PANEL 1:

RETHINKING THE BOTTOM LINE OF FIRM PERFORMANCE AS AN OPPORTUNITY

The tittle of our panel, "Rethinking The Bottom Line of Firm Performance as an Opportunity", refers us to the concepts of Sustainable Development and of the "***triple bottom line***", term coined in 1994 by SustainAbility, the London based think tank (http://www.sustainability.co.uk). The basic idea behind those concepts is that companies that want to be successful in the long term should be able to meet society's needs for goods and services without destroying natural and social capital. As SustainAbility puts it, the great challenge for business in the twenty first century will be '**sustainable value creation',** this is, to create long-term value on an economically, socially, and environmentally sustainable basis.

This is a new and complex agenda for business, and to evaluate performance under this new market conditions, companies must be able to clearly identify the changes needed in order to meet the challenge of sustainability, decide a course of action, and measure progress against the triple bottom line. Traditional accounting and management standards do not usually consider environmental or social questions, so in order to help business asses performance, companies and other organizations around the world are working to create new performance indicators. Although this field is still quite young, the Colombian Business Council for Sustainable Development – CECODES has been implementing since 1995 a set of sustainability indicators to help companies manage the full range of relevant economic, social, and environmental costs and added values associated with their activities.

The Colombian Business Council for Sustainable Development, CECODES, is currently formed by 34 large firms and 3 business associations from all areas of the country's economy: mining, oil, construction, manufacturing, agro-industry, commerce, insurance, and banking. Our members represent more than 4% of Colombia's Gross Domestic Product (GDP), are responsible for more than 400.000 direct and indirect jobs, and represent more than US$ 1.600 million dollars/year in exports. Since 1995 CECODES publishes an annual report called "*Changing Course in Colombia*" (Cambiando el Rumbo en Colombia), which is currently being used as text book in several universities in the country.

Economic value added:

Our companies estimate the value added to the country's economy through their operations by estimating their annual participation in the national Gross Domestic Product (GDP). This measure does not yet consider the impacts, positive and negative, on Colombia's natural, human, and social capital, but we acknowledge that the need to internalise such costs and benefits is still a great challenge, both for business and for governments.

ECONOMIC VALUE ADDED

All figures in US dollars

Data	Unit	INDICATOR
Profits	Million US $/year	
Taxes	Million US $ /year	
Salaries	Million US $ /year	
Financial costs	Million US $ /year	
Public services (utilities)	Million US $ /year	
		% Value added by company to national GDP/ year
Sales	Million US $ /year	
Exports	Million US $ /year	
Annual Production by product	Tons/year	

Social value added:

The bottom line for any project or business should be adjusted for impacts on human and social capital. New standards are being developed, such as the Social Accountability 8000 (SA 8000) proposed by the Council on Economic Priorities (CEP), but social accounting is still in its early infancy. Regarding human capital in company, CECODES members account for training and better quality of life for employees by estimating total social investments in company. In the case of social capital, until we find good ways to evaluate the impact on the sustainability of communities and the level of trust created by business and their shareholders in Colombia, we are only estimating total external investment in communities.

SOCIAL VALUE ADDED IN COMPANY

All figures in US dollars

	Unit	INDICATOR
Direct employment	#/year	
Temporary employment	# average/month	
Indirect employment	# /year	
Average years worked	# years	
Average age - employees	# /year	
Employees leaving company	#/year	
Rotation	%/year	
Employees who own house	%/year	
Absenteeism	%/year	
Work related accidents	#/year	
Days lost due to work related accidents	Days/year	
Man-hours per year	Hours/year	
Frequency of accidents	# accidents/man-hour/year	
Severity of accidents	# days lost/man-hour/year	
Indicator of disabling Illness		**Frequency x Severity/1000/year**
Labor productivity		**Valued added to GDP/# direct employees/year**

SOCIAL VALUE ADDED IN COMPANY

All figures in US dollars

	Unit		INDICATOR
Training	Man-hours/year	Million US $/year	
Education bonus	# employees/ year	Million US $/year	
Ocupational health coverage	# employees/ year	Million US $/year	
Loans	# employees/ year	Million US $/year	
Transportation	# employees/ year	Million US $/year	
Recreation	# employees/ year	Million US $/year	
Insurance (med and other)	# employees/ year	Million US $/year	
Food	# employees/ year	Million US $/year	
Pension plans	# employees/ year	Million US $/year	
Other	# employees/ year	Million US $/year	
Total social investment in company			**Million US $/employee/year**

EXTERNAL SOCIAL INVESTMENT

	Unit		INDICATOR
Housing	Coverage	Million US $	
Education	Coverage	Million US $	
Health	Coverage	Million US $	
Community business promotion	Coverage	Million US $	
Institutional strengthening	Coverage	Million US $	
Recreation	Coverage	Million US $	
Other	Coverage	Million US $	
Total external investment			

Eco-Efficiency or environmental value added: CECODES views **eco-efficiency as a continuous process of maximizing the productivity of resources, minimizing waste and emissions, while adding value for all stakeholders.** This process can be a source of innovation, prevention, and cost-efficiency, that allows companies to obtain the best environmental results at the lowest cost.

The concept of eco-efficiency as value added to a business via proper environmental management is intuitively attractive, but the process of relating positive environmental results with value added is still being debated. Many companies have developed productivity measures and environmental impact measures to chart their way towards environmental responsibility and efficient production. However, traditional management

tools still do not reflect the real costs of using the environment as the natural base for production and/or the value added through environmental improvements.

Our purpose in measuring eco-efficiency is thus to allow decision makers in business, Government and stakeholders, to actually consider the sustainable use of natural resources, the maximization of the productivity of resources, and the minimization of waste and emissions, as a positive source of value for the companies.

Cross cutting indicators are relevant to any company as well as to Government and external stakeholders. However, production processes are specific per industry and product so since 1998 CECODES is developing additional specific eco-efficiency indicators for important sectors, such as oil and cement production. Some member companies have developed specific eco-efficiency indicators for their process or products.

ECO-EFFICIENCY

All figures in US dollars

CATEGORY: PRODUCT/SERVICE CREATION

ASPECT	INDICATOR	ECO-EFFICIENCY INDICATOR
Water consumption by source:	Water consumed (in m3)/ unit of product	**Water consumed (in m3)/ year/unit of product**
• Drinking water	M3/year	
• Pumped from underground aquifers	M3/year	
• Rain	M3/year	
• Natural sources (lake, river, etc)	M3/year	
		Value added to national GDP/year/ Water consumed (in m3)/

ECO-EFFICIENCY

All figures in US dollars

CATEGORY: PRODUCT/SERVICE CREATION

ASPECT	INDICATOR	ECO-EFFICIENCY INDICATOR
Energy consumption by source:	Giga joules consumed/unit of product	**Energy consumed in Giga joules/year/unit of product**
• Total energy consumed by burning coal	Giga joules/year	
• Total energy consumed by burning heavy oil	Giga joules/year	
• Total energy consumed by burning ACPM	Giga joules/year	
• Total energy consumed by burning fuel oil	Giga joules/year	
• Total energy consumed by burning kerosene	Giga joules/year	

ASPECT	INDICATOR	ECO-EFFICIENCY INDICATOR
Energy consumption by source:	Giga joules consumed/unit of product	**Energy consumed in Giga joules/year/unit of product**
• Total energy consumed by burning GLP	Giga joules/year	
• Total energy consumed by burning Natural gas	Giga joules/year	
• Total electrical energy consumed	Giga joules/year	
• Total energy co-generated	Giga joules/year	
		Value added to national GDP/year/ energy consumed in Giga joules

ECO-EFFICIENCY

All figures in US dollars

CATEGORY: PRODUCT/SERVICE CREATION

ASPECT	INDICATOR	ECO-EFFICIENCY INDICATOR
Materials consumption	Materials consumed in tons/year	**Efficiency in the use of materials: Materials consumed in tons/year/unit of product**
		Waste of Main material: Non-product output/year/unit of product

ECO-EFFICIENCY

All figures in US dollars

CATEGORY: PRODUCT/SERVICE CREATION

ASPECT	INDICATOR	ECO-EFFICIENCY INDICATOR
Non-product output		
To soil	Total amount of solid waste to off-site treatment in tons/year	**Total amount of solid waste to off-site treatment in tons/year/unit of product**
To water	BOD in water in tons/year	**BOD in water/year/unit of product**
	COD in water in tons / year	**COD in water/year/ unit of product**
	Total suspended solids (TSS) in the water in tons / year	**Total suspended solids (TSS) in the water / year/unit of product**
To air	Particulate matter to air in tons/year	**Particulate matter to air in tons/year/unit of product**

ENVIRONMENTAL INVESTMENT

	Unit	INDICATOR
Expenditures in goods and services, directly related to the production process, with the purpose of reducing negative environmental impacts of production.	Million US$/year	

Conclusions: Companies that have used sustainability indicators in Colombia since 1995 consider them useful for decision making, and have found business opportunities while evaluating social and environmental challenges. CECODES has documented more than 35 cases in which proper environmental management has been a source of financial and social value, although we still need a good tool to show the positive relationship between responsible management and shareholder value, as well as the risks associated with environmental and social mismanagement.

Triple bottom line accounting has some way to go until we can incorporate social and environmental performance as essential sources for the creation of sustainable value for all stakeholders. All efforts by the private sector to improve and innovate would be clearly stimulated with institutional frameworks that reward long term responsible behavior and establish a common ground for business. Governments and society find here a great possibility to help change course for a better future in Latin America.

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