.

Relevance depends on the context.

If a (possibly short) printed report is supplemented by information in the Internet one option would be to cover the less central issues in the Internet with reference given to that fact in the printed report. The choice of topics should account for important environmental, social and economic issues in different stages of the processing and production cycles. Hence, the product life cycle needs to be taken into consideration.

The report has to be comprehensible.

3. Your arguments on the various issues ought to be comprehensible for the reader. This is the case if, e.g. a topic in the realm of company policy is illustrated by data and figures on the current situation and accompanied by an assessment of this situation and – if necessary – new targets in the process of continuous improvement are set.

Clarity and Comprehensibility

Straightforward wording and good graphics facilitate understanding.

The description of topics, and the terminology and structure of the report should be unambiguous and understandable. In public communication you generally refrain from using high-brow terminology and foreign words wherever possible. If they cannot be avoided, give explanations. Sentences should be short. Appropriate graphics or pictures can make complex phenomena easier to understand. The structure is to facilitate the reader's search for topics of his or her interest.

Stability and Comparability

Many readers of your report will want to compare certain data with those of previous years or data of other companies. Therefore, key data should be presented in periods of at least three to 5 consecutive years. To further warrant comparability you should generally maintain the report's structure and key data categories in the future. If possible, the methods of recording and assessment should conform with the standards usually applied (in your industry). You should make specific mention of these standards wherever you apply them.

If the report's demarcation or frame of reference changes – due to, e.g. the purchase or sale of a production site – the data given for other years should be adjusted accordingly.

A comparison of periods of consecutive years is important for company assessment.

Checklist:

- Describe your entire company in the report.
- Publish the report on a regular basis, e.g. once every 2 or 3 years.
- Give the period of time covered by the report and the date of publication.
- Make sure that all the information in the report is true, relevant, complete and understandable.
- Give an unambiguous and comprehensible account of the various issues and provide a clear structure.
- Use data and figures that allow for a comparison with the previous year and - if applicable – following years.

5. Elements of the Sustainability Report

This chapter gives you an overview of those aspects generally to be covered by the sustainability report. These recommendations account for both the findings of the ongoing discussion of the Global Reporting Initiative's manual and the experiences with environmental statements and the (environment-related) requirements of EMAS II. What exactly is of significance and the specific details of your report depend, however, on your industry and the interests of your target groups.

5.1 Key Data

As is usually the case in annual reports you should open the publication by giving the most important sustainability data in order to facilitate quick orientation about tendencies. A table or graphics, e.g. on the inside front cover, are quite useful to that end.

5.2 Foreword by the Company Management

The foreword enables readers to assess to what extent the management is familiar with the debate on sustainability and how seriously it takes the commitment to progress. It makes sense, therefore, to use the foreword to clearly state one's position on past successes and failures and to point out the most important goals for the future. Concrete statements may serve to illustrate the honesty of your approach. The strategic issues of locational choices and product policy are particularly well suited, as they explicitly belong to the responsibility of upper management. Management ought to comment on important social issues as well.

Management states its position in the foreword.

5.3 Profile of the Reporting Company

The profile provides readers with an overview of the company and gives the contextual framework for the information contained in the report. Not only the key products and services, possibly brand names, major markets and customers but also the locations and production sites represented within the company, its legal form and ownership details should be mentioned here. For an appraisal of the volume of company activity, data about the number of employees, turnover, output and assets is essential.

Do not forget to give the name and address of your company and - if applicable - important production sites. Name the persons in charge of important issues at your company and give their telephone numbers and e-mail addresses. There is no need to be afraid of giving names and extension telephone numbers as experience shows that the level of feedback is quite manageable. Besides, the possibility of direct contact is a sign of openness and accessibility.

5.4 Vision and Strategy

The idea of sustainable development is a vision in its own right: it is a vision of a society characterised by social justice, environmental responsibility and economic success. Each and every industry and company will have slightly different versions of this vision, as different aspects are important in different situations. The BSE-related debate in the European food industry that started early in 2001, for instance, has revolved around the vision of the environmentally friendly cultivation of crops and natural methods of livestock farming that

are appropriate to each species. In the textile industry, the dominant vision is that of fair world trade with a guarantee of minimum social standards the world over.

A construction industry building healthy housing units and infrastructure without consuming new land and producing an energy surplus from the operation of housing units and buildings is another vision that awaits realisation.

Describe the visions that provide the background to the development of long-term strategies in your company and point out to what extent your visions have an impact on your concrete strategies of today.

5.5 Company Policy

Your company should lay down its long-term intentions and principles regarding sustainable development in its company policy and print it in full in the report. In case your company has specific policies concerning conservation and social issues you should include these as well.

If your company has signed environmental or social charters, codes of conduct or taken voluntary initiatives (for instance in the realms of employee rights, human rights, discrimination, safety or conservation) or has obliged itself to meet corresponding requirements in other ways, you should document these facts here, too. Information on membership in environmental or social associations can also be important in this context.

Make sure to report on the state of implementation of all the important aspects of company policy and all the major requirements of self-imposed obligations.

Self-imposed obligations should be documented in your report as well.

5.6 Management Systems

The description of responsibilities and procedures of the management system ought to make the assumption of the main responsibilities in daily practice transparent to the readers. In the sustainability report, this applies to both the aspects of economic, environmental and social management and organisation at your company and to the complex task of co-ordinating strategies and targets and eliminating possible contradictions.

Normally, it is management that makes the definitive decisions about conflicts between environmental, social and economic interests. You should particularly report on successful solutions of seemingly unresolvable antagonisms in accordance with the goals of sustainability as these solutions can possibly serve as models for others.

An organisational chart and a short text can give an overview of the responsibilities and competences. If applicable, mention the fact that the environmental management system meets the requirements of EMAS or ISO 14001 and the social management system those of SA 8000. As the dull topic of organisation offers little exciting reading, keep your account brief. Individual aspects, such as a special system of employee orientation or the results of the latest system audit, may be included.

The management system organises the assumption of responsibilities.

5.7 Company Performance

Your report aims at openly informing the reader about the strengths and weaknesses of your company. Further goals are the enhancement of company image by means of describing its strong points and to gain the readers' trust in your enterprise by

The report should convince readers of the good performance of your company.

pointing out suitable programmes to improve your record in areas of weakness.

You will convince your readers if the description and assessment of your company and its performance are comprehensible for them. The comprehensibility of your report depends on the unambiguous account of the connections between:

- past strategic and operational targets,
- performance data,
- the analysis and assessment of that data, and
- the setting of new operational and, if applicable, strategic targets.

Each of these elements has concrete significance. Only the combination of all these elements turns your sustainability report into an account that is able to provide a clear picture of the situation, record progress and build trust in your company.

Past Strategic and Operational Targets

Targets are an important reference point for your readers and need to be documented. They communicate the challenges the company has set for itself and pave the way for the judgement on whether or not your management system has taken care of all aspects of strategic importance and been able to reach all the targets.

Many high and lofty goals tend to be laid down in documents of sustainability, environmental and company policies. Unfortunately, these mostly play a very minor role in daily company life. As a result, you might feel tempted to omit some of these aspects from your report, as you are not able to mention anything of significance, let alone any progress. You should, how-

ever, also reveal some weak spots of your company to the outside world. You will certainly find acceptance of the fact that you cannot take care of everything at once. Take special care to set operational and verifiable targets particularly in these weak areas.

Performance Data

It is important for the reader to know the situation concerning the main aspects of sustainable business or to be able to get the information. Data on company performance are important factual information for experts both within and without your company. Yet, data are more than just factual information; they are symbols of your knowledge of the company's situation and of its openness and transparency. This symbolic character is of particular significance for non-expert readers who are unable to precisely appraise your performance data.

Performance data should be documented for all the important aspects in the product life cycle.

Performance data are also a symbol of openness and transparency.

Past targets are a basis for the judgement of the present.

A practical example - effects in different stages of the product life cycle: the Swedish company ESAB, a manufacturer of materials used in welding, provides an excellent one-page overview of the most important environmental, social and economic aspects during the product life cycle. The very extensive data of single production sites are not printed in full because they are available on CD.

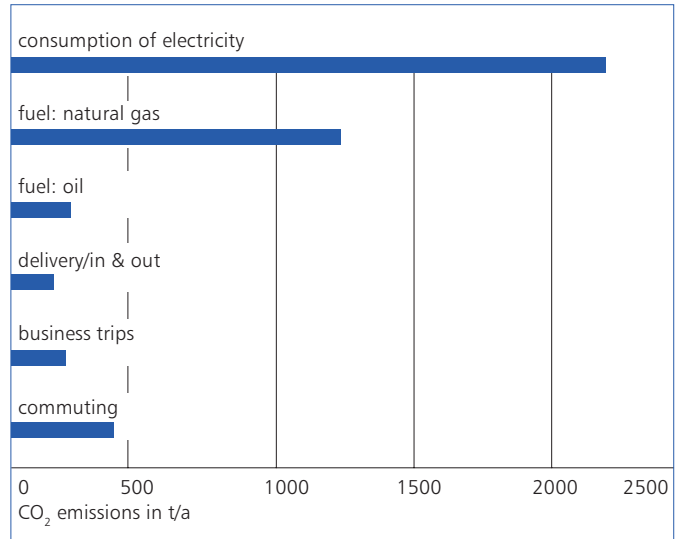
Stage in the Product Life Cycle	Environmental Effects	Social Effects	Economic Effects
Extraction of Raw Materials	extraction of natural raw materials, overlay material, destruction of ecosystem	working conditions in mining, job offers, employee rights	economic development of less developed regions, local infrastructure
Production of Materials	waste to disposal site, efficiency of materials, consumption of energy and water, air, noise and water emissions	working conditions, employee rights, human resource management	profits, taxes, employment, know-how, local relations
Production at ESAB	waste to disposal site, efficiency of materials, consumption of energy and water, air, noise and water emissions	working conditions, equal opportunities, human resource management	profits, wages, taxes, investments, employment, F&E, outsourcing, sponsoring and local relations
Transportation	consumption of resources, air emissions, traffic noise	working conditions, ergonomic aspects, traffic accidents	process technology and know-how, durability of welding construction, cost efficiency
Product in Use	waste of products and packaging, consumption of energy, air emissions, consumption of protective gas	welding vapours and gases, industrial safety during welding, ergonomic aspects	costs of disposal, recycling economy, cost aspects
Disposal	contamination of soils, water or air, waste from products and plants to disposal site	waste handling, contamination of soils and water	

Performance data often require further explanation.

Analysis of Performance Data

It often makes sense to derive key data from performance data. Data on accidents at work, for instance, should be put in relation to the number of employees. Performance data on energy consumption need to be converted in order to be able to appraise the contribution of each fuel source to the greenhouse effect. Some explanatory remarks may often be necessary to give the readers a proper understanding of things.

A practical example of data analysis of CO₂ emissions: electricity consumption at Weleda AG Schwäbisch Gmünd increased from 2,605 MWh in 1998 to 3,639 MWh in 1999. Weleda AG explained this as follows: 'Since we started the operation of a new pharmaceutical production plant in the autumn of 1998 electricity consumption increased considerably as the new plant boasts state-of-the-art clean room conditions, which require air conditioning. Another reason for the rise in electricity consumption is the use of construction machinery to build the new administration building.' Hence, the pronounced increase results from one lasting and one temporary cause. In addition, the report shows the CO₂ emissions calculated for the respective volumes of energy consumption to enable the reader to assess the environmental effects.

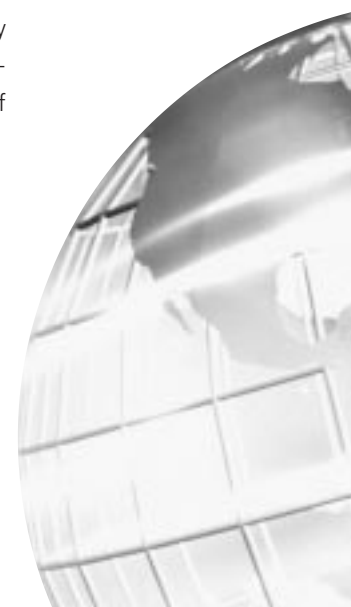


The readers thus get a clear picture of the main causes of CO₂ emissions.

WELEDA AG: Transparenz 2. Sustainability Report including an Environmental Statement 2000

Most reports deem this account of performance data sufficient. Developments are only explained in retrospect. Rising consumption is often explained by 'increasing output'; alternatively, lower efficiency is commonly seen as the result of 'decreasing output'. The reader gets no information about the consequences of this analysis for the company. It is fairly obvious that this is not only a case of bad reporting but equally of bad controlling. The next step in the controlling cycle, the assessment of the performance data, is often missing. Yet, without it you cannot really appraise performance and arrive at a comprehensible justification for the targets of the next period.

The assessment of performance data is rare.



Only an assessment of the data can put your performance into perspective.

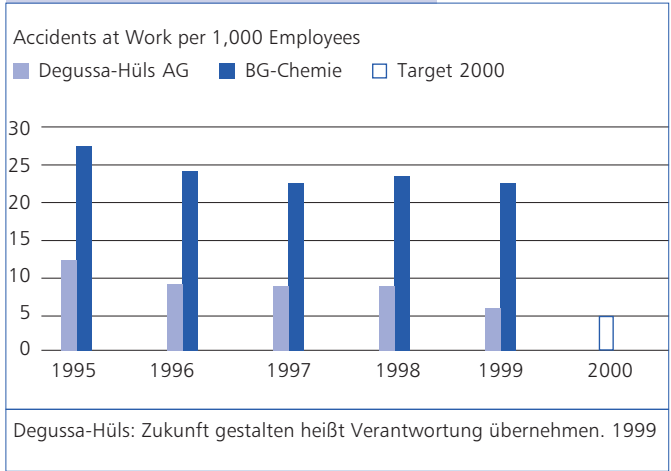
Assessment of Performance Data

Essentially, the assessment of performance data is supposed to establish whether or not improvement targets need to be defined. This requires standards for assessment, such as:

- benchmarks,
- targets you have already set, or
- compliance with certain specific requirements, for instance legally fixed limits or successful certification according to a specific norm.

You should try not only to publish your performance data but also to point out your criteria for 'good performance'. For example, is the industry-wide average number of 'accidents at work per 1,000 employees' a benchmark for you? How do your company's data compare to suitable benchmarks? Or have you maybe under- or overachieved the targets of the past reporting period? What is the development over time? If you compare your performance data with such standards of judgement that should be both plausible and widely accepted, you show that you are very much aware of what constitutes 'good performance' and you enable internal and external readers to arrive at their own assessments.

A practical example - accidents at work: the chemical company Degussa-Hüls puts the data on accidents at work in relation to comparable data from the Professional Association of the German Chemical Industry and its own target:



Targets derived from self-imposed obligations can be suitable standards of judgement as well. In 1990, the German automobile industry, for example, pledged to reduce average fuel consumption by 25% by 2005. In its environmental report 1999/2000, Volkswagen depicts the performance data up to now and compares them with the targets. The graph enables the reader to tell whether or not Volkswagen is really up to its promise.

Setting New Targets

Things that are not good need to be improved. The reluctance of some companies to put the finger on the weak spots and the lack of benchmarks lead to the well-known problem of how to justify and explain one's targets. If the aim of a target

Targets should be concrete and verifiable and have a deadline.



is to eliminate a weak spot or improve already relatively good performance to top levels, then outsiders can easily understand it. Hence, the readers need to be informed about weak spots and the best possible performance to be achieved. This will provide the basis for the formulation of concrete, verifiable targets with a clearly defined time frame.

The practical example of a CO₂ emissions target: after Weleda AG's sustainability report 1999 had clearly shown that about half of its CO₂ emissions were due to its electricity consumption, the company set itself the goal of 'reducing the annual CO₂ emissions by 1,000 tons by using electricity based on renewable sources of energy.' 50% of the electricity demand was to be covered by the purchase of electricity based on renewable sources of energy, which generate electricity without CO₂ emissions (the resulting benchmark being 0 t/CO₂ per kWh). The technical department was to realise this by 2001. At the beginning of 2001 the company actually overachieved its goal when it signed a contract with Naturstrom AG that delivers 100% of the electricity needed on the basis of renewable sources of energy.

WELEDA AG: Transparenz 2. Sustainability Report including an Environmental Statement 2000

Checklist:

- If possible, you should deal with all seven elements (key data, foreword, vision of strategy, company policy, management systems, company performance) as described in this chapter. For ways of structuring see 'Design of Sustainability Reports'.
- Describe past strategic and operational targets as well, as this makes assessment easier for the reader.
- Explain, analyse and assess your performance data in order to avoid misinterpretations.
- Apply plausible and widely accepted standards of judgement in the assessment of your performance data.
- Set targets that are concrete and verifiable and have a deadline.

6. Presentation of Company Performance

The presentation of company performance in the sustainability report mainly rests on an account of performance in the three dimensions of sustainability. Further questions of interest are how your enterprise manages to combine these dimensions and their often conflicting goals and what synergies and contradictions can be observed in the process.

6.1 Social Performance

Social company performance covers the consideration of employee interests on the one hand and global equity on the other, the fight against poverty and compliance with social minimum standards. It is especially the relevance of the global aspects of socially responsible business management that varies considerably among different companies.

Jobs and Employment

How has the number of employees and trainees developed at your company in recent years? What explains the fluctuations or decreases? These are questions of interest for various target groups of your report. A description of the working time schemes and possibilities of further training at your company belongs here as well. Other issues of great significance for employees but also for external readers (being potential new employees, too): income and career options, possibilities of co-termination and co-ownership, wages and

salaries, profit participation and openness of information. As applies to other topics, it is not only the data that is of interest here but above all the definition and description of targets and the measures planned.

Equality for Women

Women often still face discrimination in the working world. This leads to questions such as: What is the proportion of female employees at your company? How does the proportion of women in primary occupational training and further training develop over time? What is the percentage of women at middle and upper executive levels? Once again, you should make sure to provide the background to the figures and thus allow the readers to understand the context.

Company performance in the areas of employment security, job creation and new training positions is very important for society.

The practical example of Van City: In its report, Canada's largest savings bank draws attention to the comparably high share of women at its top management level. Benchmarks provide the evidence.

	Van City		3 savings banks in British Columbia	all Canadian enterprises	Canadian banks
	1997	1999	1999	1999	1998
top management	28 %	30%	19%	14%	12%
middle management	62%	68%	61%	32%	n.a.
salaried staff	74%	73%	85%	n.a.	n.a.

The Van City Social Report 1998/ 99

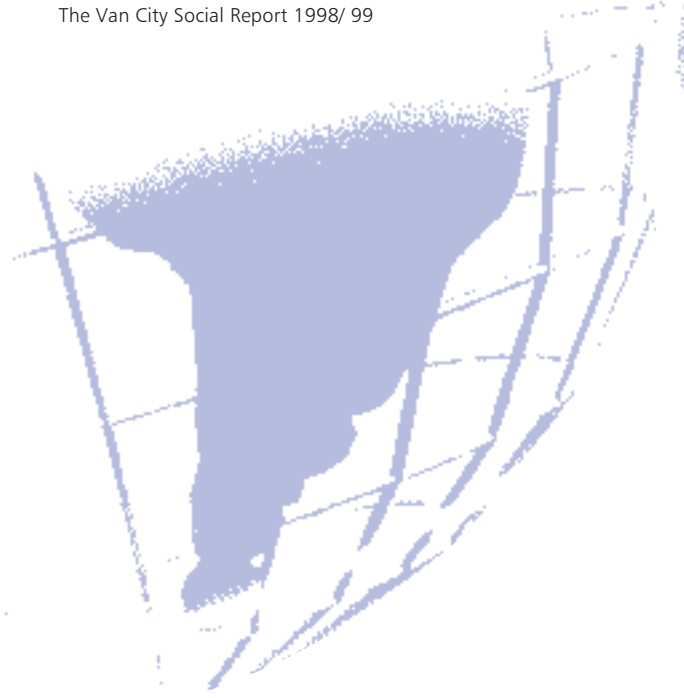


If the data reveal shortcomings, suitable measures in women's promotion schemes should show what the company is doing to improve the situation.

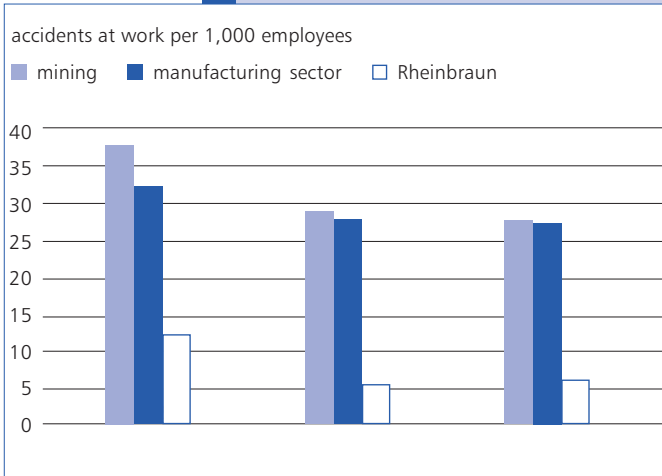
Industrial Health and Safety

The activities of small and medium-sized enterprises in the field of industrial health and safety are determined by a great number of laws and regulations. In European countries unambiguous responsibilities, regular status analyses and – at least internal – reports have become statutory. Therefore, the documentation of the situation and your targets in the sustainability report should not pose any difficulties.

The number of accidents that must be reported, the number of working days lost and the rate of absenteeism should be quoted. These figures are usually also available as industry-wide benchmarks in relation to the number of employees.



The practical example of Rheinbraun: Rheinbraun documents the number of accidents at work that must be reported and puts them in relation to two different benchmarks:



Rheinbraun: Personal- und Sozialbericht 1997/98

ees quota, for instance. Besides, companies can take a many other measures to further the interests of disabled people. Orders to sheltered workshops may only be 'second-best' solutions, but at least they provide work for the disabled people employed there.

People living and working in foreign countries have become an integral part of many societies and may be indispensable to your national economy.

Foreign workers living in Germany contribute about one-tenth to German GDP.

Measures you are planning to take to improve the situation in both areas should also be mentioned.

Interests of Social and Ethnic Minorities

Employment is a key prerequisite for social integration, respect and the feeling of being a useful member of society.

In 1997/98 the German 'Constitution Campaign' of 90 associations of disabled people operating nation-wide drew attention to the fact that equal opportunities are still far from being a social reality. The continuously worsening situation is highlighted by the increase of the unemployment rate of severely disabled people from 15.3% in 1995 to 17% in 1997 and an employment rate that is down to only 3.9% despite the legally stipulated quota of 5%.

Readers might be interested in data on the compliance with the disabled employ-

Measures to overcome disadvantages and to integrate minorities into the social structures of the community and at the workplace are important.

The integration of minorities in companies can hardly be expressed in numerical terms. If they encounter general hostility even the best 'numerical' integration is of little use. Nonetheless, we suggest a number of key data: what is the proportion of minorities among your company's total workforce? How does the percentage of minorities in primary occupational training and further training develop and what is the proportion of minorities in middle management and upper management positions?

Global Social Responsibility

Many companies have close business relations with developing countries. The variants of an economic exchange with the countries of the South (and recently also the East) spans the entire scale from exports to the respective countries and imports of raw materials, semi-finished and finished products to the operation of production sites abroad. The impact of company activities on their 'host countries' is considerable.

A first indicator of the awareness of companies concerning the particular problems of business activities in developing countries is the fact that the issue is mentioned and dealt with in company guidelines. Sometimes, separate company principles are formulated. The existence of guidelines and 'codes of conduct' is, however, not sufficient. A guarantee that business activities abide by the national social and labour legislation is required. This applies both to the activities of the company in question and to its suppliers. They explicitly have to commit themselves to the same standards. In addition, elementary international standards laid down in treaties

signed by many states of the world such as the conventions of the International Labour Organisation (ILO) have to be met.

The practical example of SA 8000: by the time of writing, Otto Versand had already applied the system of Social Accountability Standards (SA 8000) in close co-operation with partners at production sites in more than 300 pilot projects in altogether eight textile import markets. The decisive criterion in these pilot projects has been the practical viability of SA 8000 in the different import markets. Currently, there is a heated debate about the certification initiative SA 8000. Otto Versand will continue to support this discussion about the advantages, disadvantages and the viability of the system above all by practical application. The system will, however, only succeed in import markets world-wide if all stakeholders do their share: government institutions by creating the political structures required, non-governmental organisations and trade unions by taking part in unbiased discussions and implementation processes and international trade and production sites by means of the global implementation of the system.

Achim Lohrie (Otto Versand) in:
Ökologisches Wirtschaften 1/2001

Key Data of Social Performance

We recommend to definitely include the following key data of social performance:

- the number of employees and part-time employees by sex,
- the number of trainees by sex,
- the rate of fluctuation,
- the proportion of severely disabled employees in relation to the total,
- the proportion of women among middle and top level executives,
- the percentage of minorities among middle and upper level executives,
- the number of days of further training per employee by sex,
- the number of accidents that must be reported (including subcontracted employees),
- the number of days lost and the rate of absenteeism (including subcontracted employees),
- investments in health promotion per employee.

Checklist:

- Describe your company's contribution to the different issues, the targets set and measures planned.
- Utilise the above-mentioned key data to portray your social performance.
- Find out about further and more far-reaching key data and benchmarks in your industry.

6.2 Environmental Performance

Your environmental performance will be judged depending on your knowledge of the main environmental impacts at your production sites, in product development and product line and your assumption of the resulting responsibilities.

The requirements of environmentally sustainable development go far beyond the common environmental issues such as, waste, water, energy and hazardous substances. Today, the debate centres around very far-reaching goals, e.g. the long-term reduction of CO₂ emissions of industrialised countries and thus of their fossil fuel consumption by 80 - 90% by 2050; complete abolition of synthetic nitrogen fertilisers and pesticides in farming and the reduction of the extension of land under cultivation to nil by 2010. Many industries are currently discussing what environmental targets need to be reached in the upcoming years and the governments are working on national environment planning. A company striving to be sustainable should also tackle such long-term goals and streamline not only its operational business but also adjust its strategies accordingly. The step from eco-efficiency to eco-effectiveness and a real relief of the strain on the environment is the order of the day.

Unfortunately, a look at sustainability reporting the world over reveals that especially the critical strategic questions are often ignored. SustainAbility (SustainAbility/UNEP 2000) criticises the fact that automobile manufacturers e.g. do not talk about disastrous traffic congestion and

Sustainability requires ambitious environmental targets.

Present reports often do not contain important key data.

continuously rising resource consumption but about the improvement of engine technology.

Airlines and airports when reporting about noise reduction implicitly take increasing volumes of air traffic for granted and ignore the consequences. Life science firms defend genetic engineering while ignoring the loss of biodiversity worldwide. In short: in your choice of topics do not ignore or fail to mention the 'big' issues, which are the strategically decisive ones after all.

Environmental Performance of Products and Services

This chapter is based on an overview of the products and services you are selling and the economic, social and environmental impact of the most important amongst them. This highlights that you are indeed informing about the key product-related issues.

You should render a plausible account of the impacts of your main products for each phase of the product life cycle. Data, analyses, assessments and possibly targets should be given accordingly.

Outside appraisals may well support the portrayal of your company, too. It is of interest e.g. which of your products have gained an environmental label, based on what criteria. Your efforts and goals in product development should also be mentioned. Concerning the product line, market strategies and customer advice issues

should figure prominently as the market for socially and environmentally particularly desirable products poses special difficulties but offers special opportunities as well.

The practical example of a market: Otto Versand was able to increase the proportion of textiles with hazardous substances testing to 52% of total sales. The percentage of textiles of optimum environmentally conscious production, however, fell to 0.5% due to a lack of demand. Otto Versand, therefore, has set out to fundamentally redesign its conception for this segment.

Otto Versand: Sustainability at Otto.

A special aspect is the further development of already existing products. Although adaptations and modifications often require great effort, the improvement of older but well-selling products is desirable, especially from an environmental point of view.

A practical example of product optimisation: the furniture manufacturer Wilkhahn considers the additional optimisation of product lines as particularly difficult. Performance features of new materials, their different state of testing or aesthetic deviations in surface design make optimisation problematic. In view of the desirability of long product life cycles the environmental advantage would be nil if long-standing customers in need of new items had to replace their stock because old and new products do not match.

Wilkhahn: Wilkhahn Added Values. 2000

Responsibility for the product applies to its entire product life cycle.

Environmental Performance in Production

The description of environmental aspects in production very much depends on your company's industry. Consumption of materials, energy and water is practically always important; waste and air emissions as well. Environmentally hazardous substances and impacts on soil and water, however, are only relevant in some industries. Topics such as 'bio-diversity' may be of importance for food producers, for example; radioactive substances and emissions need to be mentioned by energy providers if they operate nuclear power plants. Your choice of the main environmental aspects in the environmental audit can give you orientation. Your report should give a systematic account and you might want to look around in your industry:

- Does the association of your industry have any self-imposed obligations on specific environmental issues?
- What are commonly the topics in your industry's environmental reports?

Key Data of Environmental Performance

We recommend to definitely include the following environmental key data:

- the consumption of all materials with a focus on regenerative, recycled and especially hazardous substances,
- the total consumption of energy differentiated by type of fuel and source (coal, oil, electricity, etc.),
- the volume of electricity consumption differentiated by type of generation (regenerative?),

- the volume of water consumption,
- emissions of greenhouse gases (converted into CO2 equivalents according to the Kyoto Protocol)
- emissions of gases that damage the ozone layer (according to the Montreal Protocol), and
- the total volume of waste to be disposed.

Some industries have started to develop specific key data. First manuals have been produced (chemical industry, banks) and working teams (printing industry) been established. Progress is rapid and you should turn to your industry association for further information.

Pay attention to self-imposed obligations in your industry.

Use key data to portray environmental performance in production.

Checklist:

- Use your environmental targets to illustrate your company's efforts to solve the most pressing environmental problems (climate protection, conservation of bio-diversity, reduction of land use, etc.).
- Describe your most important products and their environmental impacts during each phase of the product life cycle.
- Use the above-mentioned key data to present your environmental performance.
- Inform yourself about further specific key data and benchmarks in your industry.

6.3 Economic Performance

In our opinion the report on economic performance has a double rationale:

- it is to portray the economic situation of the company (turnover, use of profits, development of the industry, etc.), and
- it is to deal with the specific aspects concerning sustainability in business. We recommend to at least report about products and markets and the global and regional responsibilities of your company.

Presenting the Company's Economic Situation

Large companies usually disclose their economic performance in the annual report, which – in the case of joint-stock companies – follows legally defined guidelines. The legal form of many small and medium-sized enterprises does not require the publication of such a report. If you do publish one, you can keep this chapter short in the sustainability report and refer to the more extensive coverage in the annual report.

It may be helpful in this context to first analyse the industry's development and describe current tendencies on the market. Key words such as globalisation and innovation loom large. At the end of this chapter you find a number of key financial data your report should definitely contain.

The economic situation should be briefly described from the management's point of view.

Products and Markets

Sustainable companies aim at producing products that stand the test of critical scrutiny by customer advice centres and can be deemed as useful, suitable for use and appropriate to satisfy human needs: products that belong to the vision of a 'sustainable society'.

Not only should a sustainability report portray the environmental aspects of the product (see chapter 6.2 'Environmental Performance') but also deal with the positive contribution of the product's production and use for society. Besides environmental and social dimensions, political and cultural aspects may be important as well.

The practical example of products as cultural contributions: the furniture manufacturer Wilkhahn heeds the motto 'to produce durable products, increase their use value and reduce waste.' Above all, the question of the actual point and usefulness of a product must be answered. The Agenda 21 comes to the conclusion that the here-today-gone-tomorrow mentality of an affluent society and an overwhelming mass of random commodities mutually reinforce one another. They are the real causes of our doing business at the future's expense. Therefore, Wilkhahn has produced many award-winning furniture lines with designs and a functional validity that were sometimes maintainable for decades.

Wilkhahn: Wilkhahn Mehrwerte. 2000

The decision for a specific product range lays the economic cornerstones for company sustainability.

From an economic point of view, customer service, the quality of customer service and the offer of product information are further issues of interest. Frank and comprehensive communication about product features is especially important in this area in order to enable consumers to make the ideal purchase decision. Another point of significance is your keeping the barriers to the market resulting from pricing and distribution as low as possible. Suitable strategies of market transformation are to warrant market flexibility.

The practical example of Weleda: Weleda sees the usefulness of its products confirmed not only by continuously rising turnover but also by the numerous awards won in comparative quality tests and at trade fairs. In 1998/99 four products were recommended by Öko-Test and two products were named 'Products of the Year' at the Biological Products Trade Fair 1997. Weleda childcare products were recommended by 62% of midwives.

WELEDA AG: Transparenz 2. Sustainability Report including an Environmental Statement 2000

Global Economic Responsibility

Depending on company size the influence of a company and its production sites can be considerable in some regions of the globe. It is a matter of interest what amounts e.g. have been invested in fixed facilities by country, the distribution of employment and wage costs by country and how much (and where) is invested in R&D and in primary occupational training and further training of employees. Development partnerships with companies or know-how transfers to developing countries are possible further contributions to development by private enterprise. The type and volume of outsourced activities should also be reported, if applicable.

A practical example of development aid: Shell has been economically active in Gabun's Gamba region for 40 years. For many years Shell supported the regional population by funding of hospitals, medical provisions and schools, thereby rendering them dependent on aid. After two years of stakeholder dialogue, Shell has now started to support projects of independent development by means of sponsoring, assistance and training. Projects in agriculture are carried out and a centre designed to help companies get started in business was founded.

Royal Dutch/Shell: How do we stand? People, Planet & Profits 2000

Globalisation increases company responsibility.



Companies have manifold influence on regional development.

Regional Economic Responsibility

Wherever an enterprise has a large office or production site it assumes responsibility for the region and its people. They benefit from its job offers and wage payments; state authorities profit from the company's taxes. Many times regional suppliers may benefit as well. At the same time, these regions suffer from traffic noise and other environmental impacts of company activities. Closures can have dramatic economic consequences as well. Your report should document your view of the responsibilities deriving from these facts.

A practical example of a closure: VAW Aluminium AG closed down two large production sites in Töging/Bavaria between 1993 and 1996. In 2000 the company reports that the foundation of a local development society and a centre for start-ups has resulted in the attraction of 45 new firms with 400 employees at the old site since 1994, which has ameliorated the social impact of the closures. The company donated real estate and buildings worth 800,000 euros.

VAW Aluminium AG: Environmental Report 2000: On the Way to Sustainability

Key Data of Economic Performance

We recommend to definitely cover the following key data of economic performance:

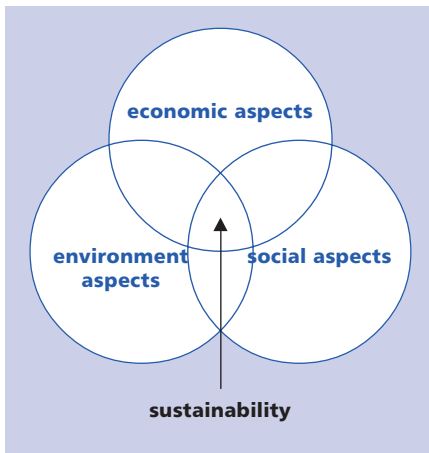
- turnover,
- the distribution of turnover among advance investments, wage and additional wage costs, the state share (taxes, fees, etc.) and the results of normal business activity (profit before tax),
- the use of profits (charity/different types of dividends/withdrawal/reserves),
- for joint-stock companies: market capital in relation to the book value taking into account the share of the book value that comprises the assets invested, and
- the ratio of company capital and debts.

Checklist:

- Briefly describe the economic situation of your company. Make use of the key data mentioned above.
- Present your product line in the context of sustainable development.
- Further portray your company's products and markets and its global and regional responsibilities.

6.4 The Integrative Performance – a Cross-sectional View

The presentation of your company's performance should not confine itself to the three dimensions of sustainability. Readers will be particularly interested in how your company manages to combine the different dimensions and their often conflicting targets, what priorities are set and how exactly the dimensions are weighted. Regarding the portrayal of the 'integrative performance' of your enterprise you have to explain the problem of conflicting targets on the one hand, while pointing out the various overlaps and synergies of the three dimensions of sustainability on the other.



Sustainability: Dimensions and Overlap

Conflicts between the three dimensions of sustainability are particularly prominent when it comes to planning and implementing cross-sectional activities. Yet, there may sometimes be surprising synergies as well. Your report should document both: the description of win-win-situations is important as it encourages emulation; but the conflicts resulting from economic, social or environmental measures in other areas are equally of interest to the target groups.

The sustainability strategy offers innumerable possibilities to combine the desirable with the necessary, the social with the economic or the environmental with the economic rationale. Openly communicate contradictions and failures as only this will show that you have learned and intend to make real progress.

The points of contact between the three dimensions are just as varied as the different aspects of sustainability itself. Yet, as of now this area of sustainability reporting is particularly poorly developed, which highlights the importance of the creativity, ideas and dedication of companies such as yours for progress and the success of sustainability reporting at large.

Outline your cross-sectional concepts and point out their strategic consequences.

Look for examples of holistic and successful activities in your company.

Win-Win-Situations

The 'eco-efficiency' concept highlights how economic and environmental interests can be tied-in with one another. This concept can help, for example, to find possibilities of simultaneously reducing both costs and consumption:

A practical example of free heat: VAW Aluminium AG co-operates with the local city department of works in the use of waste heat. In the process, energy efficiency of the rolling mill was improved and 4,000 inhabitants of new housing estates can use the waste heat from the smelting ovens for heating. CO₂ emissions of 19,000 tons annually can be avoided and both partners actually save costs.

VAW Aluminium AG: Environmental Report 2000: On the Way to Sustainability

A practical example of regionalisation: the United Nations Conference on Environment and Development in Rio de Janeiro 1992 gave rise to the central idea of regionalisation. The brewery Neumarkter Lammsbräu puts this idea into practice: the integration of regional agriculture into the circle of suppliers minimised pollution by reducing transport distance and saved jobs. Thus, the company contributes to the structural improvement of the region's economy.

Neumarkter Lammsbräu: Environmental-Controling Report 1998

Target Conflicts and Dilemma Situations

The implementation of sustainability strategies does not always result in win-win-scenarios. Often there are target conflicts that need to be resolved by the company. In these cases it is important to point out what priorities are set and how conflict-solving works in your company.

The practical example of a conflict between environmental and pricing targets: the construction company Gundlach informs its customers and clients about the company's practice of weighing environmental and economic interests: 'Your construction partners at Gundlach have pledged to maintain and improve living and environmental conditions in planning and building processes. Environmental criteria already inform our choice of a building site. The same applies to our choice of construction and extension features, all the way to handing over our final products to you. Environmental criteria and economic feasibility have to be weighed, of course.'

Gundlach: Gundlach Sustainable. 2000

win-win-solutions

This example illustrates the potential economic benefits of environmental (and social) progress. This type of win-win-situation is well-suited to win majority support in companies, yield advantages for all parties involved and encourage others in their search for similar solutions.

At second sight, apparent contradictions can sometimes turn into synergies. The following example of the sustainability of a market strategy is a case in point:

A practical example of globalisation versus saving a production site: Few topics are as explosive as productive investments in other countries. There is a deep-rooted fear that jobs created there might translate into jobs lost here. On the other hand, market opportunities might be lost if longer delivery periods, worse customer contact and higher costs of transportation cause serious competitive disadvantages on markets abroad. On top of that, the environmental impact of transportation needs to be taken into account. And finally: is the right to employment confined to the company premises or does not social equity imply that the people in market areas abroad should equally benefit from the possibilities of adding value? Wilkhahn closely co-operates with the workers council to find case-specific solutions with the optimum balance of interests. Up until now, production in foreign subsidiaries has not caused a single redundancy in the headquarters. Quite the opposite: it has profited from the centralised production of high-tech elements for the subsidiaries.

Wilkhahn: Wilkhahn Added Values, 2000

The development of indicators and key data to record multi-dimensional company performance has just begun. Innovative solutions, ideas and efforts are required to promote further developments in this field.

Checklist:

- Describe your cross-sectional concepts and visions and explain strategic consequences.
- Point out win-win-situations.
- Describe target conflicts and dilemma situations that might result from the implementation of sustainability strategies as well.



7. Design of Sustainability Reports

7.1 Sustainability Reports as Part of the Company Reporting System

Companies can report on the different aspects of their activities in various ways. Each type of reporting has specific functions and addresses a different target group:

Company reporting consists of several elements.

Nationally, economic company reporting, the **annual report**, has had a legal framework of detailed regulations for decades. This report is mainly to record and document a company's economic activities in monetary terms in order to deliver crucial information on the situation of the company's assets, finances and success to interested parties both within the company and without. In this case, the perspective of accountancy focuses on purely economic factors that can be recorded in quantitative terms such as, profit, turnover, productivity and profitability.

Reporting on social aspects of company activity, which is most common in the UK, has also been around for several decades. Social reports sometimes provide quite extensive information on the positive and negative external effects of business that is not covered by traditional accountancy. Others only describe some employee-related aspects. In recent years, the debate about the social responsibility and accountability of companies has once again gained momentum. Companies increasingly regard social aspects of their activities as a part of strategic management that needs to be integrated into the targets of company planning just as much as economic goals.

More or less since the mid-1980s there has been greater interest among managers and society at large in the environmental impact of business activities. To satisfy the stakeholder's growing demand for information an increasing number of companies opt for the publication of environment-related data. In recent years, both the number and the quality of environmental reports and environment-related information in annual reports has continuously increased the world over (Loew/Fichter 1998). More than 2,500 enterprises publish environmental statements within the EMAS system in Germany alone. In addition, about 300 mostly large German companies publish environmental reports annually.

The **sustainability report** constitutes a new type of company reporting that integrates aspects of all the above-mentioned types of reporting. Therefore, it can both be published parallel to the reports already established at a company or replace some of the company reports produced thus far. Hence, the sustainability report should be regarded as a means of providing company information and be carefully integrated into your already existing reporting system.

For information on environmental reporting turn to www.ranking-umweltberichte.de



Few people will order your sustainability report just after reading a press report. It is crucial to actively disseminate such a report and to actively integrate it into existing structures of company communication. Experience from the pilot project 'Sustainability Reporting' indicates high effectiveness of the reports. 115 questionnaires returned to the three medium-sized enterprises contributed the following data on reader behaviour:

- Customers, sales partners and employees: they each invest an average of one and a half to two hours of reading time; only the groups 'press representatives' and 'capital investors' stay below the one hour threshold.
- 35% of the readers read the entire report, 45% parts of it, 15% look for specific information. A mere 5% only browse through the report.
- 72% of the readers consider a printed version as the suitable means of reporting while the Internet gains 46% approval.
- 72% of the readers prefer short reports of less than 30 pages; only 6% want more than 50 pages.
- 50% of the readers favour annual reporting; only 10% would be satisfied with triennial intervals.

7.2 Ways of Structuring the Sustainability Report

You have various ways of structuring your report. You do not have to follow our suggested order of chapters (see chapter 5 'Elements of the Sustainability Report') but can opt for a different structure. The following examples may serve to illustrate different structural approaches:

The practical example of Weleda:

- Foreword
- Underlying Company Philosophy
- Background Article: Processing of Minerals
- Environmental Statement
- Background Article: Anthroposophy and Business
- Business Report
- Background Article: Company Eurhythmic
- Social Report

The practical example of Gundlach:

- Foreword
- Company Targets
- Presentation of the Company
- Gundlach and its Employees
- Gundlach and its Customers
- Gundlach and its Products
- Gundlach and its Partners
- Gundlach and its Corporate Culture
- Gundlach and its Environment
- Closing Remarks

Almost all the chapters of the Gundlach report directly address a specific target group. The Weleda report, on the other hand, is orientated by the three dimensions of sustainability. Another option would be to follow the product life cycle and use different chapters to outline the topics related to each stage. Or you can supplement a very journalistic type of report with a 'Facts and Figures' part just as Otto Versand.

7.3 Presentation of Contents in the Sustainability Report

The presentation of contents plays an important role.

Not only the contents are of importance for the success of a sustainability report; the type of presentation matters as well. How do you design the report to make sure it is really read by your target groups? What means and media do you use to disseminate the report? In the following, we would like to suggest how to design, select media and disseminate such a report.

Paper Version or Internet?

The report can be circulated either in a paper version or via the Internet. The Internet is cost-attractive because there are no expenses for printing and mailing; besides, all interested parties have immediate access. Yet, many favoured address-

ees, such as important customers, traders and business partners, may be hard to reach this way. Documents like a sustainability report tend to be read some time 'in between', e.g. on the train or in an airport lounge. Many of your favoured addressees will hardly take time out of their busy days working at the computer to read information materials. There is good reason to assume that a written version is more suitable to reach these target groups. At least a condensed print version should, therefore, be produced.

How long should your Report be?

Keep the report brief. Most readers favour less than 30 pages. Apparently, longer reports find readers as well, provided they are well-designed and make interesting reading.

To keep your report short you can put detailed information on the Internet and make reference to materials containing background, such as your annual report. An appendix of data may also make sense.

The practical example of Otto Versand: The sustainability report of Otto Versand is divided in two parts. A magazine-style main part provides information on several topical issues. The 'Facts and Figures' supplement contains a number of economic data, information on environmental management, environment-related data and programmes as well as first social data. In addition, Otto Versand makes explicit reference to further detailed information, e.g. the questionnaire for the suppliers audit, the Otto list of prohibited hazardous substances in hardware products, etc.

Elements of Layout and Design

Not everything can be described verbally. Developments and complex interconnections are often much better illustrated by graphics, charts and diagrams. Photographs can give your readers a better impression of the company, its products and staff. Quotations give more variety to the report and make for more authenticity and credibility if external sources are quoted.

How often should you publish a Report?

Many environmental and social problems cannot be changed in the short run. In many cases companies are therefore quite happy to be able to report real progress after two-year periods. Although most stakeholders would favour annual reports, we consider bi-annual or tri-annual reporting as sufficient. Given the limited means of small and medium-sized enterprises, even that requires a lot of additional effort from those responsible for reporting. Yet, regular reporting is crucial for building trust. Therefore, you should always include the scheduled date of publication of your next report.

**Annual, bi-annual
or tri-annual
reports?**

Checklist:

- Integrate the sustainability report into your reporting system.
- Choose a report structure suited to your company.
- Decide on publication on paper, via Internet or on a combination of both.
- Keep your report as brief as possible.

8. The Credibility of your Sustainability Report

A sustainability report must be credible.

Sustainability reports are voluntary company publications and thus not subject to any generally accepted standardised mould. As sustainability reports are published by the company itself, the wider public might easily suspect that they only portray the positive aspects of company activities while omitting the negative. One important prerequisite of successful sustainability reporting, therefore, is credibility. Only if the readers do not doubt the report's contents and messages can it support the dialogue between your company and the stakeholders.

In the following, we introduce several possibilities of warranting the credibility of your reporting. The decision on what the best approach might be in a specific situation, or if a combination of various options might actually be the most useful way to go for your company, should be made prior to the production of the sustainability report.

8.1 Warranting Credibility in the Production of the Report

The report's production itself can contribute a lot to its final credibility.

The basis of credibility should be the 'Principles of Reporting' (see chapter 4). Complete and truthful information that does not omit weak spots and refers to standards of assessment and past targets determines whether or not readers find your report 'credible'.

In chapter 3 'Target Groups and Interests in Information', we recommended the integration of stakeholders of your company into the production process of the report. Describe your efforts of integration in your report. Stakeholder representatives can make their presence in the report felt by way of quotations, which enhances its credibility.

You can further improve your company's transparency by an open account of given present weaknesses (there must be some), obstacles and critical facts. The inclusion of unambiguous and verifiable targets, and the communication of your readiness to be judged according to these goals and the standards in your industry, lend further credence to the report.

8.2 Securing Credibility by External Verification

Verification by external auditors is a widely used instrument of enterprises trying to improve the credibility of their reports. Just as is the case with company reports, an independent institution is hired for verification, e.g. an accountancy agency. It examines the accuracy of data and the propriety and regularity of recording procedures and confirms this with a certificate.

Verification by independent institutions increases the credibility of the published data and statements.

Some guidelines for audits of environmental reports already exist but none are yet available for the new concept of sustainability reports.

Yet, verification does not cover the question whether or not the company is really reporting about all the relevant aspects and discloses both positive and negative impacts of company activities as a 'true and fair view' would imply. However, this fact is at least as important for the readers of sustainability reports as is the correctness of the data. Therefore, opinions differ on the positive effects of external verification on the credibility of sustainability reports.

The practical example of BAA: the British Airport Administration, which runs 13 airports, is among the top-scoring companies whose environmental and sustainability reports were ranked by SustainAbility and UNEP in the autumn of 1999. It integrated its official annual report into a sustainability report for the first time. The data, factual statements and the realisation of targets were subjects of verification. Nonetheless, SustainAbility criticises the report's implicit assumption of unlimited growth of air traffic in the future (SustainAbility/UNEP 2000). It also ignores the long-term environmental consequences of this development, which ought to be of great strategic importance for the company.

BAA: Annual Report 1999/2000

8.3 Warranting Credibility by Stakeholder Commentary

Trustworthy stakeholders of your company are possible commentators of the report as well, be they representatives of pressure groups or independent scientists. They are most likely to deliver a critical appraisal of your long-term strategies. The criterion for this type of commentary should be the adequate information of the public about developments at your company that might have either positive or negative impacts on sustainability. Such a commentary should focus on the question whether the main connections between the company and society are properly dealt with and presented.

Besides, the interested public should learn about the commentator's view of the company's contributions to sustainability.

An assessment of the sustainability report can also be done by stakeholders of the company.

Checklist:

- Pay attention to the 'Principles of Reporting'.
- Integrate stakeholders into the production of the report.
- Consider whether external verification or commentary can be of use.

9. The Road to the Sustainability Report and Sustainability Management

It is no accident that all four companies that took part in our project 'Steps towards Sustainability Reporting' had a lot to contribute and say about sustainable development. But none of these enterprises would have claimed at the outset that it already had a sustainability management system. We were not even sure whether that type of management is necessary at all. After the introduction of quality and environmental management systems, the general demand for the introduction of further systems of this type is certainly not very great.

Between the initial idea of the sustainability report and its completion there are several working steps.

It is a long way from the initial idea of publishing one's own sustainability report to the final printing of it. We would like to tell you about the experiences of the pilot enterprises that took part in this project in order to minimise your problems when starting out on this endeavour. We will further suggest procedures for the production of a sustainability report.

9.1 The Experience of the Pilot Companies in the Production of the Sustainability Reports

During the course of the project the production of the sustainability report was closely intertwined with the integration of the sustainability concept into entrepreneurial action. Thus, while describing the way to a sustainability report we are already describing to some degree the way to sustainability management.

The Importance of Sustainability for Companies

We found great interest in our project at all companies. All of them were ready to contribute an inter-departmental working team. These teams consisted of representatives of management, the environmental department, human relations department, purchasing department, product development, marketing and, of course, the public relations department. In many small and medium-sized enterprises the same person tends to be in charge of several of these functions.

The kick-off meeting already gave rise to the question: 'What exactly does the term 'sustainable development' mean and what does it imply for our companies?'

The practical example of the sustainability check: Weleda AG conducted a number of interviews with employees from different departments and worked through the sustainability checklist of future e.V. (future e.V. 2000). The interviews revealed that many of the aspects that are connected with the term sustainability are suitable for putting Weleda's ambitious company policy into practice. This policy is characterised by a lot of values that also loom large in the concepts of sustainable development. In a decisive meeting a long discussion among the decision-makers at Weleda came to the conclusion that it would correspond with Weleda's philosophy to take on the challenge of producing a sustainability report.

www.future-ev.de

The answer to the question 'What does sustainability imply for our company?' was of great importance for the final decision to produce a sustainability report and led to different adoptions of the term in each company. Each company had slightly different definitions of sustainability, as different products and production methods, customers and market structures make for different scenarios, which entails different problems and priorities. A sustainability check may even lead to a revision or extension of corporate policy or the decision to more consciously assume certain environmental and social responsibilities.

The Companies' Targets

Dealing with the term 'sustainability' helped the companies become more aware not only of their environmental but also of their social targets. Social targets are often not documented in special programmes and a systematic controlling of target achievement is often missing. Comprehensive target catalogues covering environmental, social and partly also economic targets were drawn up for the sustainability reports. The production of these target catalogues definitely was a practical step towards sustainability management as it implied the question of target control and the responsibilities for implementation.

Identification of Company-Specific Key Data

This manual, just as much as many other publications and industrial associations, suggests key data to record economic, environmental and social performance. It takes an effort to turn these suggestions into a company-specific and suitable system of key data. But it is worth the effort, for only good key data can unambiguously document progress and only systematic controlling of targets guarantees the effectiveness of sustainability management.

Organising the Production of the Report

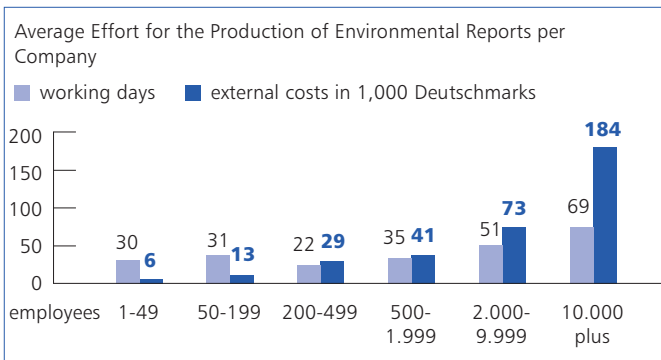
The organisation of the production of data and texts was determined by the responsibilities of the members of the working team. A number of meetings was held in the companies to assign tasks and discuss drafts.

There were controversial debates about the best structure for each company (see chapter 7 'Design of Sustainability Reports'), which has considerable impact on the character of the report and has to get the contents across to the target groups.

Producing a sustainability report takes greater effort than writing an environmental report.

Effort required to produce the Report

It is a long and time-consuming road from the initial idea of publishing one's own sustainability report to preparation to final printing. In the three medium-sized pilot enterprises of 200 to 500 employees each it took altogether between eight and 12 months and required 50 to 70 internal working days. Expenses for the agency and printing costs have to be added. Based on replies from 194 environmental reporters, IÖW calculated the following inputs of working time and money required for environmental reporting in 1997 (HMWVL/HT1999). They might be of some validity for sustainability reports as well:



There have to be unambiguous responsibilities for all dimensions of sustainability.

In comparing these findings with our own figures we conclude that the production of a sustainability report requires somewhat more investment than that of an environmental report. Yet, the special and additional work put into the pilot project needs to be taken into consideration. At least, we can use the data recorded for environmental reporting as rough indicators.

Responsibilities for the Achievement of Targets

The question of responsibilities at the companies was quickly answered. Environmental protection was already well-organised, there are clear management structures for economic issues and social affairs can either be classified as a job for the human relations department or – if social issues regarding suppliers are concerned – the purchasing department.

The setting of targets and planning of measures was sometimes more difficult. It was not quite clear where more far-reaching interdepartmental issues and conflicts were to be settled, and who would be the process-promoter in charge of regularly reminding those who had taken responsibilities for various tasks. The latter issue could easily be resolved in companies with a working personal objectives system. The 'sustainability targets' could be integrated into the personal objectives in these cases. Elsewhere, extended environmental working teams or meetings of top level management could settle questions and conflicts, at least in small and medium-sized enterprises. Additional meetings could thus be avoided and the working time exclusively used to make real progress.

9.2 Steps towards the Sustainability Reporting

The initial impetus to take on the topic of sustainability can either come from management itself or from employees. It is, however, crucial, that the topic is discussed at the top management level since ultimate decisions regarding the adoption of sustainability principles at the company and the pledge to also assume environmental and social responsibility can only

Management and staff have to be convinced of the importance of the issue.

be made by the management of the company. Management must be convinced of the underlying ideas of the concept, develop the corporate vision and targets and support and organise the activities of the staff.

When setting up a sustainability report working team you should pay attention to a wide range of qualifications and include employees from different departments of your company (e.g. human resources, marketing, environmental, purchasing and management).

The group's first job is to perform a sustainability check of the company. Identifying important issues, strengths and weaknesses is the basis for further steps. It will most likely require more meetings of the working team to establish consensus on relevant contents and targets, useful key data and a suitable structure for the report. Then first drafts of the report have to be written. Make sure that in discussing and deciding on the different texts that not all pieces of critical information are dropped. The final version needs to be approved by management. Then your company's sustainability report can be printed or published on the Internet.

9.3 The Way to Sustainability Management

The production of a sustainability report is closely connected with the organisation of elements of sustainability management. A future-oriented report will certainly include your company's targets concerning social and environmental topics. Ensure that the achievement of targets, and the

organisation of the measures they require, are organised and are progressing. This requires that responsibilities are assigned and progress is controlled. These are first steps towards sustainability management.

If and how adoption of the sustainability vision will effect the organisation of your company beyond these points is outside the scope of this manual. We are deeply convinced that the realisation of the sustainability vision will be of great significance for the future competitiveness of your company. Product and market strategies, purchasing and production: much or maybe everything can and will change in the next few decades in order to meet the requirements of environmental protection, global justice and economic sense, which the sustainability vision entails. We hope that you will succeed in this process and wish you well.

Checklist:

- Discuss the significance of the issue of sustainability and its impacts on your company with management.
- Organise a working team and a kick-off workshop.
- Conduct a sustainability check at your company.
- Identify targets, plan measures and choose key data for target control and documentation in the report.
- Decide on a suitable structure of your sustainability report.
- Formulate readable texts and coordinate them internally.
- Organise the assumption of responsibilities resulting from the sustainability concept for your company beyond the report itself.

Literature

The comprehensive research report on this project:

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The International Network for Environmental Management (INEM)

The International Network for Environmental Management e.V. (INEM), founded in 1991, is the world federation of non-profit national business associations for environmental management with about 30 member associations and cleaner production centres in 25 countries.

INEM's goals are to increase the number of environmentally managed companies; assist in particular small and medium-sized enterprises (SMEs) in implementing environmental management; improve the quality of environmental management; and transfer environmental management know-how from business and industry to other sectors of society. In addition, INEM strives to help develop a macro-economic framework that favours environmentally managed companies.

INEM promotes and disseminates environmental management through the establishment of national business associations world-wide and organises international cooperation among the member associations. INEM carries out projects, conferences, workshops and train-the-trainer seminars and develops and disseminates implementation aids for the praxis (e.g. Blueprint for Green Management, Eco-mapping, EMAS Tool Kit for SMEs, The INEM Sustainability Reporting Guide). A comprehensive website makes much of INEM's knowledge and experience available to the world business community.

INEM is the oldest and largest association of its kind world-wide.

As an environmental and development organisation with business expertise, INEM favours SMEs and solutions that preserve the local identity in partner countries.

On the occasion of its 10th anniversary, INEM organised the international conference "Business Opportunities arising from an innovative Development Policy" in October 2001 in Berlin in cooperation with its German member association, The German Environmental Management Association (B.A.U.M. e.V.), B.A.U.M. Consult and the Aachener Foundation Kathy Beys. The conference was designated as INEM's 6th International Industry Conference on Sustainable Development (IICSD). Previous IICSDs were held in Rio de Janeiro (1992), Tokyo (1993), Harare (1994), Lübeck (1995) and Gdansk (1997).

INEM is accredited to the United Nations Commission on Sustainable Development (CSD) and United Nations Framework Convention on Climate Change (FCCC) and holds consultative status with the United Nations Industrial Development Organisation (UNIDO) and the Baltic Marine Environmental Protection Commission (HELCOM). INEM is also a Liaison A member of the ISO Technical Committee on Environmental Management (ISO/TC 207), which is developing international standards for environmental management systems, environment auditing, eco-labelling, life cycle analysis, and environmental performance evaluation.

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The Institut für ökologische Wirtschaftsforschung (IÖW)

{Institute for Ecologic Economy Research} has a long experience of elaborating and assessing application-oriented and scientific concepts for political, social and business actors. The Institute was founded in 1985 as a non-profit limited company by scientists with a commitment to environmental policies. Its central goal was and has been ever since the integration of environmental issues into economics and the development of methods, instruments and models to make the conditions set by the political framework and economic viabilities compatible with environmental concerns.

IÖW's field of research 'Environmental Company Policies' has contributed to the development of environmental management and environmental controlling in Germany since 1987. Particular public attention was gained with the 'Ranking of Environmental Reports', which has been carried out biannually in cooperation with the business association future e.v., an environmental initiative of entrepreneurs since 1994.

The Institute has clients and sponsors in a variety of social areas: regional and local authorities, companies, associations and foundations. International projects and cooperations in the European Union and United Nations framework are gaining more and more importance.

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The imug Institut für Markt-Umwelt-Gesellschaft

{Institute for Market, Environment, Society} is a practice-oriented research institute at Hanover University operating in the legal form of a registered association since its foundation in 1991. Its scientific work is to promote socially and environmentally responsible action of all those who make or influence economic decisions. Imug's research interest focuses on the question of how to best account for social and environmental concerns in market processes. Improved communications and interaction on markets and in society are the prominent features of the strategies favoured by imug in its quest for solutions.

Imug has made a particular mark in Germany by developing and popularising the concept of 'company tests'.

The findings of imug's corporate responsibility research can equally be made use of for purposes of consumer information and ethical or socially responsible investments (SRI).

Imug receives financial support from the Theodor-Lessing-Stiftung, a scientific foundation promoting ethical economic research. Additional funding stems from project-related revenues.

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The Contribution of Small and Medium-sized Enterprises to the History of Environmental and Sustainable Management

The basic idea of sustainability was already established in forestry in the last century. The principle was that forest growth and forest cutting had to be kept in balance, so that every generation of forest owners can earn a reasonable living from the forest. It was not unusual for the time interval between planting and felling to be 70 years or more. Each generation had a sense of responsibility for the economic existence of future generations, too.

There are many companies which have been in existence for a hundred years or more, because each generation of owners was thinking not only of maximising short-term profits, or of increasing shareholder value, but of the economic situation of future generations. That is why sustainability has always been widespread among company owners, more than in almost any other professional group.

The first stimuli for systematic environmental company management, going beyond the requirements of merely complying with legislation, came from company owners and managers themselves. These ideas were later taken up by the academics, by standardisation bodies and by legislators.

Some of the companies which led the way were small and medium-sized enterprises. That may encourage all those small and medium-sized companies which are currently wondering whether or not to work towards sustainable management and sustainability reporting.

An example of such a company is Ernst Winter & Sohn GmbH & Co, which in 1972

officially made environmental protection one of its corporate goals. Over the years up to 1985, the company developed the Integrated System of Environmental Management, which systematically incorporated all sectors of the company - including environmental product and process development, waste management (recycling, disposal), environmental raw materials procurement, environmental education for staff (apprentice and adult training and re-training), environmental counselling in employees' households, environment officers, committees and suggestion schemes, an environmental information and invention exchange system. In addition, the company engaged in activities going beyond the scope of its business purposes, such as active involvement in citizens' action groups for clean air, and the organisation of a trade fair on environmentally relevant inventions.

The resulting experience was input into BAUM (German Environmental Management Association), which was established by business people in 1984, and in 1987 it was published in the form of the first international manual on the subject. In 1978, the company magazine published the following article by Dr. Georg Winter under the heading "Environmental Protection as a Business Responsibility"; this demonstrates how many aspects of sustainability were already an issue for small and medium-sized companies back in the 70s.

Original article from the company magazine of a medium-sized company from the year 1978.

Environmental protection as a business responsibility

Technical civilisation has already destroyed a great deal of the natural environment. Air, water, soil and flora and fauna are beginning to lose their biological viability. Human health and life are under threat.

That is why it is up to all the public authorities and private institutions to include in their goals the maintenance of a healthy environment. That applies to governments, administrative authorities and political parties, churches, educational institutions and the mass media, and also to consumer organisations, industry associations and trade unions.

The management of every individual company is responsible for strict compliance with the relevant legal regulations for protection of the environment. In order to avoid distortion of competition, all legislative and administrative bodies at EU, Federal and Land level should ensure that the companies competing in a given market are not subject to different degrees of strictness in environmental legislation.

Management of companies should check systematically whether it can also take action for protection of the environment on a voluntary basis, i.e. take measures which go beyond those required by legislation and regulations.

Voluntary environmental protection measures should not only be taken when they are neutral in terms of cost (e.g. switching to raw materials which cost the same, but which are more environment friendly), if they lead to cost reduction (e.g. programmes for savings in raw materials or energy), or if they are beneficial to sales volume as well as to the environment (e.g. promotion of particularly environment friendly product groups, which are thus more promising for the future).

Such voluntary measures should also be taken if they involve extra cost. However, the limit to acceptance of such additional cost burden is where the economic existence of the company and its staff is threatened. Excessive environmental protection measures may lead to bankruptcy and hence to loss of the market to competitors, who may completely neglect environmental protection.

The attention of company management must not be limited to the specific industrial environmental protection measures of today. Management must also join in the fundamental discussion on the globally intermeshed problems of industrialisation, population growth, malnutrition, scarcity of raw materials, and destruction of the environment. This will enable it to identify development trends for medium- and long-term development, and at the same time make contributions from the company's specific expertise to help make the world of the future a better place to live in.

The responsibility of company management for environmentally acceptable action is expressed in Article 14, para. 2 of the German Constitution, which states that the ownership of property entails ob-

ligations to society. Like any other property, ownership of industrial companies involves a duty on the part of the owner (and for managers acting on the owner's behalf) to pay due respect to the general good, and that includes paying due respect to a healthy environment.

The responsibility for environmentally acceptable behaviour is also rooted in the properly understood philosophy of running a business. Businesspeople are people who work for the interests of their own business, while at the same time they make it their business to do what is necessary for society as a whole. And what is necessary today, by contrast with the period of reconstruction after the war, is no longer simply to supply the markets with goods for people to buy, but to ensure that the goods supplied, and their production, are as positive as possible for the environment.

Owner/managers of family businesses are well placed to work for the good of the environment in forward-looking industries. Unlike Members of Parliament, who are elected just for one parliamentary term, owners of family companies do not have to worry about not getting re-elected if they take extensive environmental protection measures for the good of the next generation.

In fact, there are many business personalities whose names are linked with innovative achievements in environmental protection and nature conservancy. A good example is Dr. Alfred Toepfer, who played a major role in promoting the idea of national parks, both in the Federal Republic of Germany and elsewhere in Europe.

The Winter company contributes to environmental protection in four ways:

1. By introducing more environmentally favourable processes in the manufacture of Winter products;
2. By making Winter products themselves more environmentally acceptable;
3. By supporting organisations dedicated to environmental protection and nature conservancy;
4. By promoting environmental awareness in business associations and in employees of the Winter Group.

Winter's Management Board has appointed an Environment Officer, whose responsibility it is to ensure that environmentally appropriate behaviour is practised in all areas of the Winter Group. The Environment Officer reports directly to top management. This relationship underscores the priority attached by Winter to environmental protection in the framework of business target setting.

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Internet company tests:

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Addresses in the Internet

- Project Sustainability Reporting:

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- German Federal Environment Foundation:

www.dbu.de

- Global Reporting Initiative (GRI):

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- SustainAbility Ltd.:

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The International Network for Environmental Management (INEM)

The International Network for Environmental Management e.V. (INEM), founded in 1991, is the world federation of non-profit national business associations for environmental management with about 30 member associations and cleaner production centres in 25 countries.

INEM's goals are to increase the number of environmentally managed companies; assist in particular small and medium-sized enterprises (SMEs) in implementing environmental management; improve the quality of environmental management; and transfer environmental management know-how from business and industry to other sectors of society.

Activities:

- Support and promote networking among member associations
- Act as a clearinghouse for methods and instruments of environmental best practice, training and know-how
- Organise and coordinate conferences, seminars, experience exchanges and know-how transfer
- Publish case studies, guidelines, tools, manuals and reports, plus facilitate translation and dissemination of such publications



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