

Sustainability: Triple bottom line reporting in Nigerian companies

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Abstract: This paper examines the approaches of Nigerian enterprises to triple bottom line reporting with a view to assessing the adequacy of such practices, particularly the reporting on the elements of people and planet vis-à-vis reporting on profits. The secondary data source was used to obtain data for the study about the practices. The major findings of the study: are reporting on the bottom line of people is very poor, only based on quantitative numbers of volume which are not monetized as is done for profit; and reporting on the bottom line of the planet is even worse, it is mostly based on mere descriptive narration of policies and practices. It is therefore recommended that: government should legislate on triple bottom line reporting; and accounting standard(s) be developed to help guide the enterprises on triple bottom line reporting.

Keywords: Triple bottom line, people, planet, profit, key performance indicators

INTRODUCTION

One key responsibility that has assumed increased significance as businesses go through the process of metabolic changes and growth in sophistication is financial reporting. Right from the emergence of business structures that separate ownership from control, the demands for financial reporting and the adequacy of same have gained increased attention both in literature and among business owners, regulators and analysts. In its earliest form, emphasis was placed on stewardship accounting but with growth in business operations greater environmental and social concerns stemming from the impact of businesses and the complex web of relationships between business and different facets of society, there have been calls for a more all-inclusive reporting regime by businesses to address the various needs of all stakeholders and not just those of owners and shareholders.

For instance, The Financial Accounting Standards Board (FASB) of the U.S in 1978 issued a statement of Objectives of Financial Reporting by Business Enterprises, and in it, the Board notes that “the objectives of the financial reporting are not immutable—they are affected by the economic, legal, political and social environment in which financial reporting takes place”[1].

The statement notes that:

Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions ...

Financial reporting should provide information about the economic resources of an enterprise ...

Financial reporting should provide information about how the management of an enterprise has discharged its stewardship responsibility... [2].

The Corporate Report identified the following as users of financial reports:

- Investors (and their advisers)
- Employees (and their representatives)
- Lenders
- Suppliers and other creditors
- Customers
- Government and its agencies
- The public [3].

This means that the interest of all the users cannot just be satisfied by disclosures on only profit. The public would want to know about the performance of the organization in relation to the environment and employees and their trade unions would not just be satisfied by disclosures about profit figures, they would want to know about the enterprise performance in terms of employee welfare, work environment and commitment to the social and economic interests of the employees.

A survey of the financial reporting practices in contemporary enterprises would show that much attention is given to reporting about economic values of profit and less is paid to the planet and people in quantifiable terms. For sustainable development, businesses should fashion their reporting practices along the three identifiable pillars: people, planet and profit – all the pillars standing on equal basis.

This paper seeks to expand financial reporting frontiers on people and planet, that is, social and environmental reporting so that they are given as much attention as profit.

To achieve this objective the remainder of this paper is organized as follows: Section two systematically examines existing literature on triple bottom line reporting; Section three specifies the methodology employed in the study; Section four analyzes data on the practices of Nigerian enterprise with regard to triple bottom line reporting; and Section five presents the conclusion and recommendations of the study.

REVIEW OF LITERATURE

Triple Bottom Line Reporting- An Introduction

Every business (enterprise) owes it as a responsibility to report to stakeholders on its performance. How best this should be done is subject to an ongoing debate, analysis and research.

At a point, it was held that the primary responsibility in financial reporting was stewardship accounting, and so the emphasis was an economic financial performance as would satisfy the decision needs of owners and shareholders. Others have argued that there should be more disclosures on environmental performance [4]. (Others have equally argued that more should be done in social responsibility reporting framework[5].

According to Slaper and Hall[6] the TBL is an accounting framework that incorporates three dimensions of performance: social, environmental and financial.” This reporting framework captures the essence of sustainability since it measures the impact of an organization’s activities on the world incorporating its profitability and its social, human and environmental capital into a common framework.

The concept of TBL connotes that a company’s responsibility is to all stakeholders rather than just the shareholders. This is the premise of on which sustainable development (sustainability) is based for the enterprise.

It is noted that the triple bottom line is made up of “social, economic and environmental” the people, planet and profit [7]. It captures an expanded spectrum of values and criteria for measuring organizational (and societal) success, viz: economic, ecological and social. This seeks to expand the traditional reporting framework to take into account social and environmental performance in addition to financial profit measure.

The Economist Guide [8] notes that: “The phrase ‘the triple bottom line’ was first coined in 1994 by John Elkington. He authored the book – *Cannibals with folk: The Triple Bottom Line of 21st Century Business*. His argument in the book was that companies should be preparing three different (and distinct) bottom line reports: the bottom line of the profit and loss account; the bottom line of a company’s people account; and the bottom line of company’s planet account.

Elements of TBL Reporting

The three elements of TBL reporting known as the three pillars are people, planet and profit.

People

This refers to fair and beneficial business practices towards labour and the community and region in which the enterprise is operating. The enterprise should seek to benefit not exploit or endanger any group or constituency. For instance, a TBL enterprise will not use child labour, it will also ensure that all outsourced contracts will not do same, they would pay fair salaries, maintain safe work environment and adopt tolerable work hours, and they would also seek to strengthen communities with education and health care [7].

Performance under this pillar of the bottom line is usually difficult to measure. Some advocate monetizing this dimension of the TBL. While this may be desirable, it is hard to fathom how certain aspects of social capital can be meaningfully monetized. For instance, monetizing safe work environment may appear ridiculous. Slaper and Hall[6] list some potential variables in measuring the social dimensions of the TBL thus;

- Unemployment rate
- Female labour force participation rate
- Median household income
- Relative poverty
- Percentage of population with a post-secondary degree or certificate
- Average commute time
- Violent crimes per capita
- Health-adjusted life expectancy

These variables seem to be at the national or regional or community levels rather than the enterprise level.

Planet

This pillar of the TBL refers to sustainable environmental practices: a TBL enterprise will at least seek to do no harm to the natural order and curtail environmental impact. It would seek to reduce its ecological footprint. Key areas are careful consumption of energy; reduce manufacturing waste, making waste

less toxic before disposing of them, in a safe manner and the non-production of harmful or destructive products. Measuring environmental issue is better standardized than social issues [7]

Slaper and Hall [6] identify some variables of measurement in the planet pillar of the TBL; thus;

- Safety incident rate
- Lost/restricted workday rate
- Sales dollar per kilowatt hours
- Green house gas emissions
- Use of post-consumer and industrial recycled materials
- Water consumption

Major contemporary environmental issues are CO₂ emissions and the impact to the land [9].

Profit

This refers to the economic value the company has on the people and the planet and it can be determined as the reduction of the company's carbon footprint [10]. In more operational terms, profit refers to the economic value created by the organization after deducting the cost of capital tied up [7].

Within the context of sustainability, profit should be seen as the real impact left to be enjoyed by the host community by the enterprise. This makes this pillar differ from the traditional accounting perception of profit. It is not the internal profit of the organization. Hence, the TBL approach to profit computation would be the traditional enterprise profit plus social and environmental impacts and the profits of other entities as a social benefit.

Benefits of TBL Reporting

The benefits of TBL reporting are so diverse and far reaching in the society. It benefits both the enterprise and the society. TBL reporting enhances ethical and fair practices and standards. It makes companies to examine their sourcing policies and major corporations are able to keep an eye on the ethical standards of their suppliers. It also encourages fair trade practices [8].

It helps in reaching untapped market potentials: TBL companies can find niches that are financially profitable which may be missed when money alone is the consideration.

It helps to adapt to new business sector: many new business opportunities are coming up in the area of social entrepreneurship so businesses wishing to expand in this area must redesign so that financially, socially and ecologically they remain relevant [7].

Little needs be said about the potentials of TBL reporting in promoting social harmony and

ecological balance. The restiveness in the oil producing Niger-Delta region of Nigeria could be addressed and redressed if the companies adopt comprehensive TBL reporting initiatives for instance.

TBL reporting framework brings to the fore non-financial issues in business that are crucial to sustainability. It makes the investment community to focus more on environmental, social and corporate governance issues which are not normally addressed in traditional reporting [12]. The Group of 100 Incorporated [13] identified some organizational benefits of TBL reporting to include:

- Reputation and brand benefit
- Securing of a 'social licence to operate' in an informal community and stakeholder support for an organization's operations.
- Attraction and retention of a high caliber employees
- Improved access to investor market – there is a growing demand for environmental and social considerations by investor in their decision framework.
- Establishes position as a preferred supplier – a differentiated position in the market place is one way to establish the status of preferred supplier.
- Reduced risk profile – performance in respect of economic, social and environmental factors has the capacity to affect the view of market participants about a company's exposure to, and management of risk.
- Cost savings
- Innovation
- Aligning stakeholder needs with management focus.
- Creating a sound basis for stakeholder dialogue [13].

Challenges in Implementing TBL

There are so many difficulties in the implementation of TBL. As noted by The Age Company Ltd [11] "The problem with triple bottom line is that the rhetoric can be misleading. Apart from the lack of rigour, it is philosophically impossible to say whether a positive sustainability report outweighs a bad result in other areas.

Also Slaper and Hall [6] note that, "There are challenges to putting the TBL into practice. These challenges include measuring each of the three categories, finding applicable data and calculating a project or policy's contribution to sustainability." These problems seem to be very significant when we are applying TBL reporting to the various enterprises where no reporting standard or framework has been articulated. This is shared by The Economist Guide [8]. It notes that:

One problem with the triple bottom line is that the three separate accounts cannot easily be added up. It is difficult to measure the planet and people accounts in the same terms as profits – that is, in terms of cash. The full cost of an oil tanker spillage for example, is probably immeasurable in monetary terms as the cost of displacing whole communities to clear forests, or the cost of depriving children of their freedom to learn in order to make them work at a young age.

Also, identifying the challenges of TBL reporting, The Group of 100 Incorporated [12] notes that the challenges vary from company to company and by sectors, it identifies the following as requiring specific attention.

- Gaining an awareness of relevant issues associated with TBL to the reporting organization;
- Obtaining an understanding of the requirements of key stakeholders in relation to public reporting;
- Achieving clarity in relation to the company's objectives and the risks related to reporting; and
- Determining key indicators of environmental, social and economical performance, and the basis of measurement.

Of the above, performance indicators and their measurement, appears more restricting in the quest to adopt TBL, to overcome this, the Group of 100 Incorporated recommended; development of key performance indicators and metrics, which should be in alignment with stakeholder expectations and company objectives.

Strategy for Implementing TBL

The Group of 100 Incorporated [12] notes that there are different options available for any company planning TBL reporting:

- Inclusion of environmental and social information within annual reporting to shareholders;
- A separate environment report or community report;
- A separate environment and social reports;
- Combined social and environment report;
- Full TBL report; and
- Any other form of communication with stakeholders.

The Group also identified the diverse factors to consider in determining the way forward in TBL implementation; thus:

- Overall company strategy;

- The nature and form of environmental and social reporting the company has already undertaken;
- Prioritization of stakeholders' informational needs;
- Sector specific considerations;
- Company objectives in relation to public reporting; and
- Existing capability to report – resources, internal systems, data, etc.

The Group also notes that the process of implementing TBL should be a gradual progression over a number of years through the following stages.

- Brief marketing publications;
- Inclusion of a limited environment/social information within statutory reporting;
- Commencement of consistent annual reporting on environmental/social issues, primarily descriptive in nature with minimal quantification;
- Publication of separate environment and/or community reports;
- Annual reporting based upon detailed environment/social performance data with clear linkage to objectives and outcomes;
- Integration of economic, environmental and social performance measurement into a single report-TBL reporting.

The steps in the implementation strategy of TBL reporting are:

- Planning for reporting;
 - Understand reporting trends,
 - Identify key stakeholders,
 - Establish objectives for TBL reporting,
 - Secure top management support,
 - Identify requirements,
- Set direction for TBL reporting;
 - Understand stakeholders' requirements,
 - Prioritize the requirements,
 - Set overall objectives for TBL reporting,
 - Review current approach,
 - Identify gaps in current approach,
 - Understand associated legal implications,
 - Develop TBL reporting strategy,
 - Determine performance indicators for inclusion in report,
 - Establish appropriate structure and content of the report,
- Implementation of TBL reporting strategy;
 - Implementation of TBL reporting strategy (including collection of data and review processes),
 - Clarify relationship to statutory financial reporting.
- Publication of TBL report
 - Prepare draft report,

- Review content and structure of report internally,
- Obtain independent assurance external verification,
- Publish TBL report,
- Seek feedback from stakeholders and incorporate into subsequent reporting [12].

Whatever the chosen approach, it is important that the reporting personal works closely with the Chairman and the Board of Director, the CEO, the CFO, Corporate affairs or Public Relations, business unit heads, legal adviser and sales and marketing executives.

Data and Methodology

This study employed the survey method in organizing the study subjects. The population of the study is made up of all corporate business entities in Nigeria. From this population a sample of fifty-two companies was selected using the convenience sampling method.

The secondary source of data collection was used in this study. The data for the study were obtained from the published annual reports and accounts of the companies.

The data collected from the annual reports was in terms of the approaches adopted by the companies to reporting on people, planet and profits. These were classified as: monetary (M) which is the highest form of reporting; quantitative (Q), which is volume-based reporting; and descriptive (D), which is a narrative approach – the lowest form of reporting. Those for which no disclosures are noticeable are marked (N).

Data Analysis and Results

The collected data on the practices of the companies in terms of their approaches to TBL are presented in Table 1 below:

Table-1: Approaches To Triple Bottom Line Reporting In Nigeria

Sector	Employee Training & Education			Employment Of Physically Challenge Person			Work Environ ment		Education Support for Host Community				Healthcare Support for Host Community			Environment Impact				Pro fit
	Q	D	N	Q	D	N	D	N	M	Q	D	N	M	D	N	M	Q	D	N	
Banks	1	12		6	7		12		7	1	2	4	5	4	4			3	10	13
Insurance		2			2		2					2			2				2	2
Petroleum	1	4			4	1	5		4			1	3		1				5	5
Cement	1	1	2		4		4					4			5				4	4
Stationerie s		3		1	2		3		2			1			3				3	3
Household	1	3		3	1		4		2			2	2		2	1			3	4
Breweries		2		1	1		1		1			1	1		1	1		1		2
Agro-Allied		2	1	1	1	1	2	1			1	1		2	1			1	2	3
Healthcare		2		1		1	2					2	1		1				2	2
Manufactu ring		10		5	4	1	11		2		1	7	1	1	8	1	1	2	6	10
Others		4		2	1	1	4		1			3			4				4	4
Total	4	45	3	20	27	5	51	1	19	1	4	28	13	7	32	3	1	7	41	52
Percentage	7	86	5.	38.	51.	9.	98	1.9	36.	1.	7.	53.	25.	13.	61.	5.	1.	13.	78.	100
	.7	.5	8	5	9	6	.1		5	9	7	9	0	7	5	8	9	5	8	

Sources: Various Annual Report and Accounts.

Key to Table 1

M = Reporting provided in Naira Value (Monetary)

Q = Reporting provided using number of the units (Quantity)

D = reporting provided using descriptive narrations

N = reporting not provided in any form.

Table 1 shows that it is only profit performance reporting that is done exclusively in monetary terms. All the studied fifty two enterprises report profit performance in money terms. This is easy

to understand as this is the only way a company can meaningfully calculate and report profit.

The reporting on the other two pillars of the TBL is largely non-monetary (in particular the reporting is largely in descriptive narrations. For instance, using three performance indicators on people in terms of providing education and training for employees only 7.7% of the enterprises report in quantitative terms, providing the number of employees that benefited from training and education programmes, no enterprise reported how much was spend on such programmes or the impact of such programme on the employees in monetary terms, 5.8% of the enterprises did not report on such programmes at all, 86.5%, just descriptive. Using the indicator of employment of people with physical disabilities the practice is equally dismal; only 38.5% report in quantitative terms in the form of how many such people are in their employment, 51.9% just report by stating their policies of non-discrimination in this regard; and 9.6% provide no clue at all.

The same may be said for the indicator of work environment for employee in terms of health and safety conditions. No enterprise provided reporting in either monetary or quantitative terms 98.1% reported in terms of descriptive statements of policies and efforts made to ensure safe work environment, for employees and 1.9% did not refer to such matters at all.

In the area of support for host communities in education and healthcare, the practice might be said to be better. The enterprises report their efforts in the form of gifts and charitable donations; 36.5% reported such effort towards education in monetary terms and 53.9% did not report on that at all, 25% reported such efforts towards healthcare in monetary terms, 13.5% in quantitative terms and 61.5% did not report such at all.

The enterprises perform most woefully in the area of environmental impact. Only 5.8% reported the cost incurred in impacting the environment; 1.9% merely stated the number of projects that have been undertaken in the area of ensuring a safe environment, 13.5% did only descriptive reporting in terms of their policies towards ensuring a safe environment and 78.8% did not report their environmental impact at all.

CONCLUSION

Based on the analysis provided above, the following conclusions are drawn up for this study.

- Reporting on the pillar of the planet in Nigeria is very poor. The performance indicators of the bottom line of the planet are not given any meaningful attention in the reporting system of Nigeria companies.
- Reporting on the bottom line of people by the enterprise is more extensive than that of the planet, although the reporting practice is largely quantitative description of practices and policies and not in terms of monetary

implications of practices and policies. There is some form of reporting for many of the performance indicators of the bottom line of people –though on a quantitative description level.

- Reporting on the bottom line of traditional profit by Nigerian enterprises is given the most comprehensive attention. Reporting on the bottom line of profit is on the monetary basis which is the highest form of reporting, adequate explanations are provided to support all disclosed figures which is not applicable for another pillar in the TBL framework.
- It appears that the enterprises merely report to meet statutory disclosure requirement. There is no attempt to provide all stakeholders all that will be needed to evaluate practices.
- The TBL reporting practices of the companies are not uniform particularly for the bottom lines of people and planet. The approaches adopted by the companies vary greatly.

Recommendations

Based on the above conclusions therefore, the following recommendations are suggested:

- The government should legislate on a reporting framework for people and planet so that in concrete monetary terms, stakeholders can have sufficient basis for evaluating the performance of businesses in these areas.
- The Financial Reporting Council of Nigeria (FRCN) should develop a reporting standard for reporting on the impact of businesses on people and planet just as there are standards for reporting on profit.
- Businesses should voluntarily adopt the TBL reporting framework as a pathway for creating sustainable development. Some of the restiveness in some communities (such as the Niger-Delta) could be addressed through an appropriate reporting framework like the TBL.
- Businesses in their operations and reporting, should give equal attention to the three pillars of triple bottom line. This is “sustainable corporation”
- Clear performance indicators should be developed for the enterprises in the different bottom lines. This would assist the corporations in their reporting practices.

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