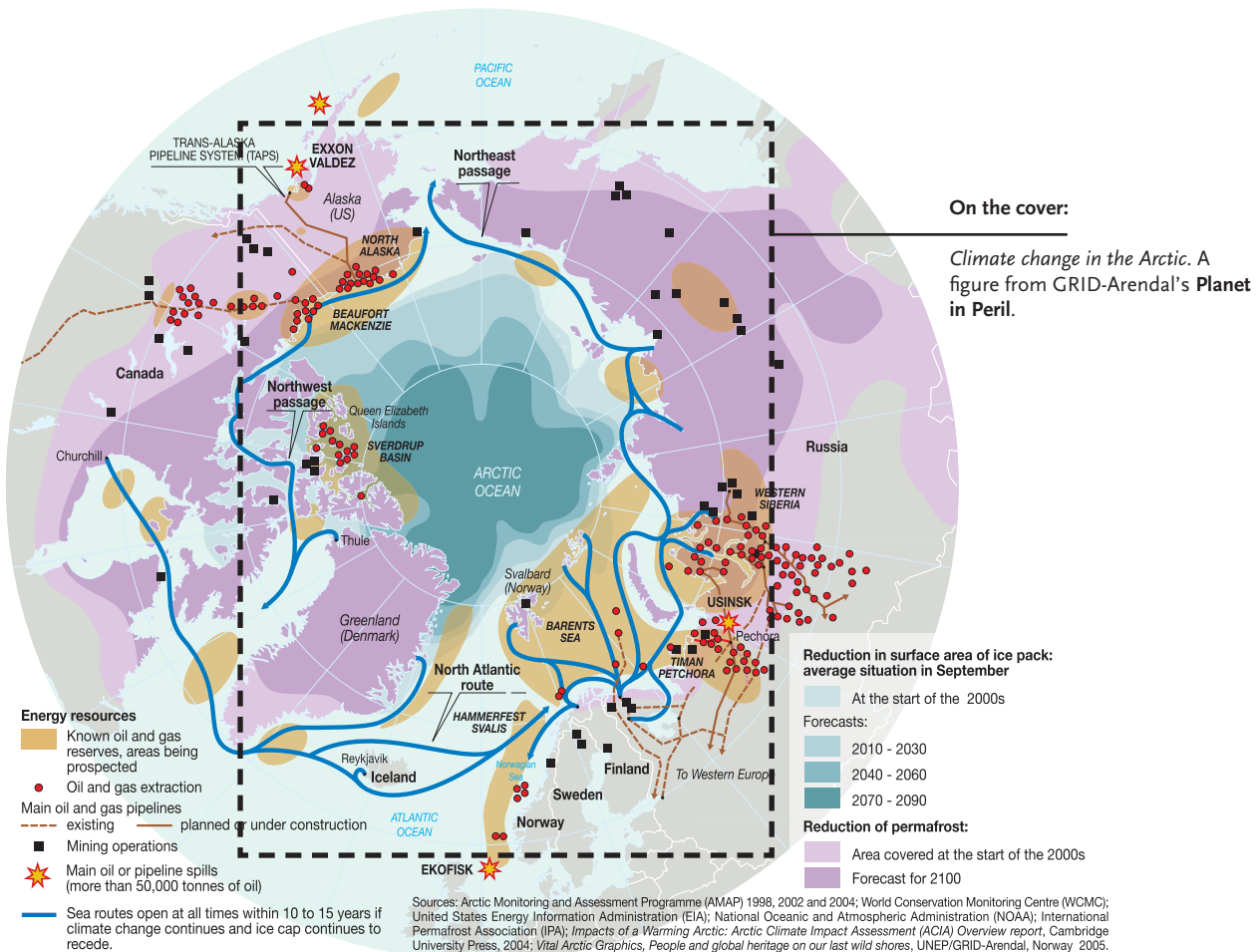


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2005: The year in review

What makes the truly exceptional organizations different from other organizations? What makes an organization move from good to great? A compelling question which has intrigued people the last 2000 years or so. Numerous theories have been stated and tested and a number of widely-held myths circulate. Collins & Porras point out that visionary organizations prosper over long periods of time, through multiple life cycles and multiple generations of active leaders. And in order to become visionary, the organization has to have a vision answering the questions concerning why and what we do, a reason for being. Given this, Collins and Porras* found that successful organizations preserve its core ideology, changing it seldom.

* Collins, J. and Porras, J. (1994) "Built to last. Successful habits of visionary companies". Harper Collins Publishers, New York.

GRID-Arendal formulated its vision during 2004: environmental knowledge for change. Based on this, the main goals for the period 2006–2009 have been identified. We believe that by providing scientifically based environmental information in a reliable and understandable way, this will change our behaviour in order to live in balance with the environment and to secure a sustainable future for us and future generations.

For many years we have focused our information towards politicians and decision-makers. Last year, we also carried out a pilot project with school children where we challenged them to address their own environmental concerns and interest in the subject. The result of the pilot project is a poster exhibition, which has generated significant interest. To walk the talk of our vision, we believe that starting with the young ones and providing them with scientifically based environmental information contribute to ensure that more people are prepared to handle tomorrow's environmental challenges.



Kari Elisabeth Fagernæs
Kari Elisabeth Fagernæs
Vice Chair
GRID-Arendal Board of Directors



Steinar Sørensen
Steinar Sørensen
Managing Director
GRID-Arendal



Winner of the poster competition "Please close the zip, the world is falling apart". Design: Malin Woie and Nora Scheel.

About GRID-Arendal

www.grida.no

www.unep.org

GRID-Arendal is an official United Nations Environment Programme (UNEP) centre located in southern Norway. Established in 1989 as a Norwegian foundation, GRID-Arendal's mission is to provide environmental information, communications and capacity building services for information management and assessment. GRID-Arendal is fully dedicated to support and strengthen UNEP in accordance with UNEP's Governing Council guidelines and work programmes. Together with international partners, GRID-Arendal's core focus is to facilitate free access to and exchange of environmental information to support decision-making processes aimed at securing a sustainable future.

The United Nations Environment Programme (UNEP), as the world's leading intergovernmental environmental organization, is the authoritative source of knowledge on the current state of, and trends shaping the global environment.

Core Competence

GRID-Arendal has an international professional staff, mostly located in its headquarters in Arendal, but also with outposted offices in Geneva, Switzerland; Ottawa, Canada; and Stockholm, Sweden. In addition, cutting edge expertise is recruited on a project basis. Human resources at GRID-Arendal are presented on the web site www.grida.no/about

As a UNEP centre, GRID-Arendal has continued during 2005 to further develop and strengthen its core competencies in the areas of

- Awareness-raising and outreach;
- Building capacities;
- Assessment;
- Innovative tools, methodology and technology.



Location

Currently located within the multi-institutional Arendal Science Park, Norway, GRID-Arendal purchased a building by the harbour of Arendal city in 2003, which was launched as an official UN House in September that year.

During 2005, the planning phase progressed focusing on eco-efficient renovation materials and construction, as well as "green" solutions for energy, lighting and ventilation systems. Renovation started in October 2005. GRID-Arendal plans to move into the House in October 2006.

The UN House is intended to be an international melting pot open to and serving the public in the Southern Norway region.

GRID-Arendal's values

GRID-Arendal adopts the United Nations Core Values as the shared principles underpinning our work and guiding the daily actions and behaviours of our staff, the Core Values being:

Integrity

- Demonstrates the values of the United Nations in daily activities and behaviours;
- Acts without consideration of personal gain;
- Resists undue political pressure in decision-making;
- Does not abuse power or authority;
- Stands by decisions that are in the Organisation's interest, even if they are unpopular;
- Takes prompt action in cases of unprofessional or unethical behaviour.

Professionalism

- Shows pride in work and in achievements;
- Demonstrates professional competence and mastery of subject matter;
- Is conscientious and efficient in meeting commitments, observing deadlines and achieving results;
- Is motivated by professional rather than personal concerns;
- Shows persistence when faced with difficult problems or challenges;
- Remains calm in stressful situations.

Respect for Diversity

- Works effectively with people from all backgrounds;
- Treats all people with dignity and respect;
- Treats men and women equally;
- Shows respect for and understanding of diverse points of view and demonstrates this understanding in daily work and decision-making;
- Examines own biases and behaviours to avoid stereotypical responses;
- Does not discriminate against any individual or group.

In addition to these three UN core values, we adopt a fourth value reflecting our affiliation with the United Nations Environment Programme (UNEP):

Environmental Commitment

- Actively disseminates information on the environment based on scientific knowledge of high quality;
- Promotes environmental awareness by agenda-setting "green" thinking and innovation among staff and within projects with partners and stakeholders;
- Practices environmentally friendly office routines;
- Funds an internal project on a continual basis dedicated to promoting internal and external environmental knowledge and commitment.

Polar Programme

The Polar Regions are an increasing UNEP focus because of their vulnerability and their significance in these times of accelerating global climate change, and because they hold globally-significant store-houses of resources such as freshwater, fish, petroleum and wilderness. GRID-Arendal works to raise awareness in the rest of the globe on these issues and to foster international co-operation to promote good governance and sustainable development in these regions.



© 1999 TOPHAM PICTUREPOINT

GRID-Arendal has a special role as UNEP's Key Polar Centre, representing UNEP in international and regional polar fora, producing assessments and outreach products, and promoting community-based natural resource management through capacity building and supportive services.

GRID-Arendal's Polar Programme, with outposted offices in Ottawa, Stockholm and Lillehammer, works with international partners and regional stakeholders within the following areas:

- **Stakeholder processes:** facilitating and/or participating in stakeholder processes that recognize different values, perspectives, and knowledge, with a particular emphasis on empowering Arctic peoples;
- **Assessments:** providing interdisciplinary polar assessments and early warning to build awareness as a foundation for decision-making;
- **Communication:** providing outreach, education and communication services; and,
- **Expertise:** providing analytical and management tools, methods and expertise to meet stakeholder demands.

Highlights from 2005

In cooperation with the Russian Association of Indigenous Peoples of the North (RAIPON) and the Saami Council, the Polar Programme organized a workshop 'Co-Management and Community-Based Natural Resource Management (CB-NRM): World-wide Experiences and Perspectives Relevant to Challenges and Opportunities in the Russian North'. Participants recommended a co-management/CBNRM pilot project to be undertaken for indigenous peoples in the Russian Arctic. Follow-up to this recommendation is ongoing.

During the 23rd Session of the Governing Council of UNEP in February, **Vital Arctic Graphics: People and global heritage on our last wild shores** was launched. This was produced and published by GRID-Arendal in co-operation with WWF International Arctic Programme, the Inuit Circumpolar Conference (ICC), and the Conservation of Arctic Flora and Fauna (CAFF) International Secretariat.

The Polar Programme contributed to the Polar sections of UNEP's GEO Year Book 2006, and developed new initiatives related to the use of earth observation information in early warning and assessment (through the European Space Agency).

Focus was also given to the further development of the Polar Programme's initiative to assist the peoples of the Arctic and Small Island Developing States to develop strategies for communications, awareness raising and adaptation to climate change. During the first meeting of the Parties to the Kyoto Protocol in conjunction with the 11th session of the Conference of the Parties to the Climate Change Convention, the Polar Programme organized a roundtable discussion on the Arctic Day on how two of the most vulnerable regions on Earth – the Arctic and Small Island Developing States – are being affected by and adapting to the impacts of climate change. In addition, numerous meetings were held with potential co-operative partners and donors.

International Polar Year projects and activities were started, including our role as a contributive member of the Arctic Diversity Network.

The Polar Programme participated in a meeting of the Standing Committee of Parliamentarians of the Arctic Region, held a presentation and distributed a draft report on multilateral environmental agreements (MEAs) and their relevance to the Arctic. This initiative will be followed up in 2006 in the form of a seminar with Arctic stakeholders and MEA secretariats.

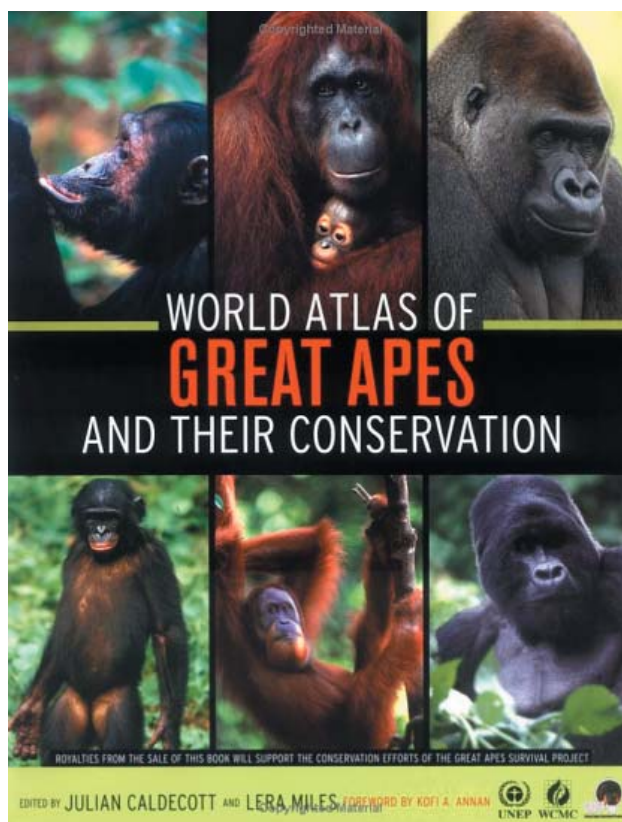


A map from GRID-Arendal's **Vital Arctic Graphics** showing unprotected marine areas bordering on coastal areas. In 2006, the Polar Programme will, in co-operation with WWF, publish a report on protected areas in the Arctic.

In 2005, the GLOBIO programme became the largest global modelling effort on biodiversity loss. GLOBIO entered a new phase as the outcome of its new consortium structure, where UNEP's biodiversity centre WCMC in Cambridge, the Netherlands Environmental Institute and GRID-Arendal combined their efforts in presenting a new and truly groundbreaking modelling effort. For the first time, major established and well-reputed models on climate change, pollution, land use, infrastructure and fragmentation merged to create the GLOBIO 3.0 – the Global Biodiversity Model.

The model is specifically designed to support the Convention on Biological Diversity (CBD) by using only indicators on biodiversity loss adopted by the convention of parties to the CBD and will play an increasing role in UNEP's main assessment work – the GEO (Global Environmental Outlook) series. The model was successfully reviewed and further improved by an external scientific Board consisting of leading experts from different continents. Work also began with the University of British Columbia to add a global marine component including effects of fisheries.

As in previous years, the model outputs and assessments generated significant policy impacts and received global media coverage on every single event. On September 1, the **Atlas of the Great Apes and their Conservation** – with preface from Secretary-General Kofi Annan – was launched and was extensively covered in the world news media including CNN, BBC and TV and newspapers across the planet. On September 5, shortly prior to the World Summit in New York, the scenario report on the increasing risk of flashfloods and seasonal drought in the High Asian mountain region from deforestation and biodiversity loss was launched and received broad coverage in Asia including in China. On September 15, an international agreement was signed to help increase the protection of great apes. By November, shortly after the Doha World trade decisions, the CBD mandated GLOBIO to provide the first evaluation of the effects on future biodiversity and the 2010 target to reduce the rate of biodiversity loss of six major global policies. In 2006, GLOBIO will among other contribute to GEO4, The Global Desert Outlook and polar assessments.



The World Atlas of Great Apes and their Conservation provides a comprehensive overview of what is currently known about all six species of great apes – chimpanzee, bonobo, Sumatran orangutan, Bornean orangutan, eastern gorilla, and western gorilla. It gives a thorough background on ape behaviour and ecology for each species, including detailed habitat requirements, the apes' ecological role, and the possible consequences of their decline.

Capacity Building Programme

enrin.grida.no

GRID-Arendal's Capacity Building Programme undertakes a wide range of activities aimed at building awareness and increasing capacity to integrate environmental considerations into decisions on development as well as land and resource management, particularly in Eastern Europe, the Caucasus and Central Asia. These include training workshops in environmental journalism and state-of-environment reporting, the establishment of information centres, and the development of training tools for environmental assessments and reporting.

GRID-Arendal's Capacity Building Programme works to:

- Further develop and utilize core competencies within thematic areas relating to environment and poverty, environment and security and urban environmental issues;
- Further develop capacity building methodologies/tools for environmental reporting and for measuring its impact;
- Based on scientific data, communicate environmental information through innovative visual (carto)graphic reporting.

Highlights from 2005



Within the Environment and Security (ENVSEC) initiative, jointly implemented by UNEP, OSCE and UNDP, GRID-Arendal remains the assessment engine with innovative, participatory and highly communicative assessments on the linkages of environment and security being conducted and published for Central Asia, the Caucasus, Eastern Europe and the Balkans.

Media/journalist workshops were held in Tbilisi, Georgia, Baku, Azerbaijan, Tirana, Albania and Arendal, Norway. An 'Environmental information management and reporting workshop' was held in Budapest, Hungary.

The opening of three environment information centres was managed and executed by GRID-Arendal within the framework of the project "Increasing the Impact of Environmental Information in the Northwest Russia": the Arkhangelsk Environmental Information Centre, the Environmental Information Centre for St. Petersburg and Leningrad oblast, and the Pskov Environmental Information Centre.

The electronic version of the Popular report "State of the Environment of the Republic of Belarus" (www.nd.minpriroda.by) was launched.

Publications in 2005:

- **Mining for Closure – Policies and guidelines for sustainable mining practice and closure of mine.** The book was designed to present a basis for action within South Eastern Europe (SEE) and within the Tisza River Basin (TRB) towards the development of corporate practice, regulatory frameworks, governance guidelines and/or financial and insurance markets suitable for the support of a modern mining industry. (www.grida.no/products.cfm)
- **Issue No. 4 of Environment and Poverty Times** features articles and graphics related to environment, achieving the millennium development goals (MDGs) and governance. (www.environmenttimes.net)
- **Impact II Telling good stories: We have the message but how to communicate it using the right messengers. A collection of practices and lessons.** This report was a follow-up to GRID-Arendal's Occasional Paper in 2001 focusing on the impact of environmental information.
- **Environment and Security: Transforming risks into cooperation - Central Asia - Ferghana / Osh / Khujand area** presents an in-depth assessment of the environmental and security situation in the Ferghana Valley, Central Asia.
- **The Millennium Assessment Synthesis Reports**, describing the continuous degradation of the ecosystem, included a collection of graphics produced by GRID-Arendal's cartographic team.
- **Vital Climate Change Graphics.** This collection of graphics was based on the Third Assessment Report (TAR) of the Intergovernmental Panel on Climate Change (IPCC) that was published in 2001. Available in print, on CD-ROM and online (vitalgraphics.net).
- **Vital Climate Graphics Latin America and the Caribbean**, a collection of graphics highlighting greenhouse gas emission trends, observational evidence, and projected impacts of warming and adverse weather events in the region, was published. Available on CD-ROM and online (vitalgraphics.net) in both English and Spanish editions.
- **Issue No. 3 of Environment & Poverty Times** was prepared for the World Conference on Disaster Reduction in Kobe, Japan. It features a collection of articles covering a wide range of disaster-related issues ranging from prevention, early warning and preparedness to relief and reconstruction. (www.environmenttimes.net)

UNEP Shelf Programme

The UNEP Shelf Programme is a partnership of international organizations with expertise in marine geoscience and maritime law, established to assist developing States and small island developing States in defining the outer limits of their continental shelf and preparing their submissions for assessment by the Commission on the Limits of the Continental Shelf. GRID-Arendal manages the UNEP Shelf Programme.

GRID-Arendal has a special role in one of the most exciting international programmes in historical times regarding the definition of national borders. This originates in the UN Convention on the Law of the Sea and translates into facilitating developing nations to prepare their submissions to the UN to secure their rights to their offshore area (continental shelves) beyond 200 nautical miles. This involves working with nations on data inventories, funding raising and training.

The UNEP Shelf Programme was established in 2004 following a resolution of the UN General Assembly in 2002 calling on UNEP's GRID system to coordinate work around marine data related to the Article 76 of the convention. Article 76 refers to the rules and regulations for what can be secured as extended territory beyond the statutory Exclusive Economic Zone (extending to 200 nautical miles). Any territory approved under this convention is then available to the country to explore and exploit the resources located on the sea bed and below (fishery rights are not included in any extended zone).

Developing countries are faced by many challenges when they consider how to successfully complete a submission within the deadline of May 2009. Typical issues include lack of skilled expertise in geoscience, lack of financial resources needed to assimilate and analyse old data or acquire new data, and difficulty in prioritising this over more short-term problems they may be facing.

The UNEP Shelf Programme has two main objectives:

- To facilitate as many developing countries and small island states as possible in the identification and access of the data they require to comply with Article 76. This is mainly achieved through the development of a One Stop Data Shop (OSDS), which gathers multiple relevant databases into one place, thus simplifying the process of finding existing data for developing states.
- To provide training and support to local staff in relevant aspects of long-term capacity building and compliance with the convention. For instance hands-on workshops interpreting data according to the guidelines that must be followed to prepare a submission.

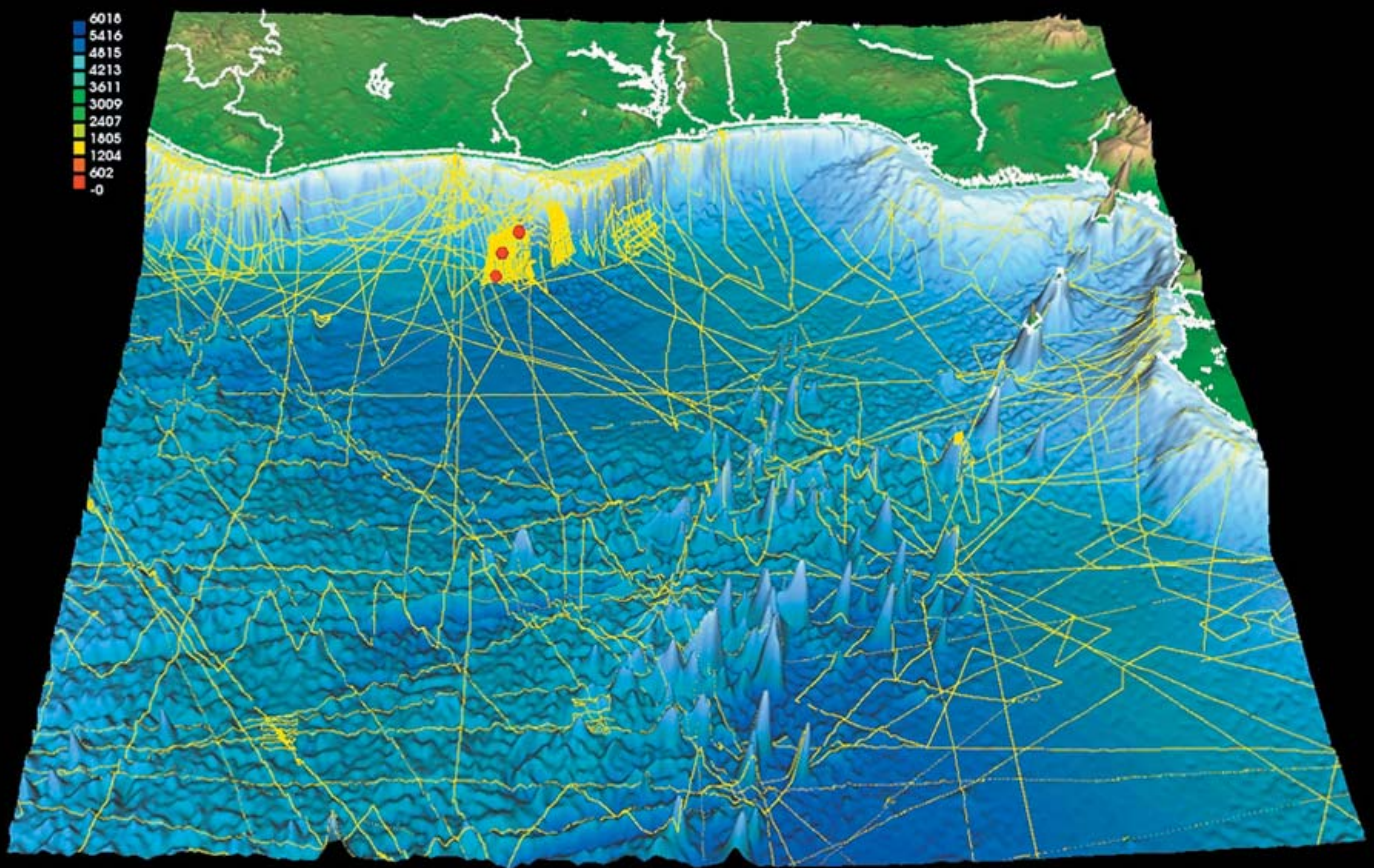
Highlights from 2005

The UNEP Shelf Programme developed a One Stop Data Shop (OSDS) for use by coastal states preparing submissions for an extended continental shelf beyond 200 nautical miles. The concept built on the request by developing states for a user-friendly single portal for identifying and downloading relevant data. This was established in 2005 by developing a series of filters and reformatting tools that allow data from a variety of globally diverse sources to be relocated into a single place (the OSDS). Developing states can now request all available data in their area of interest. More data is being added on a regular basis as the Programme establishes agreements with the major international data holders. Collaboration on software development has occurred simultaneously such that the data can be easily imported and interpreted into a tailor-made package for people working with extended continental shelf submissions.

Increasing knowledge of the services of the UNEP Shelf Programme on a global basis is critical to its success and usefulness. Thus, a priority in 2005 was to travel to key regions to present the Programme both to potential users and to those who hold positions of influence regarding prioritizing this matter in developing countries. The OSDS was presented at three major training courses organized by the UN Division of Ocean Affairs and Law of the Sea (DOALOS), in Fiji (February), Sri Lanka (April) and in Ghana (December). In addition, meetings were held at national level to explore co-operation possibilities and potential funding. UNEP's New York Office held a donor meeting on behalf of the UNEP Shelf Programme in June.

The UNEP Shelf Programme expanded its co-operating network of partners. The Programme worked with teams in countries such as Tanzania, Kenya and Mozambique, Palau and other Small Island Developing States in the SW Pacific, as well as Sri Lanka, Madagascar, Seychelles and Mauritius. The network was also expanded to include representatives in several West African countries.

The Programme also worked with a network of organizations and individuals to ensure effective support for the developing countries. Some of these included DOALOS, the South Pacific Applied Geo-Science Commission (SOPAC) and UNEP headquarters in Nairobi.



Example of an output from the One Stop Data Shop with currently populated data from two of the most comprehensive global databases (ETOPO2 and a subsection of the GEODAS database). Green is land, blue is sea bottom and yellow the position where relevant data has been collected. Red dots are drilling positions (Deep Sea Drilling Programme).

Global Virtual University (GVU)

www.gvu.unu.edu

Under the auspices of the United Nations University (UNU), the Global Virtual University Network (GVU) is a consortium of universities that work together to enhance learning for environmental sustainability. Through a range of online study programmes and courses, the mission of GVU is to increase people's sensitivity to and involvement in finding solutions for environment and development issues. The consortium acknowledges the importance of education for development and is particularly designed to meet the educational needs of the developing world. GVU programmes and activities are coordinated by the GVU centre that is hosted by GRID-Arendal.

Online learning (e-learning) forms the basic educational method for all our study programmes and courses. This implies that a substantial part of teaching, collaboration, and supervision take place on the Internet. The pedagogy has a learner-centred approach, which means that group work, online discussions and joint assignments are important. It further implies that an active and regular participation among the students is essential. Students meet their classmates in virtual classrooms, in some cases supported by a face to face session in the beginning of the course.

GVU offers a Master's degree programme in environmental and developmental studies called Global Environment and Development Studies (GEDS), which currently includes two areas of specialization: Development Management and Environmental Information Management. This two-year programme is designed to provide students with the knowledge in dealing with the complexity and interdependence of environment, development activities and decision-making processes.

Highlights from 2005

During 2005, the GEDS study programme in Development Management was offered for the first time, through Agder University College. Twenty-six students from four African and one Norwegian university enrolled and started the four-semester, full-time, 120-credit study programme.

In addition, a semester course in environment information management (EIM) was offered by the University of Pretoria in collaboration with the University of St. Petersburg. This will form a part of the four-semester study programme to be offered in 2006. Recognizing the importance of EIM capacity building, and the need to establish a network of institutions that could develop and present education programmes in EIM, GVU organized a workshop held at the University of Pretoria in March 2005.



One of the skills learned in a GVU course is online collaboration in a virtual classroom, building a common learning environment in a community of practice. Here a group of students from Uganda.

In April 2005, nineteen students from thirteen countries completed GVU's first course in online tutoring. The course was held in co-operation with the University Colleges at Stord/Haugesund and Agder University College. The course was again offered in August 2005.

The Africa University Network (AFUNET) is another GVU project conducted in collaboration with UNU, the International Telecommunication Union and the European Organization for Nuclear Research (CERN). This is a practical response to the World Summit on the Information Society (WSIS) Plan of Action. It is designed to enhance the capabilities of African universities to take advantage of the opportunities associated with the emergence of the global information society. In November 2005, a feasibility study was conducted and results presented as a plan of action at WSIS in Tunis.

Report of GRID-Arendal's Board of Directors

GRID-Arendal's operations continue to focus on serving the United Nations Environment Programme (UNEP) with environmental information products and services.

UNEP's Key Polar Centre

In addition to serving as an official UNEP centre, GRID-Arendal is also designated as UNEP's focal point for polar activities, with particular emphasis on the Arctic. The Polar Regions are an increasing UNEP focus due to their vulnerability and their significance relating to accelerating global climate change, and because they hold globally-significant storehouses of resources such as freshwater, fish, petroleum and wilderness. During 2005, GRID-Arendal worked to raise awareness of these issues and to foster international co-operation to promote good governance and sustainable development in these regions.

United Nations University/Global Virtual University

Under the guidance and supervision of the UN University, and in cooperation with a network of universities within Norway, the UK and Africa, GRID-Arendal's Global University (GVU) Programme has steadily progressed in developing curriculum and services. During 2005, the Master's level study programme 'Global Environment and Development Studies' (GEDS) was implemented. Twenty-six students from four African countries and Norway were enrolled. In addition the Africa University Network (AFUNET) was established to enhance the capabilities of African universities take advantage of the opportunities associated with the emergence of the global information society.

Capacity Building

GRID-Arendal continued to support UNEP in building capacities in environmental information management of countries and cities. The focus was on Eastern Europe, the Caucasus and Central Asia in building awareness and increasing capacity to integrate environmental considerations into decisions on development and land and resource management. During 2005, GRID-Arendal expanded its involvement in capacity building efforts within the fields of environment and security, environment and poverty, media training and innovative methodologies and visual presentations for environment reporting.

UNEP Shelf Programme

GRID-Arendal entered into its second year leading the UNEP Shelf Programme. The main focus was on fund-raising, awareness-raising activities and long-term planning. A 'one-stop data shop' was developed as a basis for storing seismic data for developing countries. In addition, the UNEP Shelf Programme became a component of UNEP/DEWA's Work Programme, supporting the need to meet the obligations set forth in the Bali Strategic Plan in the areas of technology transfer and capacity building. Progress was made in developing a network of organisations, including the UN Division of Ocean Affairs and Law of the Sea (DOALOS), to ensure effective support for developing countries.

Strategy

In June 2004, The Board started a process to revise GRID-Arendal's strategy document. This was based on an initial internal working document, which the Board subsequently worked with through an appointed Board working group, and which was discussed in the following two Board meetings. In November 2005, the Board endorsed a revised Strategy document for GRID-Arendal's operations for the period 2006-2009. Five main goals were agreed upon for the strategy period:

- Increase awareness through visual communication, popularised information, workshops and media tours;
- Build capacities in line with the Bali Strategic Plan through training, communication, database development, institution-building and education;
- Produce bottom-up needs assessments, scenarios and syntheses on the global, regional, and sub-regional levels;
- Develop and implement tools, methodologies, technologies for mapping environmental hot spots, for producing training kits, and for utilising e-learning;
- Further develop and strengthen support to UNEP in accordance with UNEP's Governing Council guidelines and bi-annual work programmes.

Board activities

Board Chairman Leif E. Christoffersen completed his term of appointment, which covered a sixteen-year period from GRID-Arendal's first year of operation in 1990 until May 2005. The Ministry of Environment appointed Professor Olav Orheim as Chairman of the Board from June 1, 2005.

The Board held two meetings during 2005. The second Board meeting, held in November, marked the end of Board appointment terms for Sigrun Møgedal and Lasse Lønnum.

Reconstruction plans and financial arrangements for the UN House were finalized and renovation started in the fall of 2005. The UN House will represent an economic gain on a long-term basis, including environmental construction factors and savings due to alternative solutions for heating and lighting.

Finance

Although the originally forecasted operating result was not achieved, the overall result for 2005 is a loss of NOK 124 969. The Board considers that GA has now stabilised its financial situation at the end of the year. The accounts have been rendered under the assumption of continued operations.

The Board concluded that NOK 124 969 will be covered from its equity. It should be kept in mind that the Board follows the general principle that earnings will be used solely to support the mission statement and the long-term goals of the foundation. As a non-profit foundation, a main financial goal of GRID-Arendal is to have an equity level equivalent to about half of the fixed operational cost. Due to the losses that occurred in earlier years, this ratio has been 40% in 2005.

At the end of the year the financial outlook was positive. The project portfolio was better than in previous years. With the recruitment of new staff and increased emphasis on reducing overhead costs, GRID-Arendal positioned itself to be able to achieve sound financial results in the near future.

Taking into account its substantially increased ownership of fixed assets, as represented by the purchase of the UN House, the Board considers the foundation to have a sound financial structure.

Working conditions

Consistent with its overall institutional objective, we are pleased to report that the foundation does not conduct activities that damage the environment, as defined by the Norwegian accounting law. As is the case with many similar organisations, GRID-Arendal uses energy, creates waste, consumes paper, and uses hazardous chemicals (e.g. in copying machines). Efforts are being made to raise awareness among staff and reduce its ecological footprint through a "green office" policy. GRID-Arendal makes determined efforts to use environmentally friendly materials and to reduce the accumulation of waste. GRID staff tries to use environmentally friendly forms of transportation when possible. Since its activities involve extensive international travel, GRID-Arendal encourages video-conferencing and phone-conferencing means to help reduce staff travel.

There were regular meetings between staff and management where issues concerning working conditions were discussed. Continuing efforts are being made to reduce stress, improve teamwork and provide more effective feedback to staff.

Gender issues need continuous attention by the Board and the management of GRID-Arendal. GRID-Arendal has a policy on Gender and Diversity with objectives and goals to be implemented 2004-2007. This policy was endorsed by the Board in 2004. Since female staff occupies many of the

administrative support positions, efforts have been made to recruit women to management and senior-level technical positions. During 2005, four recruitments were processed and finalised: three senior-level positions were filled, two were females; in addition, one female was recruited to a technical position. During 2005, the Board constituted five females and six males. During the course of the year, the total staff consisted of 13 women and 22 men.

The working conditions within the foundation were found to be good. The sick leave in 2005 amounted to 3 % of the total working days. There were no injuries to staff in 2005, and there were no significant damages to the equipment of the foundation.

While most of GRID-Arendal's activities are operated from its headquarters in Arendal, it conducts some activities from office locations in Stockholm, Sweden; Geneva, Switzerland; and Ottawa, Canada.

Conclusions

While there is continuous need for changes and capacity improvements, the Board is generally satisfied with the organisation and management of GRID-Arendal. Under the leadership of the Managing Director, efforts continue to fulfil our mission to support UNEP, to expand our area of activity, to strengthen the management capacities of the foundation, to strengthen the financial situation and reduce overhead costs.

It is the Board's view that the annual accounts give a true and fair view of the foundation's position as of end 2005. The Board sees the need for continued improvements in GRID-Arendal's financial situation.

The Board concludes that it is satisfied that the foundation activities are consistent with its charter purposes and that it has a sound basis for continuing operations and for planning further strategy-relevant operational activities in the future.

April 28, 2006



Olav Orheim



Steinar Sørensen
Managing Director



Marion Cheatle



Øystein Dahle



Kari Elisabeth Fagernes



Kathrine Ivsett Johnsen



Paula Kankaanpää



Lars Kristoferson



Randi Eidsmo Reinertsen



André Støylen

GRID-Arendal's Board of Directors 2005



Leif E. Christoffersen
Chair
(until June 2005)



Olav Orheim
Chair
(from June 2005)



Marion Cheate
Officer in Charge
Division of Early Warning and
Assessment
UNEP



Øystein Dahle
Board Chairman
World Watch Institute
Washington D.C.



Kari Elisabeth Fagnæs
Vice Chair



Paula Kankaanpää
Director
Arctic Centre
University of Lapland, Finland



Lars Kristoferson
Secretary-General
World Wide Fund for Nature
WWF-Sweden



Sigrun Møgedal
Senior Advisor
Norwegian Agency for Develop-
ment Co-operation



Lasse Lønnum
Director
The University Centre
in Svalbard, Norway



Randi Eidsmo Reinertsen
Research Director
Sintef Health Research
Norway



Otto Simonett
Capacity Building Manager/
Head of GRID-Arendal's
Geneva Office
Staff-elected representative



André Støylen
Commissioner of Finance
Dept. of Finance and Adminis-
tration Policy
Oslo Municipality, Norway

Financial statement

Balance (NOK) as of 31.12		31.12.05	31.12.04
Fixed assets	NOTE		
Machinery and equipment	2	121 310	284 188
Investments in subsidiaries	8	3 012 000	3 012 000
Shares, Geodatasenteret A/S	8	100 000	100 000
Other long-term receivables		396 722	293 331
Total fixed assets		3 630 032	3 689 519
Current assets			
Accounts receivable trade	5	1 984 911	5 302 499
Other receivables		13 000	1 695 093
Work in progress	6	10 426 185	8 137 778
Petty cash and bank accounts	9	665 729	1 031 518
Total current assets		13 089 825	16 166 888
Total assets		16 719 857	19 856 407
Equity			
Paid in capital			
Foundation capital		500 000	500 000
Total paid in capital		500 000	500 000
Retained earnings		8 749 235	8 865 085
Total retained earnings		8 749 235	8 865 085
Total equity		9 249 235	9 365 085
Long-term liabilities			
Loan		600 000	1 000 000
Total long-term liabilities		600 000	1 000 000
Short-term liabilities			
Liabilities to financial institutions		2 589 975	2 082 273
Accounts payable trade		560 706	1 693 763
Employee taxes withheld, payable social security etc.		1 126 213	1 638 109
Accrued salaries and vacation fees		1 405 201	1 182 607
Other current liabilities		557 867	87 558
Advance	10	630 660	2 807 012
Total short-term liabilities		6 870 622	9 491 322
Total equity and liabilities		16 719 857	19 856 407

April 28, 2006



Olav Orheim



Steinar Sørensen
Managing Director



Marion Cheate



Øystein Dahle



Kari Elisabeth Fagernes



Kathrine Ivsett Johnsen



Paula Kankaanpää



Lars Kristoferson



Randi Eidsmo Reinertsen



André Støylen

Profit and loss account (NOK)	2005	2004
Operating revenues	NOTE	
Operating revenues	37 303 849	33 690 849
Total operating revenues	37 303 849	33 690 849
Operating expenses		
Project costs	14 283 292	10 869 748
Personnel costs	2 18 188 524	17 705 458
Depreciation	3 162 878	303 408
Other operating expenses	4 698 445	5 400 265
Total operating expenses	37 333 139	34 278 879
Operating result	-29 291	-588 030
Financial income and expenses		
Financial income	232 224	564 564
Financial expenses	327 902	756 981
Net financial items	7 -95 679	-192 416
Result for the year	-124 969	-780 446

Cash flow statement (NOK)	2005	2004
Cash flow from operating activities		
Result of the year	-124 969	-780 446
Depreciation	162 878	303 408
Write-down of fixed assets	0	0
Profit on sale of fixed assets	0	-446 964
Changes in inventory, accounts receivables and accounts payable	-103 876	-3 348 700
Changes in other balance sheet items	-407 523	-1 044 560
Net cash flow from operating activities	-473 491	-5 317 262
Cash flow from investment activities		
Purchase of tangible fixed assets	0	-49 271
Proceeds from sale of other investments	0	0
Purchase of shares	0	0
Proceeds from sale of shares	0	1 456 964
Net cash flow from investment activities	0	1 407 693
Cash flow from financing activities		
Proceeds from issuance of long-term debt	0	0
Proceeds from issuance of short-term debt	507 702	2 082 273
Repayment of long-term debt	-400 000	-400 000
	107 702	1 682 273
Net changes in cash and cash equivalents	-365 789	-2 227 296
Cash and cash equivalents 01.01	1 031 518	3 258 814
Cash and cash equivalents 31.12	665 729	1 031 518

NOTE 1

Basic principles – assessment and classification – other issues

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31 December 2005, consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts. The financial statements give a true and fair view of assets, debt, financial status and result. In order to simplify the understanding of the balance sheet and the profit and loss account, they have been compressed. The necessary specification has been provided in notes to the accounts, thus making the notes an integrated part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and caution. Transactions are recorded at their value at the time of the transaction. Income is recognized at the time goods are delivered or services sold. Costs are expensed in the same period as the income to which they relate is recognized. Costs that cannot be directly related to income are expensed as incurred.

When applying the basic accounting principles and presentation of transactions and other issues, a “substance over form” view is taken. Contingent losses, which are probable and quantifiable, are taken to cost.

Accounting principles for material items

Revenue recognition

Revenue is normally recognised at the time goods are delivered or services sold.

Cost recognition/matching

Costs are expensed in the same period as the income to which they relate is recognised. Costs that can not be directly related to income are expensed as incurred.

Fixed assets

Fixed assets are entered in the accounts at original cost, with deductions for accumulated depreciation and write-down. Assets are capitalised when the economic useful life is more than 3 years, and the cost is greater than NOK 15 000. Operating lease costs are expensed as a regular leasing cost, and are classified as an operating cost.

Depreciation

Based on the acquisition cost, straight line depreciation is applied over the economic lifespan of the fixed assets.

Accounts Receivables

Trade receivables are accounted for at face value with deductions for expected loss.

Pension liability and pension costs

The company has a pension plan that entitles its members to defined future benefits, called defined benefit plans.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, is classified as an operating cost, and is presented in the line item payroll and related cost.

NOTE 2

Machinery and equipment

Purchase value 01.01.05	NOK 5 005 690,-
Added this year	NOK 0,-
Accumulated depreciation 31.12.05	NOK 4 884 380,-
Book Value 31.12.05	NOK 121 310,-
Depreciation this year:	NOK 162 878,-

NOTE 3

Salary costs

	2005	2004
Salary and holiday pay	NOK 14 872 208,-	NOK 13 426 612,-
Employer's contribution	NOK 1 862 634,-	NOK 1 830 866,-
Other personnel costs	NOK 1 453 682,-	NOK 2 447 980,-
Total	NOK 18 188 524,-	NOK 17 705 458,-

Average no of employees 37 35

Salary Managing Director	NOK 690 331,-
Fee Chairman of the Board	NOK 35 000,-
Fee other Board members	NOK 159.000,-

The audit fee for 2005 is split into: Audit as required by law NOK 56 250,-. Fees for other authorization services NOK 18 750,-. Other services provided by the auditor NOK 26 760,-.

NOTE 4

Pension funds

The premium for the year, NOK 1 668 447,- is charged to personnel costs. The yield from the pension premium fund of NOK 1 885,- is included under financial income.

NOTE 5

Work in progress

Work in progress carried out and costs incurred, not invoiced at the year end, related to 41 projects, and costs incurred amounted to a total of NOK 10 426 185,-.

NOTE 6

Short-term investments

Other shares	No. of shares	Purchase cost	Market value
Earthprint Ltd	3 500	NOK 44 961,-	NOK 0,-

NOTE 7

Long-term investments

Shares subsidiaries	Owners share	Purchase cost	Share of result 2005	Share of equity 31.12.05
Teaterplassen AS	67%	3 012 000,-	-426 554,-	8 287 576 ,-

Other shares	No. of shares	Purchase cost	Market value
Geodatasenteret AS	1000	NOK 100 000,-	NOK 100 000,-

The shares in Geodatasenteret AS are valued at purchase cost.

NOTE 8

Petty cash and bank accounts

NOK 493 105,- of the total cash at bank is restricted to meet the liability arising from payroll taxes withheld.

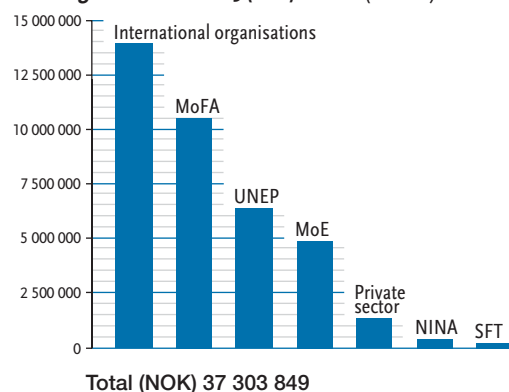
NOTE 9

Advance

Work in progress invoiced on account and advances at the year end, related to 10 projects and amounted to a total of NOK 630 660,-.

Funding sources in 2005 (NOK)

(Not subject to audit)





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To the GRID – Arendal Foundation

AUDITOR'S REPORT FOR 2005

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of the GRID - Arendal Foundation on pages 16-18, as of 31 December 2005, showing a loss of NOK 124.969. We have also audited the information in the Board of Directors' report on pages 13-14 concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The annual financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the financial statements. These financial statements and the Board of Directors' report are the responsibility of the Foundation's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Foundation's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Foundation as of 31 December 2005, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the foundation's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and comply with the law and regulations.

No matters have come to our attention that would cause us to believe that the process of managing the Foundation and its distribution are not in accordance with the law, the purpose of the Foundation and its bylaws.

Arendal, 28. April 2006
KPMG AS

Terje H. Holst

State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

Offices in:

Oslo	Haugesund	Sandnessjøen
Bode	Kristiansand	Stavanger
Alta	Larvik	Stord
Arendal	Lillehammer	Tromsø
Bergen	Mo i Rana	Trondheim
Everum	Molde	Tønsberg
Finnsnes	Røros	Ålesund
Hamar	Sandefjord	

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