

### **Norway's Accounting Act:**

#### **Extensive information about the environment in the directors reports in all companies annual reports.**

(In this act "environment" includes what we call working environment as well as the "external" environment. The demand for environmental information in the directors report was added on during the political reading in our Parliament – long after the normal hearing period. The wording in the act itself is brief. It is what is written in the guidelines that is far more comprehensive. On several points the wording is different from what is common practise in connection with environmental management and reporting. Please keep in mind that this translation is my personal go at it, and not formal accepted.)

The Norwegian **Accounting Act** (1.1.1999) says in § 3.3 – **Directors report:**

3. section: **Information about the working environment:**

An account must be given of the working environment and an overview must be given of implemented measures that are of importance to the working environment. In addition, separate information is required about injuries, accidents and absence due to illness.

4. section: **Information about conditions which may affect the external environment**

An account must be given of matters relating to the enterprise, including its resource used in production and products, which contributes to an impact on the external environment and of the measures which have been implemented or are being planned implemented to prevent or reduce negative impacts on the environment.

(For 3. and 4. Section above there are no exemptions for small enterprises. Sweden has also revised their Accounting act, but limited the demand for environmental information to "external" environment, and to companies with a permit – some 10.000)

The corresponding **Standard on Directors Report** (guidelines)(1.Nov.1999) says on

#### **Information about the environment:**

The Accounting Act specifies several detailed demands about information on environment that intended to be answered in the Directors Report. Several enterprises are producing environmental report to the public that are either published as separate printed reports or as separate part of the enterprises annual report. There is no legal obligation to produce such environmental reports. The degree of detailed information in the directors report may be seen in connection with the information in the environmental reports. Especially for larger enterprises

#### **Working Environment**

Explicit information about sick leave should include total absence due to illness during the year accounted for, and what percentage the sick leave amounted to of the total worked hours in the year. Information about injuries caused by accidents and injuries from other causes with connection to the operation, typically by occupational wear and overload. Information about accidents shall at least include the kind of the accident and what injuries to persons and damage to property the accident caused. Intentionally information shall be given about injuries and accidents specified case by case. Under circumstances it may give a better overview if information is given for similar injuries and damages in an aggregated table.

#### **(External) Environment**

The intention with this account is to give a basis for analysis of the activities of the enterprise in an environmental context, and to give a picture of the environmental obligations and its possibilities of development. It should be possible to understand from the account which ambitions and targets the enterprise has set, and what environmental limitations is expected from authorities, customers and suppliers.

Information shall be given about circumstances of the activities, thereunder its raw material and products, that may lead to a not insignificant effect to the environment. Further information shall be given about which environmental effects the different conditions of the enterprise gives or may give, and what initiatives are implemented or are planned implemented to prevent or reduce negative environmental effects.

Generally the following aspects may be of importance as having an effect on the external environment:

- 1) type and amount of energy and raw material consumed
- 2) type and amount of pollution emitted, hereunder noise, dust and vibrations

- 3) type and amount of waste generated or belonging to the enterprise, i.e. deposited residues, open or closed deposits, sediments in rivers, lakes or the sea etc.
- 4) risk of accidents
- 5) environmental load stemming from transport.

For enterprises manufacturing material/products, the following aspects are central/ of importance:

- a) type and amount of health and environmentally dangerous/inferior chemicals that goes into products
- b) type and amount waste as a consequence of discarding the products
- c) environmental load from the use of the products, hereunder necessary use of other products as gasoline for cars.

In how far a condition may lead to a not insignificant effect on the environment will have to be contemplated effectively in connection with each enterprise. The (Norwegian) Pollution Control Act §8 allows normal pollution from houses, cabins and offices. Pollution that is included in this paragraph will normally represent an insignificant effect on the environment which does not require any account of in the directors/annual report. On the other hand may the manufacture of products containing ecotoxins produce a not insignificant effect on the environment. In the same way transport activities may give emission of gases that add to local air pollution, acidification or climate change and (so) give rise to a not insignificant effect on the environment.

Reporting on environmental condition is still in a developing phase and it is invited to develop new ways to communicate such information. A possible way of reporting could be to show the rate between value added/ production and the environmental load. This is called environmental effectiveness. When reporting environmental effectiveness the size of value added/production and environmental load should be shown. The enterprise is invited to indicate which environmental aspects are most important to the enterprise. This assessment should take account of the environmental priority laid down by the authorities, customers and suppliers. It may also be relevant to mention the relationship the enterprise has established with authorities, and NGOs in the environmental subjects.