About the EPR Benchmark

Purpose

Environmental reporting is still relatively new in Hong Kong. The Hong Kong Special Administrative Region Government (HKSARG) has recently undertaken an initiative requiring Controlling Officers within all Government Bureaux and Departments, as top directors of the organizations, to report their environmental policies, actions and performance in annual Environmental Performance Reports (EPRs) since 1999. "A Benchmark for Environmental Performance Reports" (EPR Benchmark) is developed with the purpose to carry out an assessment of the EPR produced by the HKSARG bureaux and departments. The assessment will be used to assist bureaux and departments to improve the quality of their EPRs.

When examining the assessment results based on this EPR Benchmark, it is important to bear in mind that the EPR Benchmark is not used to assess the environmental performance of the bureaux and departments. It is used to assess what is stated in the EPRs but not what they have not disclosed. The EPR Benchmark is about the quality of a report on the environment, not the environmental performance of the respective organization.

Developing the EPR Benchmark

Deloitte Touche Tohmatsu (DTT) has developed this EPR Benchmark for the Hong Kong Environmental Protection Department (EPD). It has been "tailor made" for assessing EPRs produced by bureaux and departments of the HKSARG.

It has been decided that the benchmarking system would be based on the DTT Corporate Environmental Report Score Card and DTT's Sustainability Reporting Score Card. The Corporate Environmental Report Score Card was developed in 1997 and has been used by many organizations in different parts of the world for developing and improving environmental reporting. For some years, it has been used to form the basis for criteria used in the European Environmental Reporting Award. The Corporate Environmental Report Score Card is therefore well tested and is suitable to form a solid base for this EPR Benchmark. Reference to DTT's Sustainability Reporting Score Card and GRI has been made to ensure that the latest developments in environmental reporting are also incorporated into the EPR Benchmark.

This EPR Benchmark is also built on international guidelines established by leading international organizations. These include the United Nations Environment Program (UNEP), the GRI and the World Business Council for Sustainable Development (WBCSD).

In 1999, EPD produced "A Guide to Environmental Reporting for Controlling Officers" which outlined the steps for producing EPRs. This Guide also suggests a general reporting framework which includes the following subjects: Controlling Officer's Profile of Key Responsibilities, Environmental Goal, Environmental Policy, Environmental Objectives, Targets & Milestones, Environmental Management Analysis, Environmental Performance Analysis and Environmental Actions Requiring Special Attention. References to these subjects are given in the EPR Benchmark.

Explaining the Structure, Content and Weighting

This EPR Benchmark contains 20 criteria that are categorized into five groups. For the purpose of carrying out the survey of the EPRs produced by HKSARG bureaux and departments, each criterion has been assigned the same weight. Since there are 20 criteria in total, this will result in each criterion "carrying" 1/20 of the total score, which is equal to 5% of the total score.

The structure of the EPR Benchmark, the overview of the 20 criteria and the description and weighting of each criterion group are provided as follows:

Report Writers

Report Readers

I   Communication

Environmental Performance Report

II   Relevance

III Commitment and
        Management

IV Performance

V   Credibility

Structure of "A Benchmark for Environmental Performance Reports"

The 20 Criteria Included in "A Benchmark for Environmental Performance Reports"

I Communicate Effectively

1 Provide **Context**

2 Follow **Basic Principles of Reporting** (reporting period, scope, entity etc.)

3 Design an effective **Report Structure** (a "red thread")

4 Optimize **Readability** (language, pictures, charts, explanations, navigation tools)

5 Allow for **Accessibility** (facilitate contact and provide feedback) and **Quick Reading** (executive summary, key indicators)

II Show Relevance

6 Identify and address key **Stakeholders and Report Target Audience**

7 Identify and describe key **Significant Aspects**

III Demonstrate Commitment and Management Quality

8 Include Environmental **Vision and Strategy**

9 Formulate **Management Commitment** (principles, values, policy)

10 Characterize **Responsibilities and Organizational Structures** (including corporate governance)

11 Demonstrate **Improvement Action** (objectives and programs)

12 Describe **Management System and Integration into Business Processes**

13 Demonstrate environmental aspects in the **Supply Chain and Value Chain**

IV Quantify Performance

14 Use effective and meaningful **Metrics and Indicators** (absolute figures and ratios)

15 Show **Trends** (performance over time)

16 Provide **Targets** (level of achievement and envisioned future performance)

17 Include **Interpretation and Benchmarks** (context and comparability)

V Achieve Cradibility

18 Optimize **Balance of Issues** (relevant aspects, usefulness)

19 Describe **Engagement with Stakeholders** (dialogues and outcomes thereof)

20 Use **Assurance Services** (verification)

The Five Criteria Groups

I Communication

Reporting only makes sense if the reports reach their audience, are readable and understood by the intended readers. This can be the starting point for a dialogue that will finally lead to a change in behaviour or further improvement of performance. The reports therefore must make best use of tools to communicate effectively.

This category contains five criteria. In terms of weighting, it represents 5 out of 20 criteria and so equals 25% of the total score.

II Relevance

In order to make reporting and communication effective management instruments, it is important that reporting organizations use sufficient efforts to explain to their stakeholders how they have identified their readers. They must consult these readers about their specific information needs and expectations, before they start to prepare the report. The organizations should also report on how they have identified the significant activities that have made direct or indirect impacts on the environment.

This category contains two criteria. In terms of weighting, it represents 2 out of 20 criteria and so equals 10% of the total score.

III Commitment and Management

Commitment from top management is a prerequisite for the operation of environmentally related activities in the organization, and it is therefore essential to demonstrate this to the reader of the report. Another prerequisite is that the reader must be informed that a proper management system is in place to carry out the organization's vision and strategy.

This category contains six criteria. In terms of weighting, it represents 6 out of 20 criteria and so equals 30% of the total score.

IV Performance

This category aims to illustrate the extent to which the organization describes its environmental performance through the use of indicators, trends, targets and benchmarks. Measurement of performance is a key to monitor whether real progress has been achieved.

This category contains four criteria. In terms of weighting, it represents 4 out of 20 criteria and so equals 20% of the total score.

V Credibility

The criteria in this category are designed to help assess the credibility of the report, as an organization should demonstrate credibility and gain trust from the readers.

This category contains three criteria. In terms of weighting, it represents 3 out of 20 criteria and so equals 15% of the total score.

The Criteria and the Score

The EPR Benchmark gives information and guidance tor each of its criteria on what to consider □ when assessing a report. The information on all the criteria is presented in a standardized way, □ In this section, the meaning and rationale of this structure and its elements are explained.

Tittle: A headline to name the criterion□
For example:

I   Communication

1   Context

The question for the criterion: A question to briefly characterize and describe the item. □
For example:

Does the report describe the organization's business and operations enabling the □ reader to determine the perspective of the information provided?

Score

0. No mention or very □ insufficient/very □ little □

□
1. Some/little/partial□ mention or □ coverage □

□
2. Most important □ aspects □ covered，average □

□
3. better than □ average，current □ state-of-the art □ practice of□ several leading□ reporters □

□
4. Pace-setting□ creative new□ approach, □ outstanding，best □ practice

Explanation, Characteristics and Examples

This section provides additional Explanation and Definitions of terms □ And key expressions used to describe this item. □
□
It also includes Characteristics that enable better understanding of the □ Item. Furthermore , there are illustrative examples of practices applied □ In reporting and reference to examples from reporting □ standards/guidelines

Examples:

Context may include:
- Nature of a Bureau/Department's business and activities including □ main functions, overall objectives, programs, programs, policy areas, facilities□ operates and number of offices occupied.

- Key financial figures and other key figures.

- organization structures.

- Possible major changes in organizational context □ (e.g. organization size, and activities)since last report.

References:

- "A Guide to Environmental Reporting for Controlling Officers"□ produced by Hong Kong Environmental Protection Department,□ Chapter3, Section 1:"Controlling Officer's Profile of Key□ Responsibilities".

- GRI Version 2000 Part C, Section 2:"Profile of Reporting□ Organization".

Each of the 20 criteria is worth a score between 0 and 4 points. These correspond to a level of fulfilment between "no mention or very insufficient / very little" and "pace-setting creative new approach, outstanding, best practice", which corresponds to an overall maximum score of 80 points or 100%. The five scoring levels from 0 to 4 are described with generic criteria.

Users of the EPR Benchmark are encouraged to score conservatively to better encourage learning and leave more room for improvement. A score of 4 points is reserved for truly extraordinary or innovative disclosure and explanation. The user must bear in mind that a high level of detail does not necessarily warrant a 4. Too many details often constrain a clear and concise message. The theoretical total of 80 scores or 100% is an unrealistic maximum for ideal reporting of complete satisfaction. In our experience, no organization has come close to the optimal 80 scores.

In the chart below, the five scoring levels from 0 to 4 and respective percentages for the overall score are described with general qualification statements.

Score	Generic Scoring Levels	Total (%)
0	No mention or very insufficient / very little	0%
1	Some / little / partial mention or coverage	25%
2	Most important aspects covered, average	50%
3	Better than average, current state-of-the-art practice of several leading reporters	75%
4	Pace-setting creative new approach, outstanding, best practice	100%

Using the EPR Benchmark

This EPR Benchmark can be used as a learning tool for organizations that wish to develop or improve their environmental reporting. Bureaux or departments wishing to review their own present reports or develop their own future reports can refer to it for inspiration and examples.

The EPR Benchmark can also be used to carry out assessments of EPRs produced by HKSARG bureaux and departments. Furthermore, the EPR Benchmark can be a tool to facilitate updating of "A Guide to Environmental Reporting for Controlling Officers".

When developing the EPR Benchmark, references to "A Guide to Environmental Reporting for Controlling Officers" produced by EPD have been included in the individual criterion. Each part of the Guide has only been referred to once in the EPR Benchmark.

When assessing the EPRs against the EPR Benchmark, the EPR content will be examined to see if it is understandable, comparable, relevant and reliable. The results of such evaluations are dependant on the experience, knowledge, and skills of the user. It is, therefore, an objective assessment with professional judgement and certainly not an exact science.

For example, the overall judgement of relevance and reliability of the information presented in an EPR will be influenced by the person assessing the EPR (the assessor); in particular, the person's knowledge of the organization and its environmental circumstances. The EPR Benchmark does not help the assessor identify all the environmental issues that would be of interest to the various users of the EPR. Criterion 18 (Balance of Issues) however, will help the assessor evaluate whether the organization has been consistent in terms of reporting on the issues it has identified.

If the EPR Benchmark is used to evaluate an EPR of an organization the assessor is not familiar with, the assessor's judgement on relevance of information will be based on limited knowledge of the organization. The assessor's impression on the reporting organization's reliability will likely be influenced by the third party verification statement in the EPR, if included, or whether the EPR seems to be presented in a balanced way, including both success stories on the one hand, and challenges and unresolved issues on the other.

When using the EPR Benchmark in surveys of EPRs and reporting award programs, we recommend, with regard to relevance of the information presented in the EPR, that a significant part of the assessment be based on criteria 1, 2 and 3: "Context", "Reporting Principles", "Report Structure" and in particular, information addressed in criteria 6 and 7, which include "setting the scene" for significant environmental aspects. Organizations producing EPRs should pay attention to such information as it enables readers unfamiliar with the organization to make their own judgment on issues related to relevance.

Some organizations report on all of their operations, while others may issue initial reports that provide only partial coverage. An organization with, for example, five different functions or facilities can earn a high score on its EPR even if the EPR relates to only one of the functions or facilities. Alternatively, an organization with fairly good disclosure of information on all its functions and facilities can end up with a considerably lower score.

Benefits and Limitations Related to the Survey of EPRs Produced by HKSARG Bureaux and Departments

Benefits and limitations related to the use of "A Benchmark for Environmental Performance Reports" are included in the sections above.

Additional benefits and limitations directly related to the survey carried out on the status of environmental reporting in the EPRs produced by HKSARG bureaux and departments in 1999 and 2000 are mentioned here:

■ When assessing the EPRs against the EPR Benchmark special credit has not been given to EPRs that have followed the specific structure and content suggested in EPD's "A Guide to Environmental Reporting for Controlling Officers".

■ The bureaux and departments within the HKSARG are different in purpose and nature. In order to be able to analyse the results of the EPR reviews by identifying any systematic differences between the different categories of organizations, the bureaux and departments have been divided into three categories, namely office-based, operational-based and policy-based[1]. In the EPR Benchmark, this categorisation has been used in connection with the examples mentioned in criterion 7: "Significant Aspects".

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[1] Policy-based: Organisations whose EPR state that they can make direct or indirect impacts on the environment through formulation and implementation of policies.

Operational-based: Organisations whose EPR state that their operational activities can have considerable direct impacts on the environment.

Office-based: Organisations whose EPR state that they only influence the environment mainly by their office-based activities.