

# The Growing Demand for Corporate Transparency --And What to Do About It

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# Distrust of Corporations

- Opinion polls
- Business behavior that creates distrust
  - Incidents
    - Lack of diligence ( product defects, spills, explosions, etc.)
    - Over-emphasis on short-term earnings
    - Inordinate compensation
    - Business decisions that hurt communities
  - Lack of visible caring
    - Low visibility of action for public good
    - No apparent attitude of concern
    - Lack of open, honest, proactive communication (transparency)

# Why Trust Is Important to Business Success

- Employee motivation, retention
- Investor confidence (reflected in stock price and lending rates)
- Customer and supplier support, loyalty
- Community and government tolerance, support ("license to operate")

# Why Companies Resist Transparent EHS and Social Reporting

- Fear of criticism, risk aversion
- Too busy, other priorities for \$ and time
- No immediate, apparent business need or demanding audience

# Growing Demand for Corporate Transparency

- Investors
- Public, NGOs
- Governments

# How Companies Should Respond

- Attitude: humble, open, honest, receptive to criticism
- Action-oriented (consider TQM process)
- Reporting strategy ( incidents and overall performance)

# Approach to Reporting

- Transparency: timely, relevant, complete, directed to those potentially affected
- Understanding public/stakeholder expectations
  - Stakeholder dialogue (listening forums)
  - GRI
- Prioritization process

# Prioritizing Topics/Issues for Reporting

1. Obtain an intuitive grasp of Sustainable Development to provide a polestar for reporting

= Meeting the needs of the present without compromising the ability of future generations to meet their own needs (UN Brundtland Comm. 1987)

= Global long-term well-being

= Triple bottom line (economics + environmental + social)

= Respect for people and other living things + wise use and management of economic and natural resources (2Rs)

# Prioritizing Topics/Issues for Reporting

## 2. Examine:

- GRI criteria for sustainability reporting
- Implied obligations behind GRI Guidelines
- Examples of topics
- Reports from other companies

## 3. Prioritize information to be reported. Consider:

- Sustainability gaps and significant achievements most important to company and its stakeholders
- Links with business and functional objectives
- Availability of information
- Resources to be tapped

# Original GRI Steering Committee

AccountAbility – United Kingdom

Association of Chartered Certified Accountants – United Kingdom

Canadian Institute of Chartered Accountants – Canada

Centre for Science and Environment – India

Coalition for Environmentally Responsible Economies – United States (Chair and co-founder)

Colombian Business Council for Sustainable Development – Colombia

ConNexis Strategy Consultants -- Switzerland

Council on Economic Priorities – United States

Deloitte Touche Tohmatsu -- Denmark

Environmental Auditing Research Group – Japan

General Motors Corporation – United States

Green Reporting Forum – Japan

Investor Responsibility Research Center – United States

ITT Flygt – Sweden

New Economics Foundation – United Kingdom

SustainAbility – United Kingdom

United Nations Environment Programme (Co-founder)

World Business Council for Sustainable Development -- Switzerland

World Resources Institute – United States

# Economic Success: The Wise Use of Financial Resources

Do our business activities promote sustainable economic health for the company and the global community? More specifically, do we fulfill the following obligations?

a. Company Economic Prosperity

Our business is positioned to survive and prosper economically.

b. Community Economic Prosperity

We are helping our community survive and prosper economically.

## Examples of Economic Topics

Sales  
Profits  
Dividends  
Cash flow  
R&D investment  
Capital expenditures

Debt and interest  
Wages  
Market share  
Retained earnings  
Liabilities  
Return on investment

Community donations  
Taxes  
Tax subsidies  
Local purchasing  
Credit rating  
Brand strength

# Social Responsibility: Respect for People

Do we conduct our business in a manner that contributes to the well-being of our employees and the global community? More specifically, do we fulfill the following obligations?

a. Respect for Employees. We treat our employees in a respectful, fair, non-exploitative way, especially with regard to compensation and benefits; training; open, constructive dialogue with management; involvement in decision-making; working conditions that are safe, healthy and non-coercive; rights of association, collective bargaining and privacy; employment termination practices; and work-life balance.

b. Diversity, Fair Hiring Practices. We promote diversity and use hiring practices that are fair, responsible, non-discriminatory, and non-exploitative for our employees, board members, and suppliers.

# Social Responsibility: Respect for People

c. Responsible Governance. We manage our risks properly, use our economic power responsibly and operate our business in a way that is ethical and legal.

d. Respect for Stakeholders. We are transparent, respectful and fair to local populations, investors, suppliers and other stakeholders outside our organization who may be affected by our operations. We work collaboratively with our communities to enhance the well-being of others.

e. Fair Dealing With Customers. We are honest and fair with our customers, competing fairly for their business, respecting their privacy, and providing them safe and effective products and services under the conditions we promise.

# Social Responsibility: Respect for People

## Examples of Social Topics

Ethics	Workplace safety	Employee shared values
Product usefulness	Corporate governance	Employee work-life balance
Product quality	Employee relations	Human rights (security policies, etc.)
Product safety	Product labeling	Fair advertising and labeling
Union relations	Board diversity	Impacts on local cultures
Producer responsibility	Supplier diversity	Employee diversity
Consumer privacy	Employee privacy	Employee training and development
Emergency preparedness	Non-discrimination policies	Employee wellness programs
Child labor	Community outreach	Employee assistance programs
Forced labor	Employment	Employee turnover
Disciplinary practices	Transparent public reporting	Employee layoff policies
Flexible work options	Dependent care benefits	Anti-sexual harassment policies
Charitable donations	Bribery and corruption	Political contributions
Antitrust practices	Securities regulation	Helping the disadvantaged
Occupational health	Industrial hygiene	Food product nutrition
Legal compliance concerning the above topics		Support for community services

# Environmental Responsibility: Respect for Life; The Wise Management and Use of Natural Resources

Do we manage our operations in a way protects the environment to help ensure the earth can sustain future generations and the company's ability to meet future needs? More specifically, do we fulfill the following obligations?

- a. Resource Conservation. We conserve our use of natural resources to the extent practicable.
- b. Waste Prevention and Management. We reduce to the extent practicable the volume and degree of hazard of the wastes we generate from our operations, and handle these wastes in a safe, legal and responsible way to minimize their environmental effects.

# Environmental Responsibility: Respect for Life; The Wise Management and Use of Natural Resources

- c. Environmental Risk Control and Restoration. We minimize the risk of spills and other potentially harmful environmental incidents, restore the environment where damaged by us, and enhance it to better support biodiversity.
- d. Supply Chain Impacts. We work with others in our supply chain to help assure environmental impacts and risks associated with our products and services are reduced and properly controlled.
- e. Collaboration With Communities. We collaborate with our communities to protect and improve the environment.

# Environmental Responsibility: Respect for Life; The Wise Management and Use of Natural Resources

## Examples of Environmental Topics

Waste disposal

Chemical spills

Water conservation

Pollution prevention

Packaging reduction

Natural habitat restoration

Animal rights

Precautionary principle

Endangered species

Compliance with environmental laws and permits

Air pollution

Greenhouse gases

Energy conservation

Recycling

Soil contamination

Wetlands protection

Product energy use

Spill prevention

Radon

Water pollution

Ozone-depleting substances

Natural resource usage

Biodiversity

Product take-back

Wildlife conservation

Customer disposal of products

Renewable energy

Mold contamination

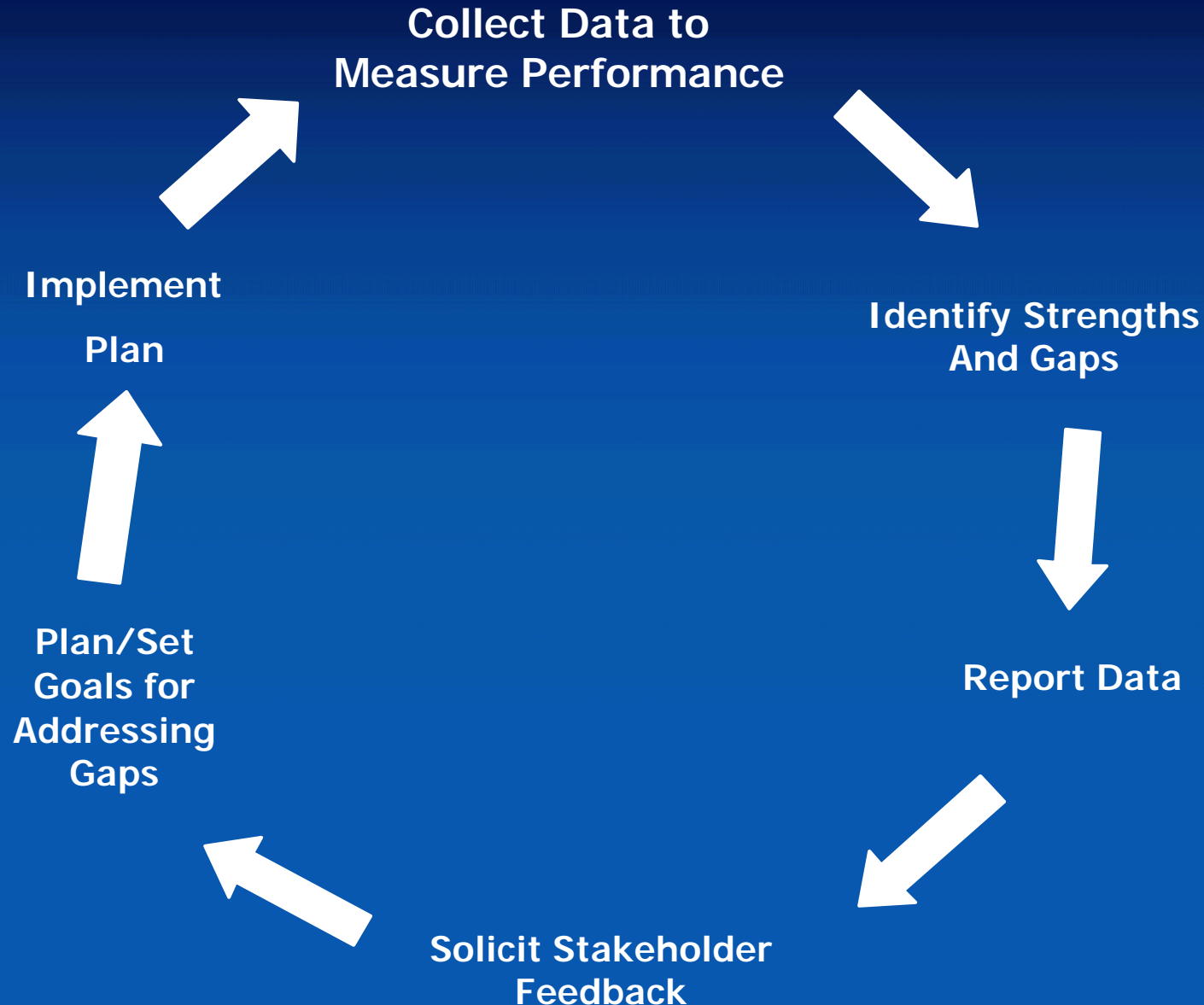
Design for the environment

# Prioritizing Topics/Issues for Reporting

4. Use continual improvement in performance and reporting. Consider what is to be reported:

- Now
- In future
- Never

# Reporting As Part of a Transparent Continual Improvement Process



# Some Reporting Issues

- EHS vs. team reporting with sponsor
- Internal vs. external reporting; reporting to Board
- Annual vs. quarterly vs. real-time reporting
- Facility vs. companywide reports
- External verification (vs. GRI, GERP stds?)

# Some Reporting Issues- cont.

- Web vs. paper reports
- Web-based data-collection systems vs. Lotus Notes/Excel spread sheets vs. simpler methods
- Data quality
- Legal concerns (SEC, Kasky Case, etc.)

# Key Points on Reporting

- Start simple and continually improve
- Stay out of the comfort zone; show courage
- Make it relevant to business and functions
- Leverage existing systems, processes
- Recruit allies (inside and outside)
- Be sincere and humble, avoid Greenwash; listen and learn; follow up with action