



Centre for ISA Information Sheet 7

The Triple Bottom Line

What is it?

John Elkington¹ coined the term *triple bottom line*² in 1997. Elkington used the term to mean an expanded baseline for measuring performance. Instead of the usual financial bottom line he talked of the social, environmental and economic bottom lines.

The difference between economic bottom line and *financial* bottom line is blurred. Some say there is no difference and others draw a distinction between the traditional financial reporting and what they see as reporting on the economic impact of the organisation's activities on the life of a community. The Australian Group of 100³ sees economic and financial as different but intimately connected, with TBL reporting identifying risks that can affect financial performance⁴. In the Group of 100's view, the business case for reporting on TBL centres on improved relationships with key stakeholders as well as specific commercial advantages, the enhancement of reputation and brand being top of their list.

There is also a move to add *governance* to the bottom line, making Quadruple Bottom Line reporting. Other commentators see good governance as a consequence of TBL reporting. Both discussions are ongoing.

Is TBL just about reporting?

Triple Bottom Line can be viewed as a reporting device (e.g. information presented in annual reports) and/or an approach to improving decision-making and the fundamental functions of organisations (e.g. the provision of tools and frameworks for considering the economic, environmental and social implications of decisions, products, operations, future plans).

The concepts of triple bottom line and associated systems and reporting frameworks are increasingly being taken up in Australia as the Global Reporting Initiative (GRI)⁵ and the work of bodies such as the OECD build momentum. In the wake of this work national and international regulations are changing. The Australian corporations law, for example, has been amended to require companies to report their environmental performance.

¹ UK based consultant to companies like BP, DuPont and the World Bank; member of the European Forum on the Environment & Sustainable Development; co-founder of SustainAbility in 1987; elected in 1989 to the UN Global 500 Roll of Honour for his 'outstanding environmental achievements'.

² In his book *Cannibals With Forks: The Triple Bottom Line of 21st Century Business* (Capstone, 1997).

³ The Group of 100 is an association of senior accounting and finance executives representing the major companies and government-owned enterprises in Australia (<http://www.group100.com.au/home.htm>).

⁴ Group of 100 (2003) *Sustainability: A guide to triple bottom line reporting*. Group of 100 Inc.

⁵ <http://www.globalreporting.org>

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What use is TBL?

TBL provides a framework for measuring and reporting corporate performance against economic, social and environmental benchmarks. Reporting on TBL makes transparent the organisation's decisions that explicitly take into consideration impacts on the environment and people, as well as on financial capital.⁶

Useful proxies to indicate the economic, environmental and social impact of doing business

An indication of economic impact can be gained from such items as:

- gross operating surplus
- dependence on imports
- stimulus to the domestic economy by purchasing of locally produced goods and services.

An indication of social impact can be gained from, for example:

- OH&S records
- the organisation's tax contribution
- employment.

An indication of environmental impact can be gained from measures like:

- the ecological or carbon footprint
- emissions to soil, water and air
- water and energy use.

Such *indicators* can distil complex information into a form that is accessible to stakeholders. Organisations report on indicators that reflect their objectives and are relevant to stakeholders. One difficulty in identifying and using indicators is to ensure consistency within an organisation, over time, and between organisations. This is important for benchmarking and comparisons.

A 2005 CSIRO/University of Sydney publication⁷ *Balancing Act* uses a set of ten indicators to benchmark 135 sectors of the Australian economy providing a snapshot of the TBL performance of the Australian economy. Using a methodology developed by the University of Sydney it makes possible comparisons by solving such dilemmas as 'what do we count and where do we draw the line?' For example if employment is an indication of the organisation's social impact do we count only immediate on-site employment by the organisation, or are we also responsible for creating some of the jobs in the organisations with whom we do business? And do we only contribute towards employment generated in the area, or also to employment generated in the rest of the State, and throughout the entire nation...?

Using the BL³ software⁸ developed out of the ISA methodology you will be able to apportion responsibility systematically throughout the supply chain. In addition the software provides benchmarks for 344 sectors of the economy and includes hundreds of indicators from which you can choose the appropriate set to determine your organisation's TBL impacts.

⁶ <http://www.cpaaustralia.com.au>

⁷ <http://www.isa.org.usyd.edu.au/publications/index.shtml>

⁸ <http://www.bottomline3.com/>



CARBON FOOTPRINT

