APPROACHES CONCERNING ENVIRONMENT-RELATED INFORMATION INCLUDED IN THE ANNUAL STATEMENTS

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The constant deterioration of the environment and a series of ecological disasters increased the importance of environmental issues. The information shown in the annual financial statements enables the users to make informed decisions. Since the „environment" variable is highly important in the business of any entity, the annual reports should also include information thereof. This paper tackles the environmental information published by entities and gives a few examples of environmental information published by some groups in their environmental report.
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The current globalization trend involving all the economic and social aspects determines an identical approach of the crises that contemporary society is facing. Negative phenomena such as pollution or resource depletion brought about new economic growth and development approaches. The information included in the annual financial statements enable users to make decisions being fully aware of the consequences. Since the "environment" variable is highly important for a company's business, its annual statements should also comprise information related to this aspect. There is currently no set of standards regulating environmental information assessment and presentation; however there have been increasingly numerous preoccupations in this direction. This paper includes some of the environmental information, which some entities willingly make available, as well as several examples of environmental information made public by some corporations.

ENVIRONMENTAL INFORMATION PROVIDED BY ACCOUNTANCY

Traditional financial accounting and financial statements made public insist on the importance of financial results. Thus, this type of annual financial statements provide the company's assets and liabilities, share value, profit and financial state evolution over the period concerned, etc., usually ignoring environmental issues that do not have a sufficiently strong financial impact able to trigger the application of accounting criteria and minimizing the role of the nonfinancial data. Environment undoubtedly plays an important role in a business' strategy; however the annual statements fail to reveal the true importance of the environmental issues since business entities do not always satisfactorily describe their efforts of environmental strategy integration into their overall business policy. The information supplied is useful to the extent to which it allows (Labouze, 1995:29): environmental risk evaluation; risk-oriented project determination; the determination of the environmental performance incidence on the company's financial results, etc.

Reporting regulation trends

This preoccupation for the interests of the external users rather than the stakeholders' interests occurred in the 70's and is generally related to the publication, in 1975, of the *Corporate Report*, later called the *Corporate Social Responsibility Report – CSR Report*. Corporate social responsibility is a new accounting policy concept; however its importance has been increasing rapidly. CSR has been lately perceived as a tool enabling entities "to reconcile economic, social and environmental expectations". Therefore, accounting specialists began to question profit, which was previously considered the only business performance measuring tool, and suggested a more extended corporate responsibility. Thus, nowadays, given more strict environmental

regulations, users often request environmental information. Financing entities for instance request detailed environmental information designed to lower their loan- or credit-related risks, to measure the management's ability to assess environment-related problems and to include them in the company's overall long-term strategic approaches, to determine their progress, etc.(Beţianu, 2008:361).
Christophe detects three stages of evolution in environmental information publication in the annual financial statements (Christophe, 2000:61-67). In the early 70's, theoreticians and law-makers proposed an environmental accounting model with no noteworthy applicability or consequences. It is at this time that the first ideas on the usefulness of an accounting approach including also the environmental variable were made public. Throughout the 80's, practitioners identified and used different environmental accounting means, but the quality and objectivity of the information made available were sometimes doubtful; however, beginning with the second half of the 90's, this information has been regulated by competent bodies. Environmental statement regulation is necessary for investors, who are thus able to have a broad picture of the environmental responsibility of the companies they are interested in, for investment purposes (Lafontaine, 2002:12-14).
An efficient management actually depends on having access to the most relevant and high quality information, enabling performance monitoring and opening new stakeholder opportunities for interested partners. Financial statements should meet, according to the General Framework, several qualitative requirements: *intelligibility, relevance, credibility, and comparableness*. This means that financial statements are a faithful representation of the entity's actual state, that they reveal the economic (rather than the legal) implications of the transaction, that they are neutral and complete in all their significant aspects. The observance of these qualitative criteria means that no information was dissimulated or omitted on purpose and that consideration of the risks and losses that may occur in a company's business was encouraged. And environment is an element generating this kind of risks (costs generated by natural or technological risks, by new environmental regulations, etc.). Actually, the failure to consider environmental costs may bring about civil (faulty management) or criminal (presentation of willfully distorted information) liability. That is why the inclusion of environmental information in the annual statements is highly important for the users, as they are thus informed of the possible environmental risks or costs that the entity may have to incur (Christophe, 2000:62).
Therefore, *full reporting* should include all the economic, social and environmental efforts of a company (Arnaud, 2003:32). Such reports contribute to the improvement of the company management's ability to assess the entity's contribution to the natural, human and social capital and broaden the image provided by traditional financial accounts, providing a more complete picture of the long-term perspectives. Therefore, sustainable reporting may reduce the instability and uncertainty of the price of the shares of the stock exchange entities, and may lower capital costs as well. Periodic complete information reporting may provide stability to an entity by preventing major fluctuations in the investors' behavior, fluctuations triggered by unreasonably and unexpectedly revealed information (de Beer, 2006:548). Such a report should provide environmental, social and economic information and data, as well as a clear sustainable development strategy (de la Bachelerie, 1993:79).
Environmental information provision is either imposed by authorities, either willingly performed by some companies (Caraiani, 2007:21). The willingly provided environmental information take the form of an *environment report* or of a *sustainable development report,* where environment is one of the three development pillars in addition to the economic and social ones (Antheaume, 2003:28). UNEP defines the environment report in 1994 as a *key means enabling entities to make public their environmental progress, being at the same time an efficient means to prove the effectiveness of the environment management system, of the social responsibility, etc*. FEE

emphasizes that environment reports are part of a company's external communication and are designed to provide useful information to the users (FEE, 1999:6).

One of the main reporting goals is to contribute to the continuous dialog between the interested partners. The actual reports have little value if they fail to inform the users or to support a dialog able to influence the decisions and behavior of both the entities publishing the report and the users. These reports are generally published by the companies that wish to give a certain image of themselves on the market or that wish to strengthen their position by providing information on their efforts to include environmental issues into their current business (Labrousse, 2004:41).

If an entity wishes to ensure the durability of its operation, it should prove respectful to the ones affected by its business (Campbell, 2007:437-438). Therefore, environmental information publication may be seen as the managers' attempt to account for the company's business before the public.

Types of environmental information made available to the public

In 1993 KPMG carried out a survey on the use of environment reports worldwide, called *International Survey of Environmental Reporting,* where they analyzed the environmental information provided by the annual statements (KPMG, 1993:15-20). This survey perfectly summarizes the environmental data publication practice in the annual financial statements and in distinct reports on the company's environment-related efforts. The survey was carried out on 690 companies in 10 developed countries (Belgium, Canada, Denmark, France, Germany, Ireland, Holland, Portugal, USA, and Great Britain) and reveals that 58% of the companies under survey mention environment in their annual statements, and 15% draw a separate report devoted to their environment-related efforts. KPMG has been performing such studies since 1993, every 3 years. 6 such surveys have been published so far (1993, 1996, 1999, 2002, 2005, and 2008). The results of the 1999 survey published in September reveal that more information is made available, and in some European countries rules have been passed stating that their publication was compulsory. In Denmark, 29% of the companies published environmental information in 1999, as compared to only 8% in 1996, and the passing of the EMAS regulation in Germany determined 36% of the companies to make public environmental information in 1999, as compared to 28% in 1996. Unlike some European states where the trend was positive, the USA were confronted with a decrease of this percentage, from 44% in 1996, to 30% in 1999. The results vary between states and industrial branches; however the trend is clear, as more and more entities publish environment reports (KPMG, 1999:12-18).

In 2005, the KPMG survey on corporate responsibility was carried out on the first 250 companies in the Fortune 500 (Global 250) top, as well as on the first 100 companies of 16 states (National 100). 52% of the Global 250 companies published individual environment reports, against 45% in 2002. A significant change, as compared to the 1999 report, was the type of reporting, which switched from reports based exclusively on environment protection indices, to more complex reports, which also considered sustainability, as well as social, economic and environment protection aspects. Japan (80%) and Great Britain (71%) rank first as concerns corporate reporting. Reporting has considerably increased over the last three years in most of the countries included in the survey, especially in Italy, Spain, France and Canada, and the companies' whose business has a rather significant environmental impact make public the highest amount of environmental information. World wide, over 80% of the companies publishing reports on corporate responsibility belong to the oil and gas, vehicle, utilities and IT industries, while nationally, over 50% of the companies operate in the utilities, mining, chemical industry, oil and gas, paper and celluloses, and forestry industries (KPMG, 2005:20-30).

In October 2008 the latest KPMG corporate responsibility report was published, which was carried out again on the Global 250 and National 100 companies (2170 companies in 22 states). 79% of the Global 250 companies published environment reports, as compared to 52% in 2005.

At national level, Japan (86%) still ranks first in the corporate responsibility top, followed by UK (65%) and France (79%). This report also includes information on the companies in Romania (28%). (KPMG, 2008:20-30)

Interestingly enough, some companies publish financial environmental statements where they provide information on the environmental costs and the profit made further to these expenses (Emery, 2005:13), for instance Baxter - USA, Carillion, Bulmers, Wessex Water – Great Britain, Helsingin Energia, Sonera – Finland, etc.

The ***Baxter*** Group (USA) has included in the environment report a *financial environmental statement* ever since 1995, which provides information on the environmental costs and the benefits of the environment protection activities. The type of presentation and the information published have changed over the years. When the determination method of a certain index changed, corrections were performed on the data of the previous financial years, so as to make the information provided comparable. The 2006 annual statement also comprised information on *environmental fees of electronics*, and sometimes corrections of the data in the previous report are needed. Thus, the 2007 (table 1) report updated some information on: in the 2006 report, *waste reduction* had the following values 0.4 for 2006, -0.1 for 2005, *non-hazardous waste disposal* (0.3 in 2006, 0.4 in 2005 and 0.6 in 2004), *waste disposal* (0.6 in 2006, 6.8 in 2005, 3.9 in 2004), *income from recycling* (5.2 in 2006, 4.2 in 2005, 3.3 in 2004), *power preservation costs* (6 in 2006, 9.3 in 2005, 8.9 in 2004), *water preservation cost savings* (0.8 in 2006, 0.1 in 2005 and 1 in 2004). Table 1 shows environmental costs, income and savings estimates for 2007 made by the Baxter group (Baxter, 2007:19, 2006:19).

Table 1- Baxter Estimated Environmental Costs, Income, Savings and Cost Avoidance Worldwide (dollars in millions)

	2007	**2006**	**2005**	**2004**	**2003**
Environmental Costs					
Basic Program					
Corporate Environmental – General and Shared Business Unit Costs	1.6	1.4	1.5	1.3	1.2
Auditor and Attorney Fees	0.4	0.4	0.4	0.4	0.3
Energy Professionals and Energy Reduction Programs	1.0	1.0	1.0	1.0	0.9
Corporate Environmental – Information Technology	0.3	0.3	0.3	0.3	0.5
Business Unit/Regional/Facility Environmental Professionals and Programs	7.4	7.2	6.8	6.5	5.4
Packaging Professionals and Packaging Reduction Programs	-	1.3	1.2	1.0	1.0
Pollution Controls – Operation and Maintenance	3.1	3.2	2.9	3.2	2.8
Pollution Controls – Depreciation	0.9	0.8	0.7	0.8	0.8
Basic Program Total	**14.7**	**14.3**	**13.6**	**13.5**	**12.9**
Remediation. Waste and Other Response (proactive environmental action will minimize these costs)					
Attorney Fees for Cleanup Claims and Notices of Violation	0.1	0.1	0.1	0.1	0.7
Settlements of Government Claims	0.0	0.0	0.0	0.0	0.0
Waste Disposal	10.0	7.1	6.1	5.9	6.9
Environmental Fees for Packaging	0.9	0.9	1.1	1.0	1.0
Environmental Fees for Electronic Goods and Batteries	0.1	0.1	0.0	0.0	0.0
Remediation/Cleanup – On-site	0.5	0.1	0.1	0.1	0.4
Remediation/Cleanup – Off-site	0.0	0.3	0.0	0.2	0.1
Remediation. Waste and Other Response Total	**11.7**	**8.6**	**7.4**	**7.3**	**9.1**
Total Environmental Costs	**26.4**	**22.9**	**21.0**	**20.8**	**22.0**
Environmental Income. Savings and Cost Avoidance (see Detail on Income. Savings and Cost Avoidance from 2007 Activities online)					
From Initiatives in Stated Year					
Regulated Waste Disposal	-0.7	0.3	-0.1	0.7	0.4
Regulated Materials	-2.7	0.8	-0.3	2.1	1.6
Non-hazardous Waste Disposal	-0.8	0.0	0.3	7.0	0.4

Non-hazardous Materials[5]	-0.8	-2.5	5.7	4.8	6.7
Recycling (income)	4.8	4.7	4.3	3.0	2.9
Energy Conservation	4.1	3.3	6.8	12.0	4.2
Packaging	-	0.0	3.5	2.9	1.7
Water Conservation	0.6	0.6	0.0	1.1	0.5
From Initiatives in Stated Year Total	4.4	7.2	16.7	30.7	18.4
As a Percentage of Basic Program Costs	30%	51%	123 %	227 %	143 %
Cost Avoidance from Initiatives Started in the Six Years Prior to and Realized in Stated Year	**78.2**	**83.8**	**78.7**	**62.2**	**32.7**
Total Environmental Income. Savings and Cost Avoidance in Stated Year	**82.6**	**91.0**	**95.4**	**92.9**	**51.1**

Source: Sustainability Report Baxter 2006, 2007, p.19, sustainability.baxter.com/EHS

The information analyzed reveals that the group provides data on the *avoided costs* due to their efforts, which are rather high (82.6 mil. dollars in 2007). It is also noticeable that over the 5 years under survey, the overall environment costs are higher in 2007 (26 mil. dollars), while for the other 4 years these are almost constant (22 mil. dollars). The avoided costs and savings made increased from 51.1 mil. dollars in 2004 to 95 mil. dollars in 2005, then decreased, amounting to 82 mil dollars in 2007. Thanks to its environment protection activity, the group has significant advantages; therefore in 2007 it spent 26.4 mil. dollars and achieved savings and income of 82.6 mil. dollars, that is 3 times higher.

The Finish group ***Helsingin Energia*** (www.helsinginenergia.fi) states in its environment report that in 2007 it had 11 mil. euro of environmental costs (11.7 mil. euro in 2006 and 9 mil. euro in 2005). These costs amount to 2.7% of the total costs (2.6 in 2006 and 2.2% in 2005) and to 1.8% of the turnover (1.7 in 2006 and 1.6% in 2005). The environment investments amounted in 2007 to 0.7 mil. euro, that is 1.6% of the whole investments, the environmental fees to 18.8 mil. euro, and the environmental benefits to 0.821 mil. euro (table 2).

Table 2 - Helsingin Energia 2006 – Environmental Financial Statement (1000 €)

Environment-based operating costs	**2007**	**2006**	**2005**
Protection of climate, soil and watercourses			
Desulphurisation	4.074	4.439	2.952
Denitrification	375	760	343
Removal of particles	391	452	171
Waste management and utilisation of combustion products	1.291	1.550	1.185
Other waste management	897	684	761
Observation of emissions and environmental impacts	293	321	417
Landscaping	0	51	82
Communication			
Information on energy saving	455	477	474
Environmental communication and marketing	223	256	219
Environmental management and training	1.442	1.233	1.040
Environmental research and development	83	95	141
Depreciation of environmental investments	1.447	1.435	1.366
Total environmental costs	10.971	11.753	9.152
___% of turnover	1.8%	1.7%	1.6%
___% of all costs	2.7%	2.6%	2.2%
Environmental investments	775	1.706	2.347
% of investment total	1.6%	2.4%	2.5%
Environmental obligations	18.800	19.000	
% of balance sheet total	1.2%	1.3%	
Environmental yields	821	238	258

Source: Corporate Social Responsibility Report ***Helsingin Energia****, 2007 and 2006*, http://www.helsinginenergia.fi, The data above reveal that the group incurred higher environmental costs than the environmental income gained; however one should note that there is also information on the environmental cost percentage in the turnover (1.7% in 2006) and in the total costs 2.6% in 2006), as well as on the environmental debt percentage in the balance sheet (1.3% in 2006). This information helps the users in making their decisions.

Providing information on the environment performance both in precise figures and in relative magnitudes (for instance, resources used per product unit) is extremely important. Both data types reveal important aspects, thus, precise figures provide an accurate image of the actual impact, which enables the user to analyze performance within wider backgrounds, while percentages clarify entity's effectiveness and allow comparisons between entities

CONCLUSION

Please note that there is an entity practice related to environmental information communication in an environment or sustainable development report, which may lead to confusion between willingly provided and compulsory information. After the 90's, one notices a certain enthusiasm towards the corporate environment reporting rules. During the first years, most of the entities used to assess and report environmental impact according to traditional criteria applied in financial reporting, namely the property and direct control rights. Lately, companies have begun to experiment on extended reporting, in order to ensure a more accurate presentation of a company's "mark". Environmental information publication is a key company accountability process, and environment accounting helps entities substantially improve their trustworthiness among the people and enjoy a fair evaluation.

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