

REPORTING TODAY

Enticing readers

Report release season is upon us.

The fiscal year for most companies ends December 31, and springtime brings an avalanche of annual reports. Now that many companies issue corporate responsibility reports timed to coincide with the release of their annuals, March, April, and May see the publication of thousands of documents, all jockeying for readers' attention.

Though no reporting process is easy, at least the audience for financial reporting is well-established.

The annual report serves primarily to introduce the company to new investors and as a marketing showpiece. Analysts and others interested in hard data and in-depth discussion of risk factors and operational details turn instead to the 10-K filing.

Unfortunately, no clear audience segmentation exists in the corporate responsibility reporting space. Audiences for corporate responsibility information can be as numerous as the company's primary stakeholder groups. Readership may comprise sophisticated parties such as sustainability professionals, research and ratings houses, and SRI investors; internal constituents including employees, managers, and executives; local communities, NGOs, and activist organizations; customers; and the general public. Each group seeks different information in a format tailored to its interests and exhibiting various levels of specificity.

One solution is report segmentation.

One way out of this audience segmentation dilemma is to develop an array of corporate responsibility publications; some companies have begun taking this approach. Now that the [Global Reporting Initiative](#) (GRI) G3 Sustainability Reporting Guidelines have evolved to focus on quantitative, material

information supported by core indicators and standardized technical protocols, reports that conform to the G3 standard are beginning to meet the rigorous demands of SRI analysts and ratings firms and can thus serve a purpose analogous to that of the 10-K.

Casual readers such as employees, customers, and consumers are, however, much less inclined to wade through publications that are more data-driven than their largely qualitative predecessors. Therefore, an executive summary highlighting challenges, goals, major programs, and accomplishments may be just the thing to distribute internally. A modified and more targeted version can appear as a customer brochure in stores or be featured along with marketing materials and in press kits and B-to-B RFP responses. Even briefer key messages can be printed onto product labels (à la [Timberland's "nutritional label"](#)) and on store or facility signage.

Regulatory requirements notwithstanding, an annual report without the MD&A or 10-K is just a marketing document, as is a piece that purports to be a corporate responsibility report but lacks GRI-based information—quantitative, verifiable data on environmental, social, and governance performance. Such publications carry the real risk of drawing criticism for greenwash or spin and discrediting the company's entire commitment to corporate responsibility.

Though some companies may view anything beyond a singular corporate responsibility report as yet another drain on resources, we believe that segmentation presents a significant opportunity to connect on an intimate level with important stakeholders. What's more, they might actually read what companies spend so much time and resources to publish.

NEW AND NOTEWORTHY

IRIS Identifies Impact of ESG Issues

The Ethical Investment Research Service (EIRIS) has published a [survey](#) analyzing the impact of ESG issues on a company's market value. The study reflects the opinions of more than 40 institutional investors and covers 15 different market sectors. The companies named in the survey account for more than 50% of the FTSE All World Developed Index's market capitalization.

S&P 500 Falls Behind on Climate Risk Disclosure

A joint [CERES/Calvert study](#), conducted in association with the 2006 Carbon Disclosure Project, evaluated climate risk transparency among US companies listed in the S&P 500. Dismal results included a response rate of 47% and answers covering only 25% of the [Global Framework for Climate Risk Disclosure](#). International companies illustrated a superior showing with an overall response rate of 72%.

100 Most Sustainable Businesses Unveiled

Innovest Strategic Value Advisors and Corporate Knights have released the 2007 list of the [Global 100 Most Sustainable Corporations](#). The companies were assessed on how effectively they managed ESG risks and opportunities within their respective sectors.

REPORT REVIEWS

Each month, we evaluate a corporate responsibility report for [Ethical Corporation](#) magazine. Here are our most recent reviews:

- > [De Beers Report to Stakeholders 2005/06](#)
- > [PepsiCo 2005 Sustainability Report](#)
- > [2006 Reporting Year in Review](#)

Socially Responsible Investment Forum

The [Socially Responsible Investing \(SRI\) Forum](#), held on January 30, 2007, in New York City and presented by Institutional Investor, drew a packed house of institutional investors, SRI representatives, analysts from research and ratings firms, and pension fund administrators. In his keynote address, Michael Knight of [Generation Investment Management LLP](#) set a clear vision for the future of investing predicated upon the strategic integration of sustainability into business strategy and a departure from Wall Street's myopic short-termism. Citing the December 2006 [Porter and Kramer article](#) in the Harvard Business Review, Knight affirmed the strategic wisdom of creating "shared value" between business and society.

Craig Metric of [Mercer Investment Consulting](#) presented data to dispel the myths that incorporating environmental, social, and governance (ESG) criteria into investment decisions sacrifices performance and necessitates the "screening out" of entire sectors from investment portfolios. Lance Lindblom of [The Nathan Cummings Foundation](#) made an impassioned case for exercising proxy voting rights and filing shareholder resolutions to guide company management to perform in line with investor expectations. He not only presented case studies of resolutions supported by the foundation but also discussed the minimal costs incurred by pursuing such actions. Michael Musuraca of the [American Federation of State, County, and Municipal Employees](#) (of New York City) spoke most bluntly of all in favor of pension fund managers' consideration of ESG issues: "This is about power. This is about how we use the power of our capital. After all, we're talking about the deferred wages of our working people."

Climate change did not fail to make an appearance on the agenda. Mindy Lubber of [CERES](#) and Zoe Riddell of the [Carbon Disclosure Project](#) commented on the success of the program in bringing companies to disclose their carbon emissions management and planning practices. They highlighted the increasing number

of investor signatories to the initiative, which brings substantial pressure to bear on companies to their disclose carbon risk.

Matthew Kiernan of [Innovest](#), commenting on the recently launched [UNEP Finance Initiative's Principles of Responsible Investment](#), noted that the initiative's guidelines contain no reporting or other oversight mechanism and stressed that companies need to be held to the UNEP PRI commitments through analyst inquiries and requests for disclosure.

In sum, the conference accentuated the fact that consideration of ESG factors is gaining broader acceptance as a legitimate tool for financial analysis. As ESG risks—and opportunities—become even more well-defined, investor demand for management accountability will only increase.

Ethical Corporation Conference on Climate Change Strategies and Environmental Communication

June 6–7, 2007, Boston

This [conference](#) gathers companies such as Intel, Staples, AIG, HP, and Ikea to discuss their approach to managing and communicating their climate-change risks and opportunities.

Enablon's Fourth Annual Conference on Corporate Responsibility Reporting and Management Best Practices

April 6, 2007, Paris

This [conference](#) provides a forum for discussing how companies manage and report corporate responsibility performance. Speakers include Florence Fouquier of Vigeo, Hans-Georg Trierweiler of Masco, Monique Bacqueroet-Lortie of Air France, and Kathee Rebernak of Framework:CR, who will discuss the role of materiality in corporate responsibility reporting.

ANNOUNCEMENT

Robyn Kaiserman joins Framework:CR

On January 2, 2007, Robyn Kaiserman joined Framework:CR as a senior communications specialist. Robyn will be responsible for financial and corporate responsibility reporting and communications.

GRI Application Level Assessments Available

All companies reporting under the new GRI G3 Guidelines must declare an [application level](#), disclosing whether their reports are externally assured and the extent to which they include the GRI G3 core indicators. Reporters may self-declare an application level, use a third-party review, or submit their reports to the GRI Secretariat for an application level verification.

GRI Posts Investor Information

The GRI now offers [investor-focused resources](#). The new investor portal provides information on hot topics in the investor community and facilitates relationships between investor initiatives and the GRI.

Record Increase in UNGC COPs

Signatories to the United Nations Global Compact (UNGC) submitted a [record-breaking 428 Communications on Progress \(COP\)](#) in the last quarter of 2006. The Global Compact Office received 927 reports last year, an increase of 41% as compared to 2005. These figures represent the most successful year on record for the UNGC.

ISO 26000 Standard Advances

Development of the ISO 26000 standard for social responsibility is steadily progressing. In following up to the [recent plenary session](#) held at the end of January 2007, the working group will produce a third draft of the standard for circulation and comment prior to the November 2007 meeting.

