Sustainability Reporting

Alex Harris | September 14, 2009 | 1 comment

"Future economic development, must take account of the limits our natural environment can bear. We must also look 10, 20 or even 30 years out and consider the world we may have if we don't also start to address sustainability," says Vittorio Colao, Vodafone Group Chief Executive, in introducing the Vodafone Group Corporate Responsibility Report for the financial year ended 31 March 2009. This is its ninth.

Some companies get it. Some don't.

Michael Massey of Chatham House, says sustainability seems to inform Vodafone's approach to innovation; that sustainability is integrated within the business.

As it should be.

On checking my blog stats I see that 40-50% of all search engine strings that lead people to my site, are actually searching for information on sustainability. Regardless of what Friedman espoused, clearly this is a topic of interest and concern for many.

Just looking at the companies now producing sustainability reports; it is a veritable who's who of business globally. Despite being mostly large multinational companies with something to prove (I was going to say hide, but for you Denis, I stick with prove), sustainability reporting is clearly a growing trend.

"The global economic downturn has highlighted a clear need for greater disclosure and quality of reporting, beyond compliance. It is important for Australian organisations to continue to improve reporting standards and levels of accountability with stakeholders," says Michaela Campbell, Head of Association of Chartered Certified Accountants (ACCA) Australia and New Zealand.

ACCA issues awards for sustainability reports across sectors, organisational size and overall.

"It is encouraging to see Australian businesses taking sustainable practices on board. Of the 28 shortlisted companies in the 2009 ACCA Sustainability Reporting Awards, 28% were from the energy and utilities sector and 20% from the financial services sector," says Campbell.

Apparently there was a 54% increase in entries with more than half the ASX50 entering this year's awards. You can find awards for a number of countries on the (ACCA) website (search for "sustainability").

However, the very fact that there are now awards for such reports alone, rings alarm bells for me. The danger is that this may become a mere beauty pageant, awarding best in show, rather than best in deed; all glossy and gushing adjectives to colour in between the lines; an all singing all dancing chorus line of companies trying to outdo each other in the back slapping and leg swinging sustainability *can can*.

Personally I prefer the *can do* to the *can can*.

But I am assured by experts worldwide, that highlighting and offering awards for reporting is ultimately a good thing. Here's why…

Elaine Cohen, who runs Beyond Biz, a CSR and sustainability consulting company in Israel with world renown, tells Reputation Report that the reporting process enables critical (and crucial) self-analysis that may not happen otherwise.

> The key purpose of the report is to reflect how the organisation is impacting on all stakeholders, how it manages those impacts and what it is doing to make its impacts more positive.

The state of reporting is in constant evolution, and this relates both to which organisations report, content, design creativity, reporting formats and target audience for reporting. Over 3,300 reports were issued in 2008, and close to 2,000 in 2009 so far (versus around 800 in 2000) based on data from www.corporateregister.com . Around 1,000 of these reports were first-timers during 2008-2009.

Because chemicals, energy, banking, mining and transport sectors are the leading reporters (and because of my innate cynicism), I asked what disparity is there between sustainability reports and reality? Are there examples of companies that have claimed “x” and been proved to do “y”?

Recently Tesco produced a Sustainability report in which it claimed to have delivered against its objective to reduce usage of plastic bags in supermarkets. Shortly after, it was discovered that some of the data was misrepresented.

Marks and Spencer reported on organisational restructuring but omitted to refer to over 1,000 people who were laid off.

The large oil and energy companies regularly present themselves as “environmentally friendly” in their reports, but get much backlash for non-environmental practices (which they don’t report).

Tobacco companies report on their CSR practices but are accused of continuing to promote smoking with its anti social and environmental impacts.

All the major apparel companies have been found to be complicit in human rights abuses in their supply chains despite reporting on supply chain responsibility.

CSR is such a broad topic, and reporting is voluntary and by definition, selective, so there is great scope for reporting on the things that make your organisation look good and omitting much of what may generate negative PR. In fact, the negative PR happens anyway, so companies should be a little bolder in addressing sensitive issues up front in their reporting.

A report should deliver a “fair and balanced” representation of the organisation’s impacts – this means reflecting the challenges and more difficult areas of performance. In practice, most reports disclose only good news, which tends to undermine the credibility of the report.

So the bottom line is that whatever they claim in the report will be analysed and judged, and misrepresentations will be found out. We notice also, that more and more reports are now using the Global Reporting Initiative (GRI) framework, and the leading companies are opting for independent external assurance. Tell us about that.

The GRI framework is now the “gold standard” for sustainability reporting worldwide. Originally developed to create comparability between data, it has now become a form of voluntary global reporting standard. Comparability is still elusive, given the broad range of sectors, business types and variations in application of the guidelines, though there are some core elements which can be broadly benchmarked, such as carbon footprint, gender equality, community investment.

My first reporting client was Bank Leumi, now the largest banking group in Israel. This report, which I wrote with the bank’s team in 2006, was the first report to be produced in Israel which complied with the Global Reporting Initiative standards, setting something of a precedent in the Israeli market.

What genuine value is there in producing a sustainability report and why is this information not simply included in the annual report?

There are many debates about the value of reporting. Pinpointing the value depends on which stakeholder groups you refer to. Analysts and investors tend to undervalue the usefulness of non-financial reporting.

A core benefit of CSR reporting is the detailed consideration of how the company is performing versus stated CSR objectives. By publicly declaring performance targets in the report, an organisation is more focused on performing against the declared targets.

Employees by far are the most interested beneficiaries of this type of report, which serves to build their motivation and engagement. In many large companies, the report serves as a useful internal communication platform, enabling employees to learn about organisational activities for the first time.

Integrated reporting is an interesting issue. There are many who claim that financial and non-financial reports should be compiled together in one report, to ensure the total business perspective. But financial reporting is strictly regulated and there is little room for individuality, whereas sustainability reporting enables the organisation to reflect it’s true style, tone and spirit.

Elaine adds that the prime reason for reporting is around building trust with stakeholders. In theory, the reporting process adds value to companies in terms of identifying risks and opportunities through such engagement. That being the case, I asked, who in your mind is doing the best job integrating CSR into the business?

There are some organisations which stand out as superb examples of integration of CSR into all that they

do, and communicate that well. These include some of the CSR "icons" such as Patagonia, Timberland, Body Shop, Ben and Jerry's (not just because they make Chunky Monkey!) and Interface. We can also look for inspiration to some leading global multinationals such as Intel, Hewlett Packard, Nike, Starbucks, SAP, Novo Nordisk, Glaxo Smith Kline, Vodafone and Unilever. Additionally, there are some good regionally focused players such as Telefonica and Westpac bank.

But the companies I really warm to are the privately owned companies who have fully integrated social and environmentally responsible principles right into their core – Eileen Fisher and Seventh Generation spring to mind here. Eileen Fisher talks about social consciousness; Seventh Generation talks about corporate consciousness. Both organisations have turned the vision of their founders into an all encompassing sustainability philosophy which has created strong distinctive brands inseparable from this philosophy. In doing so, they have created highly successful businesses and positive contributions to society and environment.

Other examples are Central Textiles in Hong Kong, a family owned business driving sustainability innovation and awareness in the textile sector, and IMC2, a forward thinking marketing agency who has published two CSR reports and demonstrates a pioneering approach in the marketing sector which has not been particularly engaged in the sustainability dialogue to date.

Who do you think is doing the best job of integrating CSR?

Tags: ASX, Australian, bad reputation, business ethics, corporate governance, CSR, ESG, ethical investing, reputation management, reputational risk, sustainability

Category: CSR & Sustainability, Reputational Risk

About the Author: Author, freelance features writer, speaker and consultant specialising in reputational risk, corporate social responsibility, business ethics, consumer generated and social media, and the links between them. Winner of Chicago Women in Publishing 1994; National Association of Women Business Owners New Venture Award 1995; past president Australian American Chamber of Commerce of Chicago; past executive director of Committee for Economic Development of Australia (Qld).

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