



Sustainability Reporting

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www.oin.at

Content:

- 1) The reporting context
- 2) From environmental to sustainable reporting
- 3) Effects on the company

The changing role of corporations I

- **Rise of the private sector**

Since the fall of the Berlin Wall foreign investments have multiplied
EU taxes on corporate profits have declined from 51% to 35% since 1985
More than half of the world's biggest economic units are companies

- **Shareholder Value**

Downsizing, employees and expensive production sites as burden

- **Estrangement between corporations and society**

decisions on a global level

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The changing role of corporations II

Power of Government is reduced

(„hard law“ does not work any more)

The classical division of responsibilities is obsolete

(government – social and ecological aspects; companies – making profit)

Increase in power brings about increase of responsibility

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The changing role of corporations III

2 out of 3 people expect companies to take over more responsibilities than just making profit, paying taxes, employing people and obeying the law.

(Millenium Poll on Social Responsibility, UK 2001)

What company leaders think:

The social and ecological responsibility of companies will...

...become more important (58 %)

...will stay the same (33 %)

...will become less important (6 %)

(Ifo Unternehmensbefragung, 2001)

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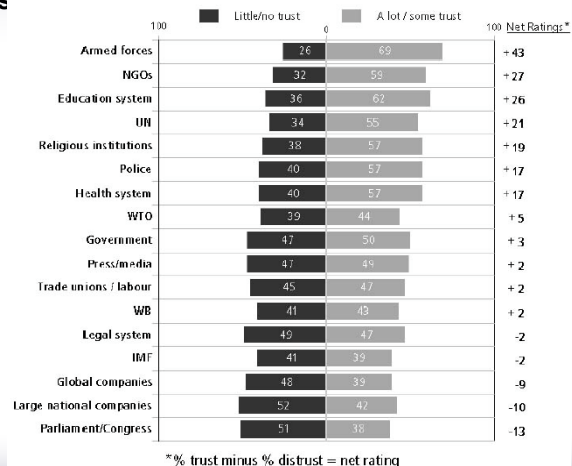
3) Effects on the company

Trust in Institutions to Operate in Society's Best Interests

Gallup International, 2002

Global Ratings (n=34,000 across 46 countries)

Lack of trust – the facts



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Lack of trust – the reasons I

- **Discomfort with big organisations**

„Only those companies thrive that value profit higher than ethics!“

- **Hiding behind brands**

the failure of marketing,
constructing myths through media

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Lack of trust – the reasons II

- **Clashing realities of marketing and alternative information**

critical for branches depending on emotional value (e.g. Ford)
critical for branches with high ecological/social impact (Shell, Nike)

- **bad corporate governance**

e.g. ENRON

- **NGOs are interlinked (internet)**

- **Media like „David vs. Goliath“-stories**

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Lack of trust – the results

Society

Dilemma: People feel companies have the power. But they do not trust them.

Corporations

Companies like every other institution cannot exist without trust.

Looking for „licence to operate“ (e.g. Davos)

Trust is an important „capital“. It takes time to build it.
 „Trust-me“ → „Tell-me-and-show-me“

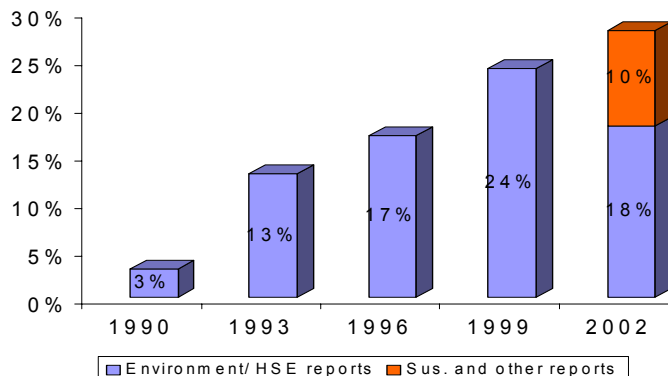
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Sustainability Reporting – the rise

corporate reporting Top 100 in 11 countries (KPMG 2002)



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Sustainability Reporting – motivation for companies

Customers: trust as an important added value in saturated markets

Financial Community: sustainability funds

NGOs: Cooperation instead of confrontation, reduction of risks

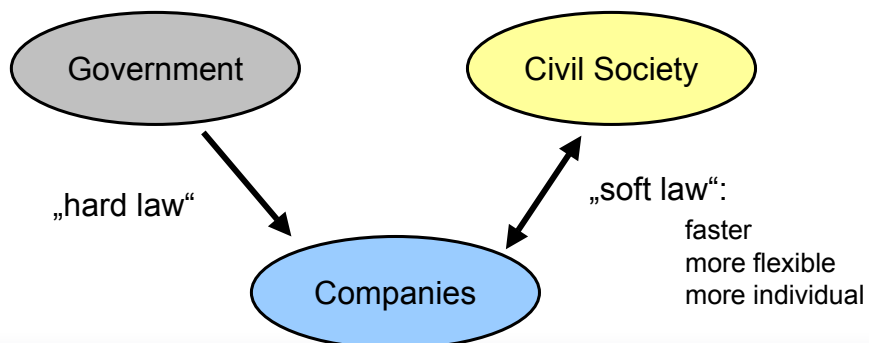
Internal effects: see „Effects on company“

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Sustainability Reporting – institutional innovation I



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Sustainability Reporting – institutional innovation II

Example of new institutional arrangement:
Global Reporting Initiative

Governments foster new institutional arrangements
(Austria, France, Denmark, Netherlands...)

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Sustainability Reporting – differences to Public Relations

Public Relations =

systematically supporting the
relationship to external stakeholders
on a strategic level

- building new contacts
- publications
- dialogues with relevant target groups
- image construction

The aim of PR is
acceptance.

The aim of sustainability
communication are shared
learning processes

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Sustainability Reporting – does it work?

- × Communication as a one way street
- × Is Civil Society ready for the task?

1) The reporting context

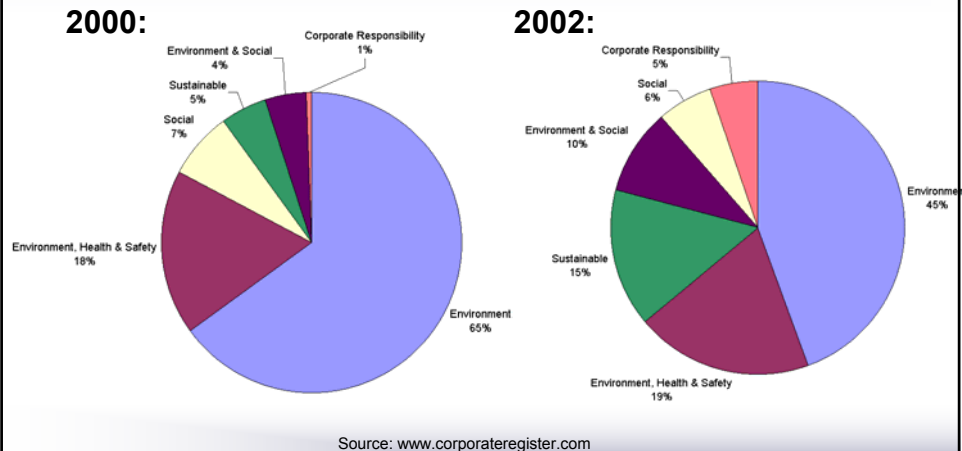
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Sustainability Reports replace Environmental Reports

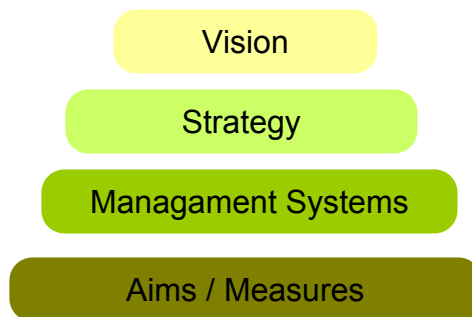


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Contents of Sustainability Reports I – development of the company

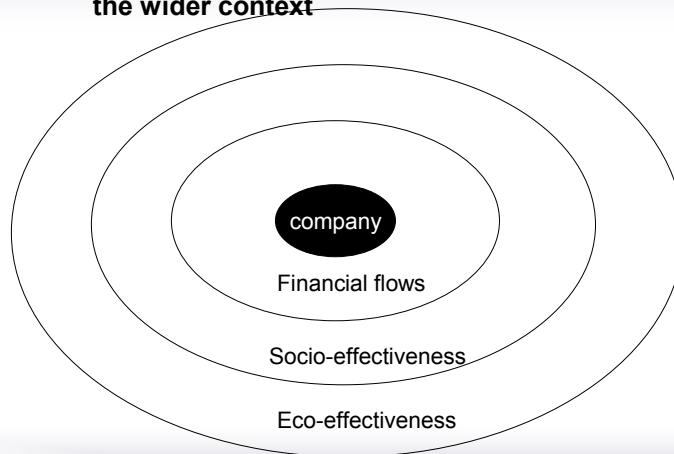


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Contents of Sustainability Reports II – the wider context



1) The reporting context
on the company

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Contents of Sustainability Reports III

- defining the reporting boundaries
- covering the most important aspects
- including the long-term perspective
- straight/neutral vs. stories/emotional
- verification / validation

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Trends

„Triple bottom line reporting“ or integrated reporting?

Internet and its opportunities

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Effects on motivation I

Commitment of CEO

foreword, change through personal contact

Supporting groups in favour of sustainable development

sustainability boards, frustration/positive energy,
internal pressure

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Effects on motivation II

Employee motivation

Survey of Gallup Germany: Only 15% of the employees are truly interested in the company they work for. 69% do not feel obliged to the company

People want to work for something they can believe in

Reporting can activate resources if it passes the reality check:

How are employees treated? Cf. Southwest Airlines after 9/11

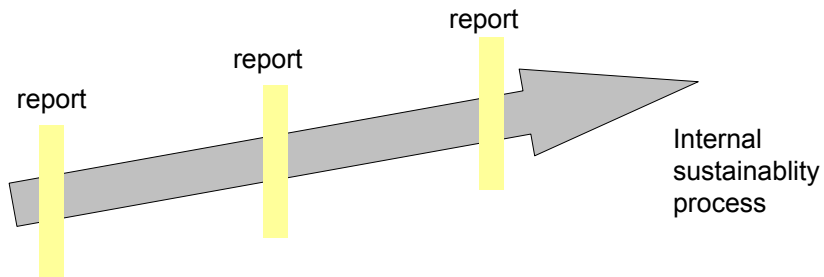
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Sustainable Development of company – sustainability reporting

Interlinkage important



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time	PHASE	milestones
July	Distributing the report	Production of a folder
August	Team Building	first meeting of new team
September	Stakeholder Dialogue	Event with workshops and official part
Oktober	Reporting Concept	Table of contents, start of first project
November – February	general Information indicators	Projects like: Qualification, SBSC, further dialogues about special topics, improvement of environmental management
March	Writing texts	Texts are ready
April	Layout	Final version of report

Effects on the company – how far do they go?

So far small changes triggered by reporting

no change in vision, no totally new line of products,
downsizing cannot be stopped...

Reporting has not reversed macro-economic trends

But reporting is still in an early phase

until now has proved one of the best instruments for
motivating companies for corporate sustainability

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