Global Reporters - Risk & Opportunity

SustainAbility, in partnership with UNEP and Standard & Poor's, has released Global Reporters 2004, the world's premier benchmark of corporate responsibility reporting.

Natural Logic, in collaboration with SustainAbility, is pleased to offer a dynamic, interactive view of some of the data underlying these reports, using our web-based KPI software, Business Metabolics.

Global Reporters: Summary | Performance Perspective | Interactive Demo

To read more about who leads the world in corporate responsibility reporting, please see the Summary, below, and visit the Global Reporters 2004 web site

To learn more about how leadership in CSR reporting compares with leadership in CSR performance, read Performance Perspective, below.

For a personal demo of Business Metabolics, and how it can help your organization reduce the costs and increase the business value of CSR reporting, click on click on "Login" in the menu bar, above.

Global Reporters - Summary

Global Reporters 2004 reviews the top 100 corporate responsibility reports from around the world. Since publication of the Global Reporters 'Trust Us' benchmark in 2002, SustainAbility finds that companies have made a huge leap forward in overall reporting quality. Benchmarked reports achieve new highs in transparency and disclosure. Significantly, half of the top 100 in 2004 is composed of newcomers, suggesting that leadership in corporate reporting is far from static, and that existing leaders will have to work hard to maintain position.

Contrasting this great progress, Global Reporters 2004 also finds that reports still fail to fully engage stakeholders, particularly financial analysts who continue to struggle to identify the data needed for their analyses of corporate performance. Global Reporters 2004 uncovers and explores challenges with materiality, assurance and business integration as well, suggesting ways these challenges might be overcome. Global Reporters 2004 underscores a focus on governance in a candid interview with Shell chairman, Jeroen van der Veer.

That interview, and Global Reporters 2004 's overall results, suggest corporate governance, board leadership and integrity are at the heart of the challenge facing business if corporate responsibility is have real impact on business planning and decision making.

Global Reporters - Performance Perspective

Tracking and analyzing actual sustainability performance, not just the quality of reporting, is also insightful. How do the leading reporters compare with the leading performers? Is quality of reporting an indicator of better business management and performance, or more a measure of communications resources?

Natural Logic, Inc. has loaded the reported data for the eight Technology and Telecommunications companies covered in Global Reporters into our KPI (key performance indicators) system, Business Metabolics, to support just that sort of comparison. Hereâs what we found. (You can fly through the

data yourself using our interactive demo.)

Greenhouse Gas Emissions
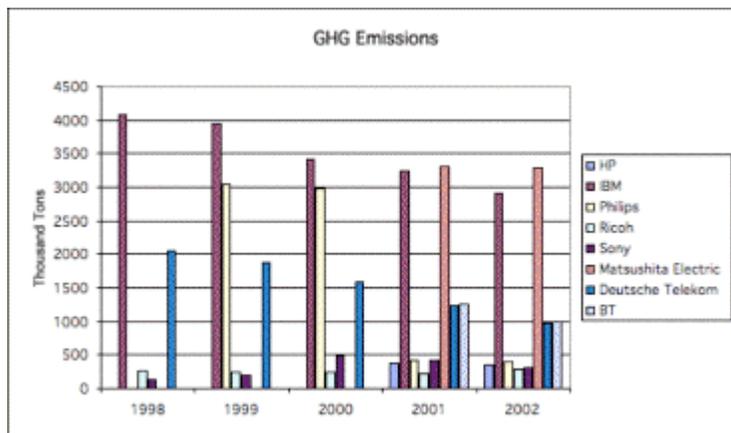
Some companies (Deutsch Telecom, Sony, tied for #45) show steady improvement in this core sustainability indicator, others show little change (BT, #4, Ricoh), and others are inconsistent (Philips. #39). Overall, this is not necessarily insightful. Interpretation of this comparison is diificult, though, since the companies are often reporting different things--some cover several types of GHG, some just track CO2, and some don't cover the outsourced operations that represent significant parts of their business -- and of their "cradle to cradle" impact. This underscores the importance of comparability, and transparency with regard to boundaries, as to both what is reported and how it is reported.

Indicators become more informative when also viewed in relation to other relevant factors, for example, by normalizing the reported sustainability indicator with a traditional indicator of business activity or value (E.G., sales, PROFIT, production, material throughput, etc.) Adding context by comparing GHG with Sales, the quality of reporting does not necessarily bear out an apparent better performance.
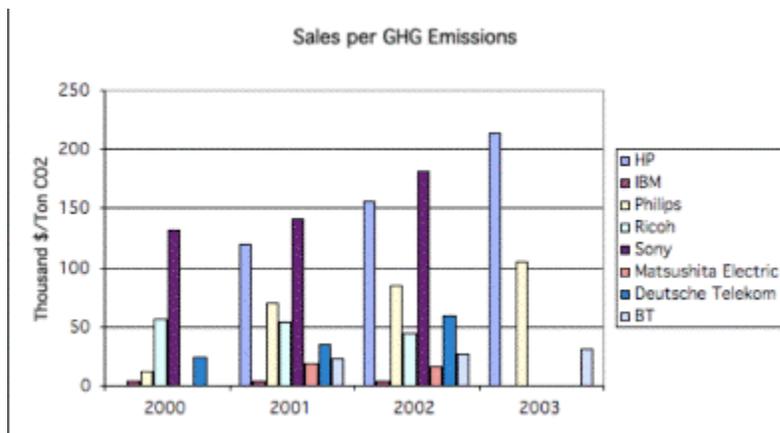

Some lower ranked reporters like Sony (#44) and Philips (#39) seem to be doing exceedingly well, while some of the leading reporters like BT (#4) are at the bottom of the pack. On the other hand, the two companies reviewed in this sector that did not make the top 50, IBM and Ricoh, also appear to rank near the bottom of the pack on this measure, while HP (#10), also does very well on performance. Reporting quality *may* be an indicator of how well sustainability issues are managed, but other factors are clearly involved.

[Note that in this graph, and all the other "ratio" graphs shown below, you are looking at "desired result"/"undesired result" -- so a trend up is better, down is worse. Using the "Select Ratio" tool in Business Metabolics, you can easily invert that relationship, or examine any pair of relationships.]

Comparability is especially elusive with regard to GHG reporting. Low performers might simply be accounting for more of their operations more inclusively, and collecting better data; high performers might have outsourced more of their manufacturing ö- a growing trend with technology companies -- and are not capturing impacts that have now been offloaded onto their suppliers. The graphs alone don't tell the story. Meanwhile, as comparability and boundary standards evolve through GRI and other frameworks, reporters should clearly convey the boundaries and assumptions underlying their analyses, so the readers of their reports have a better chance at meaningful comparisons. And readers should read and interpret carefully.)

Sony, for example, is the only company in the group that reports GHG emissions in a life cycle framework.

Sony GHG Emissions - 2003

- Product in Use
- Semiconductor Production
- Business Sites
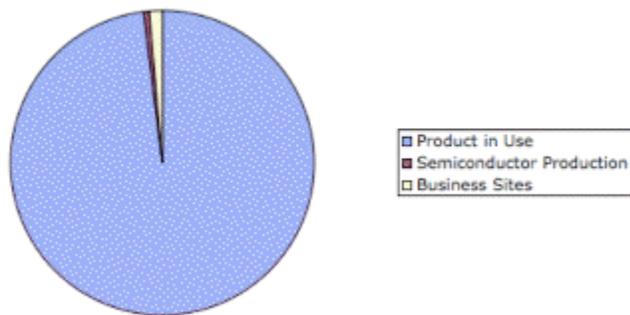
As this chart shows, the bulk of Sony's reported GHG emissions -- more than 97% come from the use of their products in the world, not from their own operations. (GHG impact of their contract manufacturers is not reported.) This would argue for a strong focus on product efficiency (a goal declared, but not reported on, by HP) -- though the chart on the right shows that Sony has been far more successful, so far, in reducing GHG from operation of their facilities than from operation of their product "fleet".

Sony was also the only company in the group to report on product yield -- the percentage of materials that are turned into product.

Product per Material Use

- Sony
- HP
- IBM
- Philips
- Ricoh
- Matsushita Electric
- Deutsche Telekom
- BT
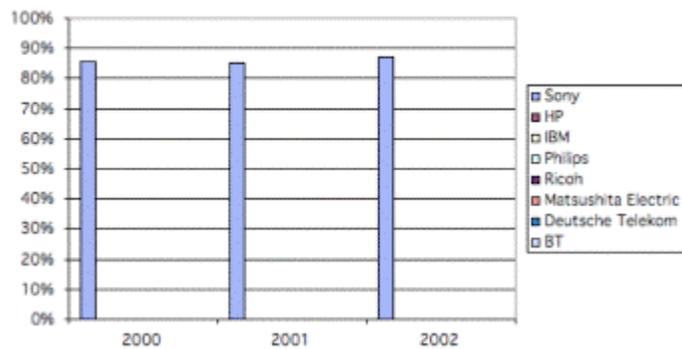
This Product to Non-Product Ratio -- which Sony reports as exceeding 85%, and improving -- is exceptionally valuable for focusing management attention on the sustainability value proposition, so we've built it into Business Metabolics as our Throughput Pie. It's disabled in the Global Reporters demo, since Sony was the only company whose data supported the calculation. But we hope to see more companies providing this data in the future -- and currently find it most prevalent in Japanese companies'
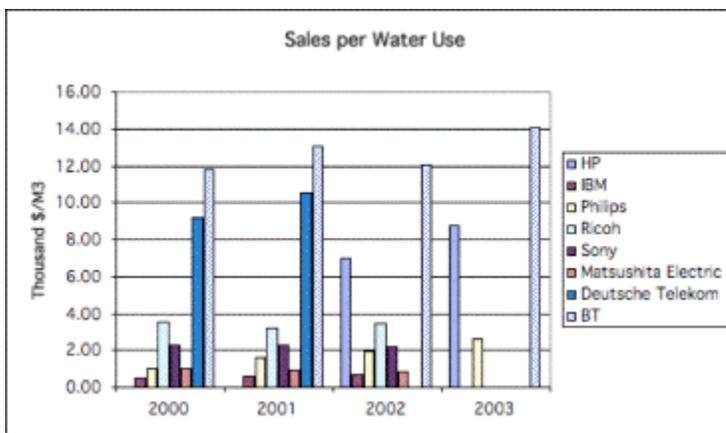
reports

Water

The data show modest reductions in water use at most of these companies, with substantial reductions at Philips and BT, substantial increases at Matsushita (#34), and a modest increase at HP (once again raising the question of possible shifting boundaries).
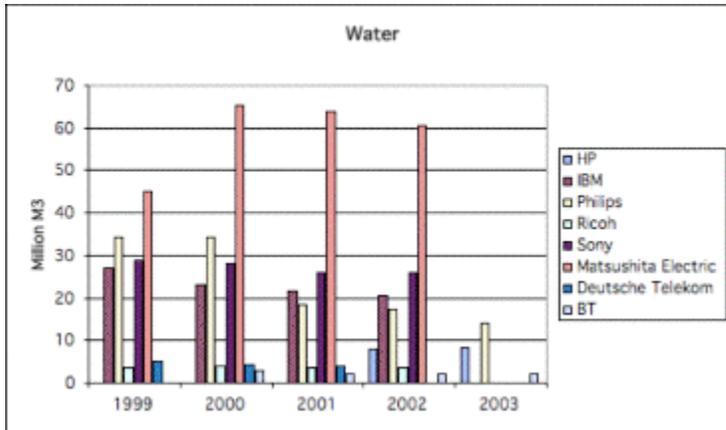
Normalizing to Sales once again offers some perspective.

As one might expect, the "value to resource" ratio for the telecomm companies (BT, Deutsch Telecom) is better than for the manufacturing focused technology companies. The exception is HP -- which has largely outsourced its manufacturing. Ricoh, Sony and Philips sit in the middle of the pack, with Matsushita and IBM distinctly trailing. Once again, these differences may reflect reporting boundaries, outsourcing (HP), more manufacturing intensive operations (IBM, Matsushita), or true performance differences.

Note that comparing resources to sales may not be the only relevant measure for comparison of value and productivity. Using Business Metabolics, itâs easy to normalize to other metrics -- such as profit, units sold, headcount, square footage, etc -- subject of course to data availability.

For example, comparing water use to amount of product could be a useful gauge of productivity and performance. As leading-edge companies increasingly report amount (mass) of product as a good global impact assessment indicator (along with Greenhouse Gas Emissions, and Energy Use among others), we expect this to be possible in future Global Reporting assessments.

Non-Hazardous Waste

Non-Hazardous Waste
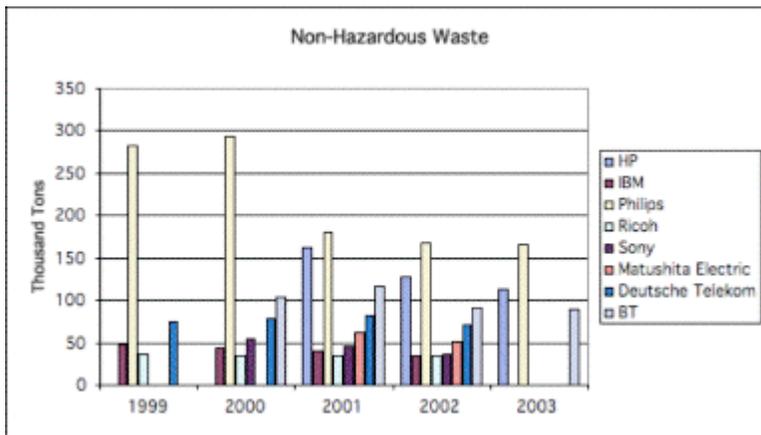
High ranked BT and lower ranked Deutsche Telecom sit in the middle of the pack for Non-Hazardous Waste, between larger (but rapidly declining) generators Philips and HP, and smaller generators Matsushita, Sony, IBM and Ricoh. All eight companies improve over time on this metric. Sony and Matsushita leadership may be expected due to greater acceptance of incineration in Japan. Note again that IBM and Ricoh, the smallest generators, got relatively low reporting grades, with neither in the Top 50.

Sales per Non-Hazardous Waste
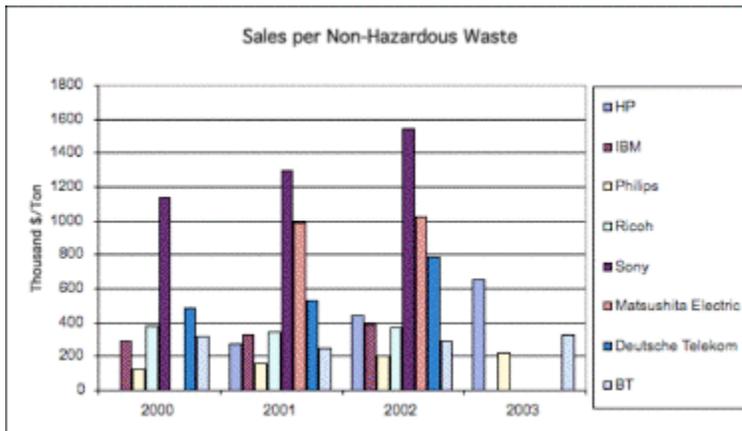
But while one would expect the telecomm companies to be more productive than the manufacturers -- measured at Sales/Non-Hazardous Waste -- the highest ranked BT lags well behind lower ranked Deutsche Telecom. Among the manufacturers, lower ranked Sony & Matsushita come in well ahead of HP -- which along with Sony is showing the most dramatic improvement trend -- and the others.

Global Reporters - Interactive Demo

Natural Logic, Inc. has loaded the reported data for the Technology and Telecommunications Sector companies covered in Global Reporters into our KPI (key performance indicators) system, Business Metabolics, to support exploration the performance underlying the reports:

How do the leading reporters compare with the leading performers? Is quality of reporting an indicator of better business management and performance, or more a measure of communications resources?

To fly through the data yourself, click on "Login" in the menu bar, above. (Note: not all functionality is enabled in this demo. Only Technology and Telecommunications Sector is shown at this time.)

To learn how Business Metabolics can help your organization reduce the costs and increase the business value of CSR reporting, or to arrange a personal demo with your team, contact Gil Friend, President & CEO, demo at business metabolics dot com, or call Natural Logic at +1-510-849-5467.