



Centre for ISA Information Sheet 5

Why should organisations report on the Triple Bottom Line and why should organisations use the ISA methodology?

“Decision-making along TBL lines is becoming an accepted approach in implementing the intangible concept of sustainability. Reporting on TBL aims to extend decision-making and disclosure so that decisions explicitly take into consideration the impacts on natural and human capital, as well as financial capital.” About Triple Bottom Line Reporting. CPA Australia, 2004 ¹

“TBL reporting may be used to demonstrate to capital markets and the general public that they are aware of, responding to, and managing their interactions with, and impacts on, society.” (PricewaterhouseCoopers Legal, Australian Government’s Corporations and Markets Advisory Committee (CAMAC), November 2005)

“Recently ratified by the UN council for local and urban governments, the Triple Bottom Line (TBL, 3BL or PPP for people, planet, and profit) is becoming increasingly important in public and private sector reporting.... risk-adverse companies are paying more attention to total cost of ownership, the energy use and disposal costs associated with new purchases or projects. As a result, many are turning to suppliers to find out exactly what goes into products, and what comes out when it comes time for the products to be replaced.” ²

The business case for reporting on TBL using ISA methodology

Reporting on the TBL can reduce risk, assist in delivering better outcomes for employees, shareholders, customers and clients, and enhance reputation. Management of risk, better outcomes for stakeholders and enhanced reputation can interact to produce a healthy operating environment and a reasonable expectation of company longevity past the quarterly KPI report. However according to research conducted by CPA Australia and the University of Sydney³:

“Sustainability reporting by Australian companies lacks consistency and fails to match the rigour of financial reporting. Consequently, investors are unable to compare ‘apples with apples’ in their investment decision making or in evaluating corporate reputation... sustainability / triple bottom line (TBL) reporting aims to inform stakeholders about the economic, social and environmental aspects of the company. The [CPA Australia] research found shareholders, stakeholders and the investment community are deprived of reliable and comparable information on sustainability practices of Australian listed companies”.⁴

The ISA methodology was developed at the University of Sydney to address this lack of comparability; it is science-based and rigorous. It uses regularly published, publicly available National Accounts data. The ISA methodology ensures that what you report on is the real bottom line, and not a figure determined by an arbitrary cut-off point that could be different in different organisations. Reporting on the real bottom line can deliver the full benefits of TBL reporting including: the ability to make comparisons within and between organisations; detailed information across the whole supply chain as a basis for strategic decision making (e.g. waste reduction, ethical/green purchasing policies); and completely transparent communication of an organisation’s impacts to all stakeholders.

“...the most compelling argument is that it [the ISA methodology now available as a software tool: BL³] reveals current and potential risks over the full supply chain which allows a much more rigorous risk assessment, commonly cited as one of the real strengths of sustainability reporting. It also provides reliable, quantitative information for strategic planning, including real sector or business unit benchmarks and identification of opportunities that may not otherwise be apparent.” WME Environment Business Magazine, 2007, v.16, No 11, pp.22

¹ http://www.cpaaustralia.com.au/cps/rde/xchg/SID-3F57FEC9-844F5EFD/cpa/hs.xml/14131_8138_ENA_HTML.htm

² The Triple Bottom Line, Jeanne-Vida Douglas, 2007, <http://www.arnnet.com.au/index.php/id;121148944;pp;2>

³ ‘Sustainability Reporting – Practices, Performance and Potential’ 2005.

⁴ http://www.cpaaustralia.com.au/cps/rde/xchg/SID-3F57FEDE-11732245/cpa/hs.xml/1017_15397_ENA_HTML.htm

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Reducing financial risk

“TBL reporting enables environmental and social risks that have the capacity to materially affect financial performance to be identified and, therefore, taken into consideration when preparing financial reports.”⁵ TBL reporting improves the management of financial risk through enhanced management systems and detailed monitoring of performance. A better understanding of risks leads to better resource allocation and business planning.

“...BL³ goes much deeper into supply chain analysis than conventional reporting tools. It acts like a full life-cycle analysis on every item a company procures and sums this to a total impact and allocates a fair share of the national impacts to the company. The benefit of this is that it becomes immediately apparent where supply chain risks and opportunities exist.” (Hatch global engineering services, ECOS 135, February – March 2007, p. 32)

Benchmarking within and across organisations can lead to competitive advantage and greater access to capital from a finance sector increasingly considering non-financial performance communicated openly, for its investment decisions.

Reducing regulatory risk

National and international regulations around sustainability issues are changing rapidly. State, national and international legislation is being adopted for what have previously been voluntary schemes (e.g. reduction of greenhouse gas emissions). Adoption of TBL reporting makes practices more transparent so that within an organisation areas of potential or current non-compliance can easily be identified. The organisation’s regulatory compliance can be readily identified by stakeholders.

The ISA methodology provides the detailed reporting necessary to identify where changes can or should be made to processes and practices in order to comply with regulatory changes.

Reducing risk of adverse consumer response

Reporting transparently and openly on environmental, social and economic factors through the full supply chain indicates an acceptance of responsibility for the environmental, social and economic impact of doing business. Increasingly national and international bodies are critically assessing the reports of organisations. These “reports of reports” support comparisons between companies through publications like ‘top companies’ listings, which are gaining influence with consumer and investment groups. Examples include: the report from the Department of the Environment and Heritage on *The State of Sustainability Reporting in Australia 2004* or the 2004 *Corp Rate* project that assessed the corporate governance, social and environmental performance of Australia’s top 50 listed companies; the UK’s Corporate Responsibility Index comparing companies on ‘responsible business practices’, and its counterpart the Australian Corporate Responsibility Index that began in 2004; the *Race to the Top* project designed to help UK supermarkets enhance their policies and performance; the United Nations Global compact that promotes corporate social responsibility; and ranking schemes such as Australia’s Reputex, an independent ratings agency dedicated to the delivery of Social Responsibility Ratings that cover corporate governance, workplace practices, and social and environmental impacts. Within this community of reporting bodies there is a recognised need for comparability through standardised measures. ISA can fulfil this need: it is science-based and uses readily available, regularly published data.

⁵ Sustainability: A Guide to Triple Bottom Line Reporting, Group of 100 Inc, 2003, p. 6
http://www.group100.com.au/publications/G100_guide-tbl-reporting2003.pdf





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Delivering better outcomes

TBL reporting helps to deliver better outcomes by making explicit the areas of accountability that are being addressed (e.g. environmental quality, social well being, community development, workforce development and stakeholder engagement; local economic growth). TBL is fundamental to good governance. It supports integrated strategic planning and operations. A company's contribution to social cohesion, economic prosperity and environmental quality, and the interaction between these elements, can be identified and manipulated to gain the greatest benefits. ISA methodology encapsulates the integrated nature of the TBL by treating all indicators in the same framework that covers the economic, social and environmental impact of the company. ISA provides comparability that enhances and complements other approaches to TBL reporting (e.g. Global Reporting Initiative) that report on the impacts within a specified boundary. ISA reports distil the complexities of the full company supply chain into results that communicate trade-offs and opportunities for action.

Enhancing reputation

The value of brand and reputation cannot be overestimated. TBL reporting means that areas that fall short of the ideal can be identified and discussed and targets set for improvements. Likewise areas of achievement can be identified and celebrated. Use of the ISA methodology means that upstream problems can be uncovered and actions taken to improve inputs can be recognised. Similarly downstream impacts can be identified and addressed or acclaimed. Such detailed information provides opportunities to recognise and laud good practice, as well as revealing opportunities for improvement.

