

Ten years ago, few companies reported publicly on their environmental policies and performance. Those that did were typically responding to criticism for dirty deeds. Today, reporting is a mainstream activity, with leading companies still not reporting in danger of being 'named and shamed'.

written by **Paul Scott**



REPORTING - WHERE NEXT?

IN MANY WAYS REPORTING has been a success, with the UK environmental reporting awards (organised by ACCA) attracting a record 64 entrants for the 1999 cycle. There has been steady growth in reports both from new sectors and countries, and the quality of

leading reports is impressive. Europe leads the world in reporting, and the UK leads Europe. Despite this progress, there is no room for complacency. Everything in the garden is far from rosy and improvement is needed in a number of areas.

TOO FEW COMPANIES REPORT

Approximately 1,000 companies report regularly world-wide (not including EMAS reports), and there will need to be strong growth over several years before reporting companies make up more than an insignificant fraction of those listed on the world's stock exchanges. There is little point to reporting if it remains within an exclusive club of like-minded companies in a few countries.

REPORTS ARE NOT COMPARABLE

As they are voluntary, there are no stipulations as to scope of content or depth of detail. Each company reports in the way it sees fit. Guidelines for reporting have been devised, both for reporting as a whole and for specific elements (with the DETR leading the way) but even companies claiming to follow these documents tend to 'pick 'n' mix', taking selected points from different guidelines.

REPORTS ARE OFTEN NOT CREDIBLE

In the absence of external scrutiny, companies present themselves in the best light. The difference between genuine reporting and mere 'greenwash' is often large and easily spotted, sometimes more subtle. Independent verification would seem an adequate check for this.

Verifiers might be expected to assure report users of the accuracy of data and statements, and the completeness of the publication. Unfortunately, verification is in need of complete overhaul. Approaches are hugely inconsistent, statements confusing if not downright misleading and there is no-one to verify the verifiers.

NEW DEVELOPMENTS

Matching reporting to audience needs

Since the beginning of wider public reporting, the concept of the 'stakeholder' has become established in the corporate vocabulary. Addressing the role of the 'stakeholder' has changed the way companies report. Effective reporting is preceded by an audience survey. Finding out who the stakeholders are, what issues are they interested in and what form of report they would find most useful.

Communication should be a two-way process, reporting should help develop stakeholder dialogue by inviting views, comments and criticism. The brave even invite direct contributions from some of their stakeholders.

Companies have realised that there is no single 'one size fits all' report which addresses the needs of all corporate audiences. Supplementary information needs to be made available, either in print (such as summary leaflets for local communities and employees) or electronically (such as disaggregated data and detailed background material for specialists on the internet or on CD-rom). Successful reporting companies often have a whole suite of reporting methods for different stakeholder audiences, of which the full environment report is only one. Because multiple publications add to costs, there is an emphasis on both brevity and on using the internet.

Expanding reporting areas

Since the beginning of wider public reporting, the emphasis is focusing less exclusively on environmental issues and increasingly on the wider field of corporate social responsibility. In the same way that companies initially combined environmental reporting with existing Health & Safety communications, separate social, community and ethics reports are all being combined with environmental reports. In some cases companies term these 'sustainability' reports, but this is usually jumping the gun, approaches are too sketchy, data not robust enough.

THE WAY FORWARD

The main incentive to publish a 'real' complete report comes from external pressures, including stakeholder demands, the need to match reporting by competitors (once a new sector opens up, companies within that sector are usually quick to respond) and the ever-changing demands of 'best practice'. The elements of a successful report can be summarised by three 'C's – Completeness, Communication, Credibility. This year the UK environmental reporting awards will be shortlisted and judged according to these three elements, replacing a much longer list with differing weightings.

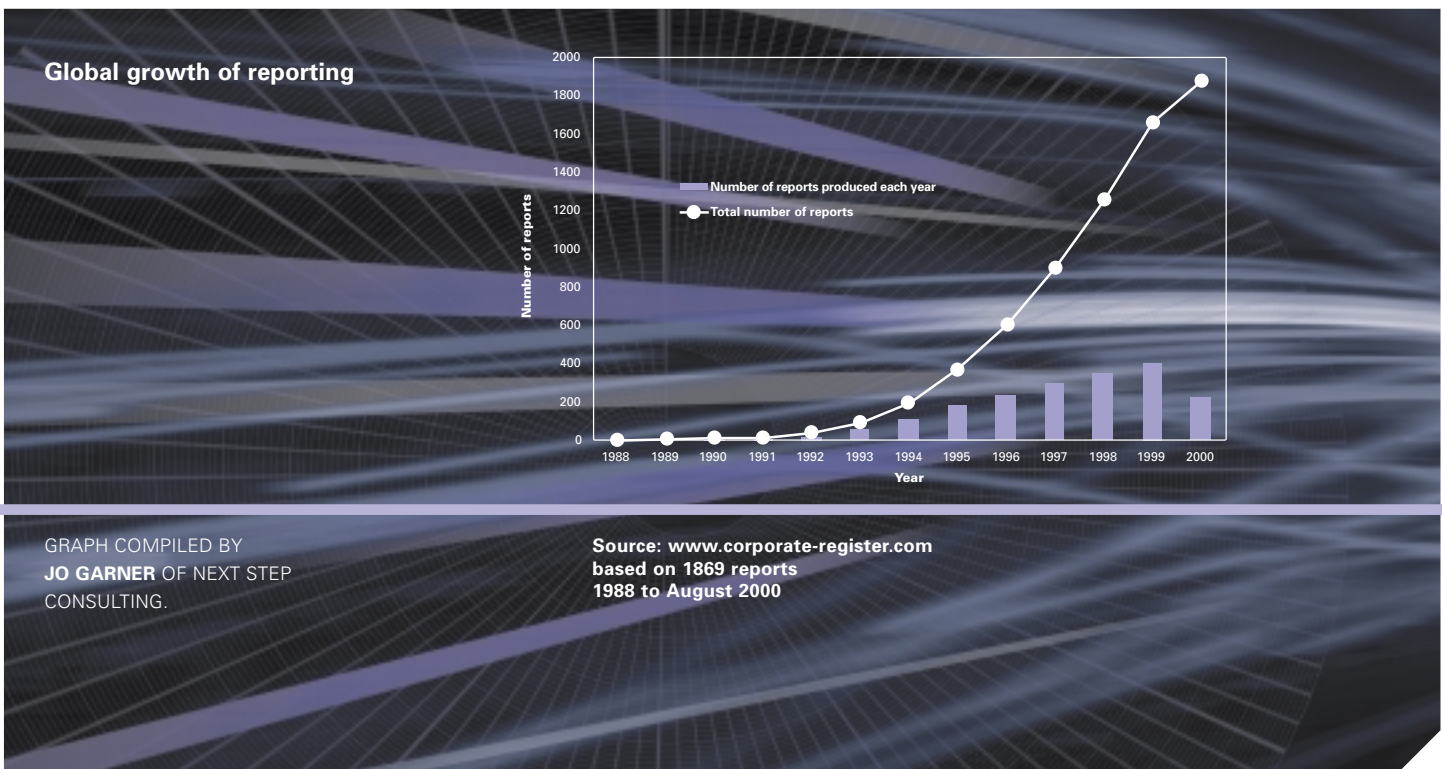
Completeness

The main elements are common to all companies:

- What does the company do? What is the corporate context?
- What are its impacts? Both direct and indirect.
- What are the policies that address these impacts?
- How are the policies implemented?
- What is the company's performance (quantified impacts, comparison against targets)?
- Where can stakeholders find more information and send feedback.

In many ways, the approach is analogous to establishing an environmental management system, and some companies have used report development to initiate such a system.

A couple of dozen separate initiatives have resulted in a wide range of lists and guidelines of what to include in a report, the latest and most significant being the 'Global Reporting Initiative (GRI)'. The test of whether the GRI succeeds in improving reporting quality will depend on the number of companies adopting the guidelines.





So far progress is encouraging. However, both environmental and social reporting is a developed country activity, and developing countries still need to take the plunge. There is a danger that checklists and guidelines serve to improve the communications of existing reporters, rather than encourage new entrants.

In the UK, potential reporters may be dissuaded from committing to a reporting programme if the emphasis is on long prescriptive lists of do's and don'ts. This is even more likely in developing countries, where systems and infrastructures, investments and access to data may all be in a less advanced state. In developing guidelines we need to bear in mind that it is the spirit of openness and transparency that should be emphasised – tell us the truth, show what your company is doing and where it's going – rather than an onerous list of ingredients.

Communication

There is no point in developing reports if these fail to communicate. No-one is under an obligation to read them and if they are boring, irrelevant or just plain 'greenwash' they will land straight in the bin.

One of the major trends here is reduction in report length. Even when reports were few only a brave soul would read one of over 100 pages. With increasing numbers of reports a major objective must be to make them readable and brief. Even two years ago the average report length was 36-40 pages, this has now been reduced to 24-28 pages. 'Worthy' reports of up to 200 pages (they still exist) are ill-judged as they remain largely unread. A long report may still be read if it is interesting and relevant, but how much better to meet the challenge of producing the same result with fewer pages.

Increasing the usability of the report is more important than ever. Design can highlight the key messages, increase readability, maintain interest and improve 'navigation'. Reports don't have to be exclusively A4, even if this remains the standard business format. Brochures, fold-outs, even post-cards and posters can all play a role, as can the internet.

Electronic reporting is increasing. It cannot completely replace printed reports, despite around 25 major companies discontinuing printed reports in favour of electronic reports. Users must actively seek internet reports (which most stakeholders never get round to doing, even given internet accessibility) whereas they can browse through printed reports during odd moments, mark text, file them away and return to them more easily. However, the internet is invaluable for making large quantities of detailed

content available to stakeholders that need it. The current trend is to print a report summary, and publish a more comprehensive report on the internet. A few companies produce reports on CD-ROMs, these are unrivalled in providing rapid access to vast quantities of data.

Credibility

So how do we know a report isn't just a collection of PR blandishments, served up with a series of unrepresentative aggregated graphs and a few cherry-picked case studies? We can't always be sure. Some companies are still under the impression that reporting is just a public-relations exercise. Here are a few pointers to establish a report's true credentials:

- Does the company show a systematic approach to the area, with commitment, structures and systems? Who is responsible for environmental and social issues? How are impacts assessed and targets set?
- Does the company disclose information that is not completely positive? Owning up to shortcomings in terms of missed targets, fines and prosecutions and current challenges all help establish the report as being genuine and credible. It reflects far better on the company than a report which consists only of gloss.
- How far are third parties involved in systems and procedures? Look to see if systems are externally certified and impacts corroborated. Is the report verified and if so, what exactly does the verification statement say?
- Does the report reflect 'best practice'? For example, have recommended or generally accepted indicators been used; has an approach been used which reflects that being used within the company's sector?
- Is there evidence of stakeholder dialogue? A survey, comments by stakeholders, invitation to give feedback with named contacts?

These are some of the trends, but how the picture develops depends on many individual decisions within many companies. Despite general acceptance by multi-nationals and policy makers we are still a long way off Michael Meacher's goal that all UK companies with over 250 employees should be issuing reports. One possible step is mandatory reporting, but that is another story. ■

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exec summary

Despite problems with numbers reporting and how some of these report, progress is being made in the world of corporate environment reports. Paul Scott suggests Completeness, Communication and Credibility as the way forward for successful reporting. Comparability, transparency, the internet and stakeholders all have their part to play but in the end it comes down to individual decisions in individual companies.

LINKS

www.corporate-register.com

specialist reporting website, which gives profiles of over 2,000 individual reports and offers extensive search facilities, developed by Next Step Consulting

www.globalreporting.org

the GRI site

www.detr.gov.uk

the DETR site includes indicators for environmental reporting: Getting Started, Guidelines for Company Reporting on waste, water and greenhouse gas emissions

www.acca.org.uk

the Association of Chartered Certified Accountants site, with details of the reporting awards