SustainAbility

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Trust Us

The Global Reporters 2002 Survey of Corporate Sustainability Reporting

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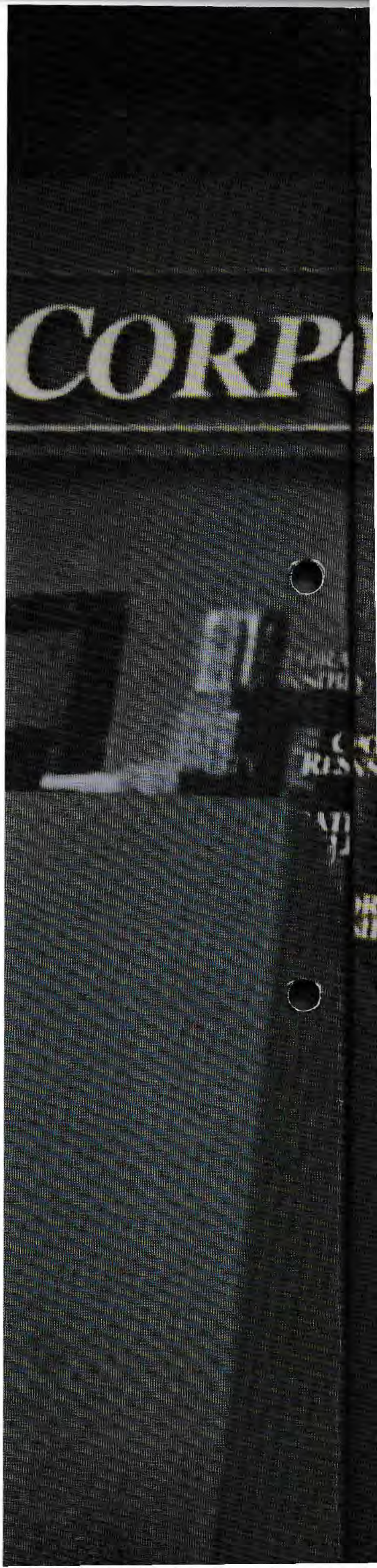
In *Trust Us*, we focus on three major issues in the accountability, transparency and reporting agendas: **Materiality**, **Governance** and **Brands**. If the decade 1992–2002 has been the **Transparency Decade**, the decade through to 2012 could be the **Trust Decade**, so long as we work out how to address these three areas effectively – and soon.

But why focus on trust? Well, like a jumper's bungee cord, trust is an elastic connection that gives us all – and gives companies – space in which to manoeuvre. Trust gives capitalism the flexibility needed for innovation. Miscalculate the length of the cord, however, or overload it, and disaster can ensue. And even if disaster is avoided, the result can be increased friction in our societies and economies, slowing progress and raising costs.

This would be bad enough if we were simply trying to maintain the status quo, but we are not. The corporate social responsibility (CSR) and sustainable development (SD) agendas depend on high levels of trust to ensure accurate problem recognition – and the efficient and effective development and delivery of solutions.

And because we hope this latest report in the *Global Reporters* series engages new players and opens up new territory in the reporting debate, we aim to keep the debate going on our website: www.sustainability.com/trust-us



Executive Summary

Corporate accountability gained new urgency in 2002. Following scandals in the United States, Europe and Asia, companies increasingly have felt demand from stakeholders to account more fully for their actions – through, among other things, increased transparency and reporting.

Trust Us, which summarizes the findings of the 2002 Global Reporters survey, aims to identify and classify best practice in corporate accountability across the triple bottom line (TBL) of sustainable development. The spotlight is on 100 sustainability and corporate social responsibility (CSR) reports from around the world, with the Top 50 subjected to an in-depth benchmarking. In addition, we analyze current reporting across industry clusters and in terms of emerging 'hot topics'.

As trust in capitalism and in companies has hit new lows, CSR and sustainability reporting potentially offers real opportunities for companies to rebuild that trust. Key to this, however, will be three necessary conditions:

Materiality
Intelligent identification of the issues that matter most for measurement, management and reporting

Governance
New frameworks for corporate decision-making, including improved board recruitment, structures and processes

Brands
Closer links between key areas of corporate accountability and company and product identity and communication.

Key Conclusions

Transparency's Glass Ceiling
Best practice in corporate sustainability reporting appears to be hitting a plateau, with scores virtually unchanged since 2000.

Social and Economic Issues on the Rise
Social issues, and to a lesser extent wider economic issues, are making a noticeably stronger showing in the latest company reporting – alongside a corresponding (and potentially worrying) drop in emphasis on environmental dimensions.

The Carpet Bombing Syndrome
The average page-length of printed reports has soared 45% in just two years – with no associated increase in overall report quality. Some reporters seem to be bombarding report users with facts, with little or no thought for significance and materiality.

GRI Guidelines Raise the Bar
The Global Reporting Initiative (GRI) sustainability reporting guidelines have allowed first-time reporters to enter at a much more sophisticated level of reporting than previously possible.

The Magnificent Seven
Seven companies scored over 50% in the 2002 survey: **The Co-operative Bank, Novo Nordisk, BAA, BT, Rio Tinto, Royal Dutch / Shell Group** and **BP**. The newcomer to the highest-scoring bracket since the 2000 survey is **Rio Tinto**. Interestingly, there are no non-European companies among the Magnificent Seven, although **Bristol-Myers Squibb** from the USA, **South African Breweries** from South Africa and **WMC** from Australia are in hot pursuit.

North America Leads – Just
Overall, average scores across the regions remain relatively static, although in 2002 the North American reports (45%) overtook the Europeans (43%). Non-OECD reporters (41%) and Other OECD reporters (40%) follow very close behind.

GRI Users Excel
There is a substantial difference between reports based on the GRI guidelines and others. On average, GRI reports scored 8% higher than their non-GRI counterparts, with the most significant difference in scores at the bottom end of the Top 50 – a 17% difference between the lowest scoring GRI report and the lowest scoring non-GRI report.

All in the Mix
The scoring profile across the major areas of our assessment methodology has remained largely the same since the 2000 survey, with strong performance from all the Top 50 reports in the Context and Commitments (48%), and Management Quality (42%). The **Royal Dutch / Shell Group** report tops the league in Context and Commitments with 80%, while **BT** leads on Management Quality (69%).

[01] A term used by SustainAbility Faculty member Jed Emerson to describe value added across several dimensions of the triple bottom line.

This impression may be slightly overstated, however. According to Erin Kreis of General Motors, the 'In Accordance' requirements may seem too restrictive, 'But this is a false impression – the guidelines provide reporter flexibility, so that if a GRI core indicator isn't relevant, is proprietary in nature, or presents too great a burden, for example, the reporter can leave it out, and simply state the reasons why.'

One suggestion raised by Kreis, Mark Lee of **Business for Social Responsibility** and others is that GRI undertake a careful analysis of which indicators aren't being adopted by companies and the reasons they cite. If the omissions appear similar across companies, this should provide stakeholders with insight as to some of the more complex challenges posed by reporting requirements – and should aid GRI in improving the guidelines in the future.

The 2002 Guidelines came to market quickly, but not through a true process of maturation

There is some concern that the current Guidelines have gone 'too far, too fast'. Said GM's Erin Kreis: 'The Revisions Working Group were given three meetings over the course of four months to come up with the latest draft, and there were a lot of comments to take on board. Then the draft was only given a 60-day public comment period. We managed to work to these incredibly ambitious timelines, but a question remained: should the document have gone out one more time for comment? Yet at what point do you cut off public comment and still ensure completeness?'

Furthermore, it must be noted that the 2002 Guidelines represent a very significant revision to the Content section. While many of the individual changes are small in nature, they can add up to guidelines that bear little resemblance to the previous version. This can present a major barrier to entry for companies. Said Maria Emilia Correa, Vice President for SD at Costa Rica's **Grupo Nueva** (and an early GRI Steering Committee member), 'When I saw the new guidelines I was very surprised – we had worked for a year and a half to develop all our information systems for the last version, and now we have to start over. It is a shame the guidelines changed so drastically in such a short period of time, because it requires an enormous, expensive information gathering process. We now have to evaluate the expense involved in conforming to the new guidelines.'

In the future, GRI should consider whether a 'rolling' revisions cycle would better ensure both quick delivery and considered, complete deliberations. In this way, discrete issues can be raised and considered, and amendments made, on a more timely basis, and one which would likely be less overwhelming to the secretariat.

The Guidelines have expanded reporting, encouraged newcomers, raised the general level of disclosure – but have had no impact at all on external questionnaires

One of the early promises of the GRI was that once companies and stakeholder groups had agreed the basis for corporate sustainability reporting, the need to respond to heaps of questionnaires, each just slightly different from the last, would disappear. If the number of organizations using their own customized questionnaires for rating is anything to go by, this simply hasn't happened.

'Questionnaire fatigue' in some ways i
worse now than it was in 1997 – and
large extent, that's not GRI's fault, bu
definitely GRI's problem.

Again, it is difficult to know how signi
an issue this is in all cases. A few com
are beginning to reject specialized
questionnaires and are instead directi
research companies to read their GRI
reports, and then come back with
additional, more specialized questions
the reports don't answer. There is mix
evidence of where and how this works
companies. **The Investor Responsibili
Research Center** (IRRC), for example,
cross-references its questionnaire wit
relevant GRI indicators. But, says IRRC
Mark Bateman, 'One key issue is that
IRRC needs a sufficient volume of
companies making information availa
through the same methodology to pro
the consistency we strive for. With on
handful of companies using GRI, this r
that data mining for our research usin
the GRI guidelines isn't yet a viable op

The socially responsible investment (S
movement has grown significantly in
Northern countries in the last few yea
and an inevitable result of this is an
increase in the numbers of organizati
providing analysis or ranking of comp
on SRI issues. For GRI to enjoy uptake
among this community, analysts will r
to feel certain that their issues of con
will be reflected in GRI reports. Only t
will they be likely to de-emphasize th
own questionnaires.

It is clear that uptake of the guideline
a major issue for GRI – but this is tru
users as much as it is of reporters. Sai
Mark Lee, 'I think we're trying to creat
different culture more than improve
reporting.' GRI needs to ensure effecti
outreach to user groups (notably SRI
analysts), and follow up with study of
where uptake has succeeded – and w
...iled – among users.

'I think we're trying to create a different culture more than improve reporting.'
Mark Lee

See if they use [illegible]

The Top 50

6.0

↑ +2

↓ -5

The Top 50 Companies

Rank	Company	Business Sector	Country	Score	%
1	**The Co-operative Bank**	Financial services	UK	120	61
2	**Novo Nordisk**	Pharmaceuticals	Denmark	118	60
3	**BAA**	Airport management	UK	116	59
4	**BT Group**	IT & telecommmunications	UK	114	58
5	Rio Tinto	Mining	UK	107	55
6	**Royal Dutch / Shell Group**	Oil, gas & renewables	Netherlands / UK	104	53
7	**BP**	Oil, gas & renewables	UK	103	53
8	**Bristol-Myers Squibb**	Pharmaceuticals	USA	96	49
9	ITT Flygt	Fluid technology	Sweden	95	48
	South African Breweries	Beverages & leisure	South Africa	95	48
	BASF	Chemicals	Germany	95	48
12	**Volkswagen Group**	Automotive	Germany	94	48
	WMC	Mining	Australia	94	48
14	**CIS Co-operative Insurance**	Financial Services	UK	91	46
15	**Baxter International**	Pharmaceuticals	USA	89	45
16	**Cable & Wireless**	IT & telecommunications	UK	88	45
17	Ricoh Japan	Electronics	Japan	87	44
18	**Kirin Brewery**	Beverages	Japan	86	44
	Chiquita Brands International	Agriculture	USA	85	43
20	**United Utilities**	Water / Electricity utility	UK	83	42
21	**Suncor Energy**	Oil, gas & renewables	Canada	82	42
22	**BC Hydro**	Electricity utility	Canada	81	41
	Eskom	Electricity utility	South Africa	81	41
	Matsushita Electric Group	Electronics	Japan	81	41
	Manaaki Whenua	Environmental research	New Zealand	81	41
26	**British Airways**	Air transport	UK	80	41
	SAS Group	Air transport	Sweden	80	41
28	Alcan	Aluminium products	Canada	79	40
29	**General Motors**	Automotive	USA	78	40
30	**Henkel**	Consumer products	Germany	77	39
	Kesko	Food retail & logistics	Finland	77	39
31	Novartis International	Pharmaceuticals	Switzerland	76	39
32	**Unilever**	Consumer products	Netherlands / UK	75	38
34	RWE	Electricity & water utilities	Germany	73	37
35	Bayer	Pharmaceuticals & chemicals	Germany	72	37
36	Deutsche Telekom	IT & telecommunications	Germany	72	37
	Procter & Gamble	Consumer products	USA	72	37
	Swiss Re	Finance and insurance	Switzerland	72	37
39	**Toyota Motor Corporation**	Automotive	Japan	71	36
40	**BMW Group**	Automotive	Germany	70	36
41	Tesco	Food retail & distribution	UK	69	35
42	**AWG**	Water utilities	UK	68	35
	Danone Group	Food & beverages	France	68	35
44	Siemens	Industrial & consumer electronics	Germany	67	34
45	**Aracruz Celulose**	Forest products	Brazil	66	34
	Sony Corporation	Electronics	Japan	66	34
47	**TEPCO**	Electricity utilities	Japan	64	33
48	Suez	Energy, water, waste & communication	France	62	32
49	Credit Suisse Group	Finance & insurance	Switzerland	61	31
50	adidas-Salomon	Textiles & apparel	Germany	57	29

Figure 12 SustainAbility (Company names in **bold** featured in the 2000 survey)

Abbott Laboratories

Astra Zeneca

BASF

Bayer

The Body Shop

BP

Bristol-Myers Squibb Company

Canon

CIS Insurance

Credit Suisse

Daimler Chrysler

Deutsche Telekom

The Dow Chemical Company

ESAB

General Motors

ITT Flygt

McDonalds

Mirant

Novartis

Novo Group

Rohm and Haas

Sony

South African Breweries

Swiss Re

TEPCO

TXU Europe

Visteon

Volkswagen

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