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Building A System To Report Sustainability

By Andrew W. Savitz and Karl Weber — July 25, 2006

Sustainable companies report to their stakeholders and seek to engage with them for mutual benefit. And with every aspect of sustainability, the business case should define and drive what you measure and how you report it. What information will help you to meet your strategic goals? What do you need to know to reduce waste, enhance your reputation, retain your valued employees or improve your customer relations? What information do your shareholders and other stakeholders need?

Knowing what data to gather and how to report it poses many practical challenges. But a new, powerful reporting paradigm has emerged to address these challenges: the triple bottom line.

Originally proposed by sustainability guru John Elkington, “the TBL” provides a framework that any organization can use to measure not only its financial performance, but also its impacts on the economy, the environment, and the communities in which it operates.

For example, consider the table titled, "Triple Bottom Line Measurements," near the bottom of the page. It represents an oversimplification, of course; Just as meaningful financial reporting cannot be reduced to one number, so sustainability does not sum precisely. The TBL currently exists as a kind of balanced scorecard that captures in numbers and words the degree to which any company is or is not creating value for its shareholders and for society.

More than 3,000 corporations now issue a periodic environmental or social responsibility report, and over 750 of them voluntarily report their triple bottom lines, as defined by the Global Reporting Initiative.

The GRI is the world’s leading format for measuring and reporting corporate sustainability efforts. Like financial reporting, the GRI enables investors to make informed decisions based on comparable information—in this case on the organization’s relative economic, environmental and social performance.

The 146 indicators currently included in the GRI framework are grouped in categories to reflect the three parts of the TBL: environmental, social, and economic. Within each category, a series of “aspects” is outlined, with specific indicators grouped by relevant aspects. For example, within the environmental category, the following aspects are listed:

- Materials
- Energy
- Water

ABOUT THE AUTHOR

This week, Compliance Week continues its three-part series of excerpts from The Triple Bottom Line, a forthcoming book by Andrew Savitz and Karl Weber that examines corporate social responsibility: What it is, how it is helping to shape corporate governance today, and how companies can structure their own CSR programs for maximum benefit.

Savitz, formerly a lead partner in PricewaterhouseCoopers’ sustainability practice, is widely considered an expert in the field. In The Triple Bottom Line, he and Weber detail the rise of sustainability within the business world, show how financial success increasingly goes hand-in-hand with social and environmental achievement, chronicle the real problems companies face with CSR, and offer pragmatic suggestions to help managers develop innovative solutions to sustainability issues. Weber is an accomplished freelance writer who has co-authored several business books.

The Series:

The three excerpts will be published as follows:

- Biodiversity
- Emissions, effluents and waste
- Suppliers
- Products and services
- Compliance
- Transport
- Overall

The social category includes 21 aspects, ranging from labor/ management relations to respect for privacy. The economic category includes five aspects pertaining to stakeholders who may be subject to the economic impact of the company: customers, suppliers, employees, etc.

Roughly half the GRI indicators are quantitative and can be answered with a number; half are qualitative, requiring a description of policies, procedures, or impacts.

The quantitative indicators present technical hurdles, such as defining, gathering, and checking the data and making sure that information drawn from facilities, divisions and departments in various geographical areas can be rolled up into one number for the entire enterprise.

The qualitative indicators seek verbal responses that may be more subjective. The qualitative indicators demand careful thought, an effort to define your company's relevant activities, and, above all, a high degree of objective information that presents an unbiased and honest view. In other words, you shouldn't try to spin your answers to the qualitative questions. It's far better to report unvarnished information.

In addition to the indicators themselves, the GRI sets forth 11 reporting principles described as "essential to producing a balanced and reasonable" TBL report. The principles are enumerated primarily to ensure credibility and comparability, and include completeness, relevance, auditability, accuracy and neutrality.

Getting A Report Done

Developing a sustainability report that follows the GRI guidelines is challenging. However, the GRI offers a great deal of flexibility and can be adapted to your industry or to your company's strategic or management needs.

You can describe your company as "in accordance" with the GRI guidelines if you provide information for all the indicators or explain any omissions. Such companies as Shell, Novartis, and Procter & Gamble are among 140 companies that claim this status.

Shell consistently gets high marks with advocates and other stakeholders for its willingness to disclose both its strengths and weaknesses in its GRI-based report. In 2001, for example, the company reported that Shell employees were offered 13 bribes and refused nine. (The report goes on to explain what happened with the other four.) When Shell later had problems related to its overstated oil reserves, environmental advocates were quiet and did not pile on

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July 18: "Hitting the Sweet Spot." An introduction to corporate social responsibility, with examples from Nike and General Electric showing why companies should undertake such efforts.

July 25: "Reporting Your Company's Sustainability." A primer on what factors companies should track to measure their CSR efforts, and how to present them in accordance with the Global Reporting Initiative's guidelines.

Aug. 1: "Case Study: Unilever." The tale of how Unilever, one of the largest consumer products companies in the world, came to embrace CSR and develop a reporting plan specific to its needs.

Oct. 12: Webcast With Savitz: Compliance Week will follow up with author Andy Savitz in a Webcast on Oct. 12, where readers can submit questions directly to him about CSR and its implementation.

Disclaimer

The Triple Bottom Line will be published by John Wiley & Sons in September. Compliance Week has no formal relationship with John Wiley or the authors of the book, and Compliance Week has **not** received compensation in any form by excerpting this book; rather, the editors of Compliance Week made an editorial decision to do so. If you have any questions, please contact the editor via email or call us at 888-519-9200.

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Choosing The Right Leadership, Organization For CSR (May 23, 2006)

Sustainability Reports Becoming Key To Risk Disclosure (April 5, 2005)

with criticism. Shell had built up a reservoir of good will and credibility, and most of the advocates were willing to give the giant oil company the benefit of the doubt.

The guidelines also define an "incremental approach" that your company can use to begin. Because GRI reporting is largely about disclosure and stakeholder engagement, transparency is the key. Identify the most important GRI indicators for you—the ones that drive your business—and work on developing accurate, up-to-date reporting on those.

TBL

Triple Bottom Line Measurements

Economic	Environmental	Social
Sales, profits, ROI	Air quality	Labor practices
Taxes paid	Water quality	Community impacts
Monetary flows	Energy usage	Human rights
Jobs created	Waste produced	Product responsibility

It is perfectly acceptable to start by reporting only the information to which you already have ready access, as long as you are open about what you are doing. You want to make sure that your report is not misleading, and the best way to ensure that is to disclose all the limitations on the information, whether that information is partially complete, somewhat inaccurate, or reliant on outside sources.

The GRI guidelines offer many benefits to businesses. One is the availability of a uniform set of indicators that define how sustainability should be measured by companies around the world and are widely accepted by the global advocacy community. A reasonably well-prepared report following GRI guidelines is a valuable document to use when explaining or defending your sustainability efforts.

For many, the ideal goal is to merge GRI and GAAP information so that companies eventually issue one integrated report. Companies like Novartis, PepsiCo, Unilever and DuPont are moving in this direction.

Ultimately, you may decide that the complete GRI framework is useful and necessary for your company. But remember, your reporting practices should be driven by your business needs, not vice versa. Don't think of the GRI as an inquisitor's rod; instead, look on it as a tool for running your business effectively.

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