

Corporate Environmental Reporting

Definition

Organizations engage in environmental reporting as a means to publicly demonstrate their commitment to environmental responsibility and to provide information on their environmental performance and initiatives. In Canada, environmental reporting is voluntary and focuses on the environmental impact of organization-level activity. Environmental reporting refers to the release of environmental performance information to the general public, as opposed to the submission of data/reports strictly to government. Environmental reporting can take several forms, including the publication of hard copy or web-based reports.

Principles of environmental reporting include:¹

- transparency;
- accuracy;
- clarity;
- inclusiveness and completeness;
- verifiability and auditability;
- timeliness;
- relevance to the concerns of stakeholders;
- comparability (to facilitate comparison over time and between organizations); and,
- neutrality.

These same principles apply to sustainability reporting (i.e., reporting on environmental performance, together with economic and social performance and business practices).

How is it Used?

Like financial reporting, environmental reporting forces a high level of organizational transparency. This allows for feedback from informed stakeholders on the environmental performance of an organization. Senior management often uses environmental reporting as a mechanism to review environmental performance and establish targets and action plans for further improvement.

A variety of stakeholders use corporate environmental reports to assess the performance of companies. Environmental reports provide insight into how well a company is managing its operations to reduce risk, avoid potential liabilities, satisfy public and other stakeholder expectations, and pursue innovative solutions. Environmental reports provide more than just insight into the environmental performance of an organization; they offer an understanding of the overall environmental management framework used by the company.

¹ Global Reporting Initiative. *GRI Guidelines*. www.globalreporting.org/GRIGuidelines/index.htm.

Environmental reporting is becoming increasingly common, and is now being utilized by several sectors, including private companies, academic institutions and local government. Environmental reports often contain a number of common elements:²

- introduction from the chief executive;
- background information about the organization;
- the organization's environmental policy;
- the organization's overall performance with regard to the environment (frequently broken down into smaller business sections for large organizations);
- progress made towards specific targets established in previous reports; and,
- setting of targets for improving the organization's environmental performance.

Who Uses It?

Industry — Environmental reporting is a mechanism used by companies across all sectors of the economy to communicate environmental initiatives and performance to stakeholders. Customers, financial institutions, investors, insurers, regulators, community groups, employees, environmental activists, trading partners and other interested parties are asking companies for more detailed, information about their environmental performance. Meeting the information needs of these stakeholders is encouraging the implementation of environmental reporting by companies. Environmental and reporting has become standard practice in many large companies and sometimes is included with financial and social information in an overall sustainability report.

Government — Governments promote the use of environmental reports by business as a means of ensuring transparency and responsible corporate behaviour. Government agencies and departments prepare their own environmental reports as a means of informing the public of their own operations and how environmental considerations are taken into account in the decision-making process.

Financial Community — Banks and insurers are increasingly interested in environmental risks and liabilities, and are turning to corporate environmental and sustainability reports to gauge companies' environmental management and performance. Companies that demonstrate they are acting to reduce environmental and social risks and future liabilities can benefit from improved credit ratings and lower premiums.³ Mutual funds that utilize social and environmental screens also use environmental and sustainability reports to evaluate companies for inclusion in their funds and to compare a company's performance against other companies in the sector.

² KPMG International Survey of Environmental Reporting. 1999.

³ UK Department of Environment, Food and Rural Affairs. 2001. *General Guidelines on Environmental Reporting: Consultation Draft*. www.defra.gov.uk.

Business Case

Over the last decade, a growing number of companies have recognized the business benefits of improving the triple bottom line of economic, environmental and social performance. Their experiences are supported by a growing body of empirical studies that demonstrate that environmental performance has a positive impact on business economic performance. Many of these improvements arise internally, through improved efficiencies and lowered costs. Benefits also arise through companies effectively communicating their commitments, policies and practices related to improving their environmental performance and providing performance measures with which to gauge their progress. Companies that perform well, but communicate poorly, risk under-leveraging their assets. Many companies that publish comprehensive reports believe such quality reporting helps build strong corporate reputations and brand images. Some companies take this a step farther and link a reputable corporate brand image indirectly to increased sales. Corporate environmental reporting, therefore, becomes a key ingredient in maximizing the benefits that corporate responsibility can offer.

Public reporting can act as a competitive differentiator for companies seeking access to markets and capital, and as mainstream institutional investors and financial analysts rely more heavily on environmental reports in making investment decisions. As Innovest⁴ executive managing director Matthew Kiernan notes, this is because “a company’s environmental and social performance is an increasingly potent proxy and leading (i.e., predictive) indicator” for three typically under-weighted drivers critical “to future profitability potential: corporate agility or adaptability; the durability of a firm’s competitive advantage; and the quality of its strategic management.”⁵

The process of reporting, itself, can help drive improvements within an organization. It can provide a baseline from which progress can be measured and allow peer comparisons internally between operations, as well as externally with other corporations. It can also help align values and activities internally, by raising internal awareness of the company’s values, commitments and activities with respect to sustainable development. Reporting also forces discussion of dilemmas facing companies in reconciling diverse economic, social and environmental goals.

Companies that demonstrate they are engaging in practices that satisfy and exceed regulatory compliance requirements are subject to less scrutiny and given greater latitude by both national and local governments. Regulators increasingly are applying risk-based inspection frequencies (i.e., the more likely you are to pollute, the more often you will be inspected).

⁴ Innovest is an internationally recognized investment research firm specializing in environmental finance and investment opportunities. It currently has approximately US\$450 million under direct sub-advisement and provides custom research and portfolio analysis to leading institutional investors and fund managers throughout the world. For more information visit www.innovestgroup.com.

⁵ Katharine Partridge. 2001. A Business Case for Corporate Sustainability Reporting. Toronto: Schulich School of Business.

Suncor

Suncor commitment to Sustainability

www.suncor.com/bins/content_page.asp?cid=52

Suncor has a declared commitment to social and environmental responsibility. Suncor's vision is to become a sustainable energy company. The company has committed to providing energy solutions that meet or exceed the environmental, economic and social needs of customers and other stakeholders, while contributing to the ability of future generations to meet their needs. As part of this vision, Suncor has adopted a parallel path approach to making the most of current and emerging energy opportunities. One path is to continue with responsible development of the hydrocarbon resources still demanded by consumers. The other path is to pursue opportunities in renewable energy — including investing at least \$100 million by 2005 to begin producing energy from sources such as wind power. Suncor's vision of sustainable development includes identification of innovative ways to eliminate waste, reduce environmental impacts and improve social performance.

In order to effectively communicate corporate environmental initiatives, Suncor produces annual sustainability reports based on the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) for voluntary reporting on environmental, economic and social performance. Suncor believes that communicating effectively with stakeholders provides definite advantages:

- Early identification of problems, needs and constraints increases opportunities for timely resolution of issues;
- Listening and acting on the input received can improve business decisions and performance; and,
- Engaging stakeholders helps maintain its social license to operate and grow.

Suncor believes that stakeholders have the right to be informed about business operations and to be involved in decisions that are important to them.

Trends and Future Importance

Environmental reporting has traditionally been a voluntary method of communicating environmental performance to stakeholders. More recently, there has been movement towards making environmental reporting mandatory. Denmark, New Zealand, France and the Netherlands have already introduced legislation on environmental reporting. The voluntary European Eco-Management and Audit Scheme (EMAS) also requires that companies certified to the standard produce environmental statements. The international environmental

management system standard ISO14001, however, does not specify that company environment performance data be made public.

Related Legislation and Regulations

Denmark adopted legislated public environmental reporting requirements in 1996 mandating approximately 3000 companies to publish environmental reports. Norway has legislated the inclusion of environmental information in corporate annual financial reports.

Canadian reporting requirements began with the mandatory reporting of toxic emissions as part of the National Pollutant Release Inventory (NPRI). This type of requirement may mark the beginning of full environmental disclosure to government and the public.

Linkages to Other Tools

Environmental Management Systems — Often, the policy, goals, targets, data and information used within an EMS to drive continuous environmental improvement can be used as the basis of a corporate environmental report.

Key References

Access to corporate environmental reports — www.enviroreporting.com.

Standard of reporting — www.globalreporting.org.

Standards for environmental/sustainability reporting include:

- The Global Reporting Initiative (GRI) established by the Coalition of Environmentally Responsible Economies (CERES) with the mission of designing globally applicable guidelines for preparing enterprise-level sustainability reports;
- Producing independently verified environment statements is a requirement of under the European Eco-Management and Audit Scheme (EMAS);
- The Global Responsibility Communication Platform is an Internet-based environmental reporting tool. The Platform is housed on Global Responsibility's web site and allows free public access to information on company activities, policies, practices and performance;
- The CERES 2000 Environmental Reporting Requirements;
- The PERI Guidelines for Environmental Reporting were developed during 1992 and 1993 by a number of companies from different industry sectors, with input from various stakeholders, and,
- The Corporate Sunshine Working Group (CSWG) is an alliance of investors, environmental organizations, unions and public interest groups working to enforce and expand SEC corporate social and environmental disclosure requirements.

Existing Case Studies

Schulich School of Business, York University. Report on the Summit on Corporate Environmental and Sustainability Reporting. May 18, 2001. Toronto.
www.sustreport.org/news/results.html.

Suggested Industry Best Practice Examples and Case Studies

Suncor Energy
Alcan
Ontario Power Generation
Vancouver City Savings Credit Union (VanCity)
DuPont Canada
Dofasco
Shell Canada
Interface Corporation
Noranda Inc.