



The Global Reporters
2004 Survey of Corporate
Sustainability Reporting

Risk & Opportunity Best Practice in Non- Financial Reporting

STANDARD
& POOR'S

SustainAbility



Risk & Opportunity considers the question: Is the glass of non-financial (and wider sustainability) reporting currently half full, as enthusiasts might argue, or half empty, as some critics allege? The evidence suggests a positive assessment, though there are still major gaps to be closed in the linked fields of disclosure, reporting and communication.

'It's half full'

Several thousand companies, including many of the world's largest, now report

The leading edge of reporting is expanding to embrace the wider economic bottom line

Corporate governance is now firmly on the agenda

2004 sees a raft of new entrants and rapidly climbing scores

'It's half empty'

Well over 50,000 multinational companies still fail to report

However high the 2004 scores, the focus is still on reports rather than action

Few companies link their 'non-financials' with their 'financials'

Very few boards yet understand the connections between corporate governance and the triple bottom line agenda

Executive Summary

Surveying a sample of 100 reports from around the world, *Risk & Opportunity* benchmarks an independently selected sample of 50 of the best, the 'Top 50'. We also briefly discuss the 'Other 50' on pages 29–30.

The financial sector — insurers, reinsurers, lenders, investors, analysts — is beginning to wake up to a range of non-financial issues. Even the best current non-financial reporting by companies may not yet meet their needs, but the convergence of the financial and non-financial worlds is now under way. This is a key conclusion of *Risk & Opportunity*, SustainAbility's sixth benchmark survey of corporate non-financial reporting with UNEP — and our first in partnership with Standard & Poor's.

The good news is that this latest survey finds that some companies have made massive progress in responding to demands for improved transparency on key issues of corporate responsibility. Underscoring the trend, the Top 50 rankings are rocked by a massive influx of new entrants (Figure 01 and pages 20–29). But the bad news is that most companies still fail to identify material strategic and financial risks and opportunities associated with the economic, social and environmental impacts captured by the 'triple bottom line' agenda.

Risk & Opportunity considers the question: Is the glass of non-financial (and wider sustainability) reporting currently half full, as enthusiasts might argue, or half empty, as some critics allege? The evidence suggests a positive assessment, though there are still major gaps to be closed in the linked fields of disclosure, reporting and communication.

Key Conclusions

Key findings of the 2004 survey include:

- Leading companies have made significant improvements in the quality of their non-financial reporting since 2002.

- Corporate governance is an area where the quality of coverage has jumped strikingly. But it seems that boards do not yet grasp the evolving links between corporate governance and the triple bottom line agenda.
- With the growing focus on corporate governance (pages 10–16), the spotlight is often on compliance and on financial integrity, rather than on the 'beyond compliance' agenda — including wider ethical, social and environmental issues.
- Interestingly, the overwhelming majority of our Top 50 companies also have investment grade credit ratings (pages 13 & 21). While it would be inappropriate to suggest causation here, it is striking that enhanced transparency and disclosure via sustainability reporting is so clearly linked to companies that display strong levels of credit quality, a widely-recognised indicator of operating and financial stability.
- Even the best reports suggest continuing, fundamental weaknesses in companies' governance and, most particularly, in their ability to identify, assess and manage priority non-financial issues.

The Top 50

The 2004 results show a number of striking shifts. Record numbers of companies now score above 50% in our rating (page 22), highlighting a substantial improvement in the overall quality of the reports benchmarked — and indicating that reporting has stepped up a gear in many organisations.

For the first time we have one company, Co-operative Financial Services, passing the 70% mark on our benchmark, with other companies — Novo Nordisk, BP, British American Tobacco, BT, BAA, Rabobank, Rio Tinto, and Shell — following very close behind.

Corporate governance is an area where the quality of coverage has jumped strikingly.

Twenty-six (52%) of the Top 50 are new entrants to the survey, a reflection of growing energy and sophistication across the board, and of new and innovative approaches to reporting. While those companies that have dropped out of the Top 50 from previous surveys are in most cases still publishing high-quality reports and even in some cases improving, the results show that they are not improving as quickly as the field in general.

The GRI Rules

Companies using the Global Reporting Initiative (GRI) sustainability reporting guidelines to shape their reporting dominate the sample. Forty-seven (94%) of companies in the Top 50, and 45 (90%) of companies in the Other 50 are openly referencing GRI.

It is clear that GRI has been enormously successful in achieving the widespread adoption and acceptance of the guidelines. However, with non-financial reporting reaching critical mass, GRI is at a critical stage in its evolution (pages 38–42). Increased standardisation of reporting brings both risk and opportunity – opportunity to influence hundreds more companies than previously, coupled with risks in the form of lower rates of innovation.

Assurance & Materiality

At a time when trust in business is still low, many reporting companies look to assurance service providers to help restore stakeholder confidence. The great majority of reports in the Top 50 (39 or 78%) include a discussion of external assurance (pages 32–35). However, there is great variety in their approaches to assurance. Where used, emerging standards – notably the AA1000 Assurance Standard – appear to have a positive impact on the quality and utility of assurance statements.

Meanwhile, ‘materiality’ has emerged as one of the biggest conceptual challenges for corporate reporters and stakeholders in recent years (page 35). A company’s process for identifying material issues is generally complex, and this is likely to be the focus of considerable energy and research in the near future.

Our analysis reveals that most companies fail to give any real insight into what they are reporting on and why they are doing so. With materiality in mind, a refined analysis of the Top 50 produced striking results: an average 9% drop in scores and a significant reshuffling of the rankings (page 36).

Global Reporters 2010

Our final section looks at the future of reporting (pages 43–49), charting four possible trajectories and spotlighting some of the risks and opportunities likely to be associated with each. Briefly stated, the four trends are:

- **Standardisation**
An accelerating shift towards common formats for non-financial reporting
- **Consolidation**
An energetic shake-out of the concepts, content and language of non-financial reporting
- **Regulation**
The emergence of government mandated non-financial reporting
- **Integration**
Growing attempts to merge, or blend, much of non-financial reporting with financial reporting

Of these, the first two are likely to proceed much faster than the last two, but all four will be strikingly evident over the next decade. *Risk & Opportunity* concludes by offering a total of 10 recommendations for four groups of people (page 52): CEOs and corporate boards; CFOs and investor relations people; corporate responsibility and sustainability professionals; and investors and other stakeholders.

01 The 2004 Top 50 Companies

Company	Score	Rank %
Co-operative Financial Services	71	1
Novo Nordisk	69	2
BP	66	3
British American Tobacco	64	4
BT Group	64	4
BAA	63	6
Rabobank	61	7
Rio Tinto	60	8
Royal Dutch/Shell Group	60	8
HP	59	10
Unilever	59	10
Anglo American	58	12
Statoil	55	13
Kesko	54	14
Manaaki Whenua	52	15
Natura	51	16
BHP Billiton	51	16
United Utilities	51	16
Veolia Environnement	51	16
Ford Motor Company	51	16
Lafarge	50	21
Bristol-Myers Squibb	49	22
SABMiller	49	22
Volkswagen	49	22
KarstadtQuelle	48	25
MTN Group	48	25
RWE Group	48	25
Sasol	48	25
Diageo	47	29
Novartis	47	29
adidas-Salomon	47	29
General Motors	47	29
ING Group	47	29
Cadbury Schweppes	46	34
Matsushita Electric Group	46	34
Chiquita Brands International	45	36
Suncor	45	36
Total	44	38
Daiwa Securities	43	39
Philips	43	39
British Airways	43	39
Baxter	42	42
Carrefour	42	42
Starbucks Coffee Company	42	42
Sony	41	45
Deutsche Telekom	41	45
Ito Yokado	40	47
Barclays	39	48
Premier Oil	39	48
Gap	39	48