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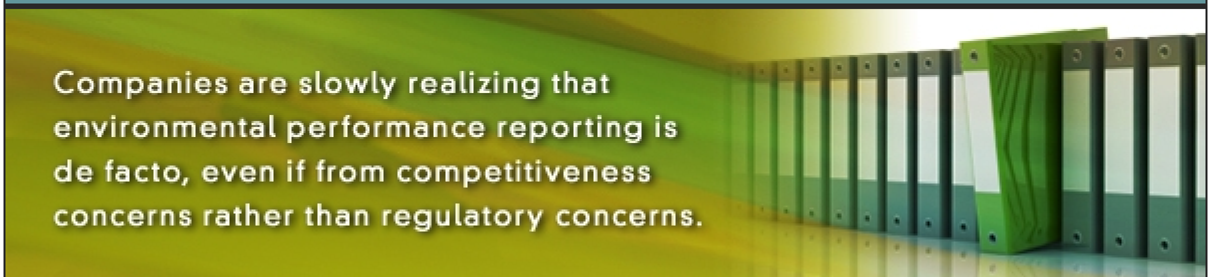

When It Comes to Sustainability, What Are You Reporting and Why?

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Has publicly reporting your environmental performance become the de facto law for U.S. corporations? According to a recent study by audit, tax, and advisory services company KPMG, it looks like it. The report's summary says, "Where [corporate responsibility] reporting was once seen as fulfilling a moral obligation to society, many companies are now recognizing it as a business imperative." The study found that over 95 percent of the largest companies in the world report on their corporate social responsibility (CSR) activities. However, it also found that more than 65 percent of the non-reporters are based in the United States.

The U.S. has the highest proportion of companies that are simply scratching the surface when it comes to CSR. The study reveals that "these companies have chosen to focus more heavily on communicating their CR [corporate responsibility] achievements effectively by choosing multiple channels and integrating CR in the regular annual reporting without focusing equally on the CR systems and processes. As a result, they may reach their audiences more effectively than the group that 'is getting it right.' However, they could also risk increasing feedback and pressure from their stakeholders, including their investors."

Perhaps companies are slowly realizing that environmental performance reporting is de facto, even if from competitiveness concerns rather than regulatory concerns. But the open question is whether the companies that do report are doing a good job of it. There seems to be strong evidence that they are not.

"In financial reporting, to leave out an undisclosed part of the company in the calculation of profits would be a scandal. In sustainability reporting, it is common practice," says Dr. Ralf Barkemeyer, an expert in how companies report on sustainability and social responsibility. He was speaking to the UK's *Guardian* newspaper after the release of a study on sustainability reporting published by England's University of Leeds and France's Euromed Management School. In the article, he went on to say that CSR and environmental reporting by large companies routinely contains "irrelevant data, unsubstantiated claims, gaps in data, and inaccurate figures."

For now, the practice of sloppy reporting and outright omission is possible because not much public attention is being paid to CSR and corporate environmental

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Kevin Vranes has more than a decade of experience working on greenhouse gas (GHG) and climate-change issues. He has worked with numerous corporations and utilities on GHG management (inventories, auditing, and reporting), carbon risk, supply chain emissions and life-cycle assessments, and project analysis. Kevin was a senior legislative staffer in the Washington, D.C., office of Senator Ron Wyden, where he worked on energy and environmental legislation, including the Energy Policy Act of 2005. He holds a PhD in geophysics (physical oceanography, climatology, and atmospheric sciences) from Columbia University, and he was a Public Policy Fellow of Columbia's School of International and Public Affairs.

performance reporting. There are a few publications dedicated to reporting on environmental performance in the business world, and there are a few nonprofits focused on raising awareness and transparency of CSR and environmental reporting, but that information is still somewhat hidden. But KPMG's report clearly indicates that it won't stay hidden for long.

Where is all this going? Global product company Unilever has long been on the forefront of CSR and environmental performance. Its chief marketing officer recently raised eyebrows with the comment that CSR departments are redundant and that all CSR practices should be woven into business practices throughout the company. Following this path would be a major shift for most companies, and it would put strong internal pressure on reporting everything within the CSR sphere and reporting it accurately.

How does this affect corporate energy managers? Many energy managers are in a key spot when it comes to reporting data and influencing where their companies fall along the spectrum of doing versus just talking. In U.S. businesses, the school of thought seems to be that CSR "doing" and reporting are more closely tied to the marketing department than any other business unit. Perhaps there is room for change from below and above. As corporations place increasing emphasis on environmental performance, it will be the responsibility of the "doers" (energy managers), not the "talkers" (marketing departments) to obtain, prove, and discuss results.

Talk back!

Let us know what you think. If you want to weigh in or chat about this topic, just send a message to Wendy Bloechle, vice president of E Source marketing.