

CORPORATE REPORTING

A Two-Minute Briefing on Key Business Environmental Issues

The Big Picture

A wide range of stakeholders — including investors, consumers, activists, and employees — are asking companies, especially larger ones, to provide “warts and all” information about environmental and social impacts. As this trend for increased accountability and transparency spreads throughout the globe, corporate reporting aids businesses in assessing and improving performance and involving and gaining the trust of stakeholders.

The Context

Corporate reporting goes by a variety of names: “environmental, health, and safety,” “sustainability,” or, simply, “corporate citizenship” reports. Other companies create “corporate social responsibility” reports, which address social impacts as well as environmental ones. Under any title, the practice of corporate reporting allows corporations to communicate information to a variety of stakeholders.

Corporate reporting began in the late 1980s with simple brochures and booklets describing companies’ environmental commitments, along with examples of related initiatives. As corporate reporting has grown, the reports have evolved rapidly — from bare-bones health-and-safety reports to full-fledged publications that attempt to measure and assess the full scope of a company’s environmental and social impacts, and inform the public exactly what the company is doing to address these impacts.

Although the contents of environmental reports still tend to vary widely, a growing number of companies are conforming to the standards of the nonprofit Global Reporting Initiative. Established benchmarks

for corporate reporting allow readers to compare performance across companies, sectors, and borders.

Expect standards for corporate reporting to continue to evolve — especially as reports made available online include routinely updated data and opportunities for readers to respond. In a report published by SustainAbility, a British management consultancy and think tank, Simon Zadek, of the New Economics Foundation said, “In 10 years, we won’t have social reports — we’re going to move towards not simply Web-delivered reports but also to real-time reporting. Audiences will become users of information, rather than just receivers.”

Key Players

- **Major companies**, especially those in heavily regulated industries, are releasing annual reports that review environmental performance and demonstrate a pro-active commitment to environmental and social responsibility.
- **Standards organizations**, such as the Global Reporting Initiative, are working to set international standards for corporate reporting.
- **Regulatory agencies** are looking to corporate reporting as a way to identify companies committed to improving environmental and social performance.
- **Employees** are gathering information about job safety and taking pride in their employers’ environmental and social efforts. Job seekers, especially business students, read corporate reports to determine which organizations might be good places to work (or which ones to avoid).

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- **Investors** are asking questions about the effects of environmental and social initiatives on financial performance, both in the short and long term.
- **Community members** are seeking reassurances about the health and environmental impacts of business operations outside company walls, as well as evidence of donations, volunteer efforts, and other indications that companies are “giving back” to host communities.
- **Consumers** are considering the overall environmental and social performance of the companies that produce the products they purchase — and how that may affect product quality, cost, and safety.
- **Activists** are demanding tangible corporate commitments to environmental and social performance that can be tracked and measured — from company to company, sector to sector, and year to year.

Getting Down to Business

- According to the SustainAbility, **more than 600 international companies** have produced at least one environmental report.
- “Ethical Corporation” magazine reports that, of the 100 Fortune 500 companies included in the 2001 Benchmark Survey of the State of Global Environmental and Social Reporting, **28% were from the financial sector**. Other sectors represented included: automotives, consumer products, electronics, merchandising, oil and chemicals, telecommunications, trading, and utilities.

- **The Body Shop** was recognized by Britain's SustainAbility for its comprehensive reporting on social and environmental impacts — and the company's efforts to address these issues.
- **General Motors** used the Global Reporting Initiative's guidelines to develop an innovative and dynamic online report that is routinely updated.

The Upside

- Reporting **allows companies to evaluate management practices and corporate strategy**.
- Voluntary disclosure **garners faster permitting and more flexible treatment by regulators**.
- Promoting environmental and social initiatives **fosters employee satisfaction and attracts job seekers**.
- Publicly demonstrating corporate responsibility **alleviates pressure from activist groups**.
- Setting precedents **provides a competitive advantage and helps companies emerge as industry leaders**.

Reality Check

- **Complexity**. Obtaining the data for environmental reports can be challenging. Many companies that begin reporting find there are not systems in place for understanding the impacts of operations.
- **Resources**. A thorough review of a company's management systems can be time-consuming and expensive, especially for smaller companies that lack dedicated staff for evaluations.

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- **Credibility.** Reports can call more attention to a company's shortcomings than successes.
- **Bias.** From a public perspective, the reliability of corporate reporting is unclear.
- **Lack of Effectiveness.** Reports may fail to receive attention from the mainstream investment community or from consumers.

Action Plan

- **Determine whether your company needs an environmental report.** Before dedicating time and resources to developing a report, make sure you'll have an audience — and that a report is the best way to reach it. There are many ways to disclose information about your company's performance. Smaller companies, and those in cleaner, less-regulated industries are sometimes able to present environmental and social information through meetings or by adding a brief section to an annual report.
- **Target your audience.** Different stakeholders will look for very different information in a report. Decide which groups you aim to address.
- **Learn from others' examples.** Decide what you like and what you don't. Get a sense of the size, scope, and format that would work best for your company's report. Many companies publish their reports online. (Visit the [Corporate Web Sites](#) section of GreenBiz.com for direct access to the environmental Web pages of hundreds of companies.)

- **Consider designing an online report.** Publishing a report online obviously saves money and natural resources, but it also allows companies to routinely update information — and to avoid the problem of holding publication dates until data are available.
- **Gather and analyze the data.** Ask managers and department heads for data to measure, track, and analyze trends in environmental performance. Provide context and explanations where appropriate. For example, if emissions are up but at a slower rate than overall sales, point that out.
- **Design for both browsers and analyzers.** An effective report should have details, data, and narrative, but also simple graphics and highlighted information. Strive for balance: A long, credible report can lack readability, while a shorter, readable report may lack credibility.
- **Get feedback.** An environmental report is an exercise in continued improvement. Give readers the opportunity to ask questions and provide comments. Use postage-paid reply cards, toll-free telephone numbers, or e-mail addresses to encourage responses.

Leads

- **Sustainability Reporting Guidelines on Economic, Environmental, and Social Performance** (http://www.greenbiz.com/toolbox/reports_third.cfm?LinkAdvID=22722) includes suggestions on report content from the Global Reporting Initiative.

- **Six Keys to Creating a Winning Environmental Report** (http://www.greenbiz.com/toolbox/Howto_third.cfm?LinkAdvID=24687) offers insight and step-by-step guidance on making a report successful.
- **Sustainability Report** (http://www.greenbiz.com/reference/webguide_record.cfm?LinkAdvID=21586) provides instructions on measuring critical trends to determine sustainability performance.
- **Corporate Environmental Report Score Card** (http://www.greenbiz.com/toolbox/tools_third.cfm?LinkAdvID=4779) helps companies measure reports against current best practices and international criteria.

- **GreenBiz Corporate Web Sites** (http://www.greenbiz.com/reference/webguide_record.cfm?LinkAdvID=24296) grants direct access to the environmental Web pages of hundreds of companies; many of the sites include online or downloadable environmental and sustainability reports.

The Bottom Line

As the business community faces increasing pressure to account for its environmental and social impacts, corporate reporting will aid companies to assess performance and make improvements, while meeting the information demands of investors, consumers, and activists.