

# Awards panels pass their judgement

Recent awards ceremonies have singled out the best environmental and social reports for praise. **Paul Scott** reviews what the judges were looking for, and where there is room for improvement

As the number of non-financial corporate reports grows so, too, does the number of awards recognising excellence in social and environmental reporting. These award schemes, while hopefully encouraging more companies to report, can also provide useful pointers towards best practice in this constantly evolving field.

In the past two months, three major reporting award ceremonies have taken place. In March, the Association of Chartered Certified Accountants (ACCA) held its annual UK awards. In April, it teamed up with the Coalition for Environmentally Responsible Economies for the first US equivalent. Two weeks later, the winners of the European Sustainability Reporting Awards were announced (see table).

Looking through the lists of winners, and

the comments made by the judging panels, some common features are evident among the winning reports.

Comprehensiveness is central to effective reporting. This is reflected in the growth of wider corporate social responsibility (CSR) or sustainability reports, and a corresponding drop in the proportion of purely environmental reports (see figure 1).

There is a long list of issues for possible inclusion in any of these reports and, although some judging panels focus on broad criteria (completeness, credibility and communication) and others on check-lists, the more comprehensive the report, the better its chances.

The Co-operative Bank's *Partnership Report* is a good example of this. Identifying its key stakeholder audiences and the information applicable for each, it provides a wealth of data,

messages, charts and background, together with policies, key performance indicators and quantified targets. A similar approach was taken by the Furniture Resource Centre Group, which identifies and describes 11 stakeholder groups, providing a comprehensive overview of its impact and the actions it has taken to address them.

An important element in comprehensiveness is to put a company's performance into context – by comparing it with its peers, for example. To a greater or lesser degree, this is an area addressed by all this year's successful reports, from Risk & Policy Analysts in the UK to Bristol-Myers Squibb in the US.

Providing this context also involves making internal comparisons, and all reporting juries commented favourably on reports that show historical company data, thereby allowing the reader to follow trends over time.

A potential downside of comprehensive reports is that their in-depth coverage of diverse issues necessarily results in a long read. But a dense tome may satisfy only reporting nerds and discourage a broader readership. Therefore all reports – but especially the larger ones – need an executive summary.

In the case of the Co-operative Bank, a single table summarises its performance over time, providing a rapid overview as well as a reference for further information. Shell International's *People, Planet and Profits* (a runner-up in the sustainability category in the UK awards) provides a separate summary, while Unilever issued its summary report in hard copy, while the full report was published as a web-based version. Chiquita Brands International's 2002 *Corporate Responsibility Report* was praised for the effectiveness of its executive summary.

Most successful reports include a third-party verification statement, a practice particularly applauded by the juries. All winning European reports included some form of verification, as did most other winners. Verification of web-based reports is an emerging area: how can a single statement cover a 'living' document that can be updated throughout the year? In the case of BT's Better World website, pages covered by a 'rolling' verification are clearly identified throughout. Judging panels have not recommended any fixed form of verification, but favour thorough statements, particularly those which include a response or feedback from the company.

But there is, as always, room for improvement. The judges of these awards have made a number of recommendations.

Electronic reporting formats (either web-based or as PDF files) are becoming more widespread. They can reduce distribution costs, be updated throughout the year and include far more information than a 30–40-page printed report. However, readers of these reports may find information more difficult to access. Whereas a printed report can be skim-read and assessed within a few minutes, electronic reports are not only often difficult to hunt down on a corporate web site, but can be frustrating to navigate once found. For this reason, a specific electronic media commendation was

## Reporting awards: UK, US and Europe

### ACCA UK Awards for Sustainability Reporting 2002 (20 March 2003)

#### Environmental category

Best environmental report	Unilever
Best first-timer report	Canary Wharf Group
Best SME reporter	Best Foot Forward

#### Social category

Best social report	Furniture Resource Centre Group
Best first-timer report	British American Tobacco

#### Sustainability category

Best sustainability report	The Co-operative Bank
Commendation for SME sustainability reporting	Risk & Policy Analysts
Electronic media commendation	BT Group

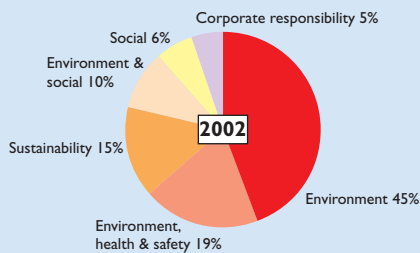
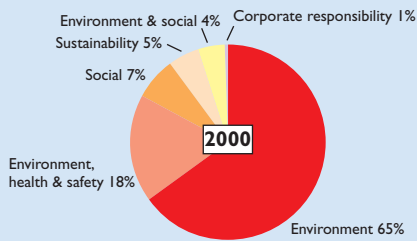
### CERES-ACCA US Awards for Sustainability Reporting 2002 (1 April 2003)

Joint winner – outstanding sustainability reporting	Ben & Jerry's Homemade
Joint winner – outstanding sustainability reporting	Chiquita Brands International
Outstanding environmental reporting	Bristol-Myers Squibb
Commendation for environmental reporting	Advanced Micro Devices
Outstanding first-time reporting	Wisconsin Energy

### European Sustainability Reporting Awards 2002 (11 April 2003)

Best sustainability report	The Co-operative Bank (UK)
Best environmental report	SCA (Sweden)
Best first-time report	Canary Wharf Group (UK)
Best SME report	Neumarkter Lammsbräu (Germany)

## 1. Types of report, 2000–02



Source: CorporateRegister.com, based on 543 reports published in 2000 and 549 reports published in 2002

introduced in the UK awards this year.

The major issue here is to enable readers to orientate themselves and identify specific information within a document that may extend to several hundred pages on several different information levels. Attention spans are shorter on the internet. If information is not found quickly the reader may lose interest; the best report content in the world is of no use if it isn't communicated. Site maps, search engines and better design can all assist navigation.

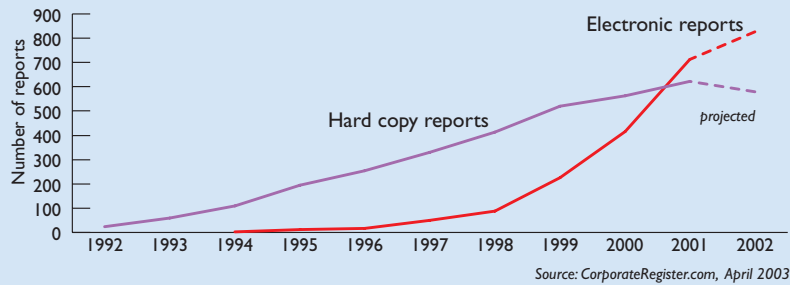
Regardless of the report's format, there is always a balance to be struck between comprehensiveness and effective communication (requiring reports to be reasonably short and fairly succinct). Some leave their readers baffled by a welter of data, graphs, positions and assertions with no indication of what is relevant or what is only marginally so.

Reporting companies need a sharper focus on the relevant impacts, key performance indicators and challenges. They need to prioritise wherever possible. This does not mean that detail can be ignored – awards judges regularly praise reports that 'drill down' with performance data at different levels, from aggregated group-wide and regional information to disaggregated data from individual plants and facilities. As mentioned above, executive summaries are also a *sine qua non* of successful reports.

Most reports have some form of introduction by the company head. These CEO statements tend towards the smug and self-congratulatory. With a few honourable exceptions, the CEO tends to list some 'major achievements' and offer bland reassurances about his or, more rarely, her commitment to sustainable development and CSR.

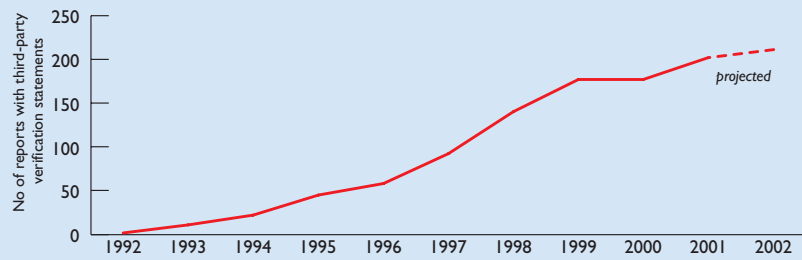
These statements should be more balanced, outlining shortcomings as well as the good news. They should give a CEO perspective on how any stated commitment to sustainable development is aligned with business strategy: readers need reassurance that this is not an

## 2. Growth in hard copy and electronic reporting, 1992–2002



Source: CorporateRegister.com, April 2003

## 3. Growth in verification statements, 1992–2002



Source: CorporateRegister.com, April 2003

optional add-on with little business significance. Key issues and challenges to be faced would also help to provide a more rounded outline.

While verification statements are important in establishing a report's credibility, a statement with no substance can actually undermine it. Judging panels in the UK, Europe and the US recommend these statements be improved. As matters stand, readers are often offered little to convince them that the contents of the report are accurate and fair. Verification statements often appear to be prepared for the benefit of the commissioning company, not for the reassurance of the reader.

It's a brave independent verifier who draws attention to shortcomings in the report or in company performance, prepares a list of recommendations, and insists the full statement is published. But this should become the norm, not the exception. As matters stand the cosy relationship between verifiers and the companies they work for is resulting in a series of jargon-filled, weaselly verification statements. This in turn has the cumulative effect of undermining the credibility of the reports themselves.

Reports are not produced in a vacuum. They are developed with specific stakeholder audiences in mind, such as employees (including unions), local communities, investors and business partners. An issue on which all commentators are agreed is that stakeholders need to be involved in the report development process. The needs and expectations of a company's stakeholders should influence that company's policies and decisions, and this process, together with the outcomes, should be outlined in the report. Some companies collate stakeholder feedback and use it in developing their reports, and this also is to be encouraged.

Companies also need to work towards a more even balance between environmental, social and economic issues, when they report on sustainability or CSR. There is a preponderance of environmental information in most reports, with some social and even less economic data. To address this, companies need to start at the beginning, assess their relative impacts, develop policies and key performance indicators and, finally, report on the whole.

Finally, judging panels from the UK and the US recommend that lobbying positions be disclosed. Clearly, stakeholders have an interest in knowing how a company is using its muscle on key public policy issues, such as governance or carbon emissions. Some stakeholders will monitor closely how these stated positions square with the CEO's statements on commitment to sustainability and CSR.

Many first-time reporters entered this year's awards, together with some outstanding reports from small- and medium-sized enterprises. This is a major achievement, and shows reporting awards are broadening out from the same few dozen reporters earning the plaudits – although those early reporters that developed their programmes years ago are now reaping the benefits in terms of embedded policies, working systems and availability of data. Reporting will prove its value when thousands of leading companies, rather than the current hundreds, publish reports.

All winning reports, together with almost 4,000 others, can be found on [www.corporateregister.com](http://www.corporateregister.com).

Paul Scott is director of Next Step Consulting and CorporateRegister.com. He is a member of the ACCA UK Environmental Reporting Award judging panel and the Electronic Media Commendation panel, and is the UK representative on the European Sustainability Reporting Awards judging panel. The views expressed here are his own and do not necessarily represent those of ACCA or any of the awards panels