Corporate Reporting QUARTERLY
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REPORTING TODAY

Takeaways on transparency

On September 22, Framework:CR hosted a one-day forum to stimulate conversation about the risks and opportunities inherent in environmental, social, and governance (ESG) disclosure. Held in the wake of the news that Lehman had failed, the federal government had bailed out AIG, and that Bank of America had bought failing Merrill Lynch, the topic could not have been more timely. We want to share some key takeaways from the event with our valued readership; here are a few of the highlights:

On the financial crisis: *Dr. Adam Seitchik of Trillium Asset Management* explained why self-governance (or the lack thereof) was a major contributing factor to the recent meltdown on Wall Street. For example, mortgage packages were often rated "AAA" by agencies being paid—by the mortgage companies themselves—to rate them, and this structure posed a significant conflict of interest. This example illustrates how companies that self-regulate are less inclined to be transparent when there are no checks and balances in place.

In the supply chain: Increasingly, companies are sharing noncompetitive audit information regarding their supplier factories in order to cut costs and improve factory workplace conditions. According to *Marianne Voss of Fair Factories Clearinghouse*, while this trend depends on and enhances transparency in the supply chain, it also presents several challenges, namely confidentiality, exposure to litigation, data quality, and antitrust concerns.

From the legal perspective: *Bill Thomas of Skadden, Arps, Slate, Meagher, & Flom* explained that, from a litigator's perspective, disclosure is still a complex, evolving concept. Therefore, companies absolutely need to coordinate across the organization to ensure consistent messaging and avoid making murky statements that might expose them to legal risk.

On stakeholder engagement: *Mary Jane Klocke of Calvert, Ltd.,* formerly with investor relations at BP, stressed the need for companies to establish a single point of contact and accountability to engage with socially responsible investors and other stakeholders. Investing time to engage with stakeholders and understand their concerns presents little downside. The approach helps to create and maintain lasting relationships that will foster trust and understanding that often result in the company's being given the benefit of the doubt during crisis.

Addressing climate change: Panelists agreed that climate change is a core business issue that requires the attention of both corporations and investors. *Bruce Kahn of Deutsche Asset Management* asserted that, for this reason, climate research is now recognized as sound economic analysis. And *Eric Israel of KPMG* noted that businesses feel a sense of urgency around this issue but often lack clarity as to how to move forward.

Evaluating lists and rankings: *Toby Webb of Ethical Corporation* magazine and *Paul Herman of HIP Investor* debated the merits of sustainability lists and rankings. The upshot is that while lists can be useful, the list purveyors should be transparent regarding the methodology behind them and those methodologies should reflect the nuance and complexity that characterize our world. And while the media tend to favor lists because they often simplify complex issues, they could be doing more to "vet the vetters."

Please visit our website for a summary of the event, speaker information, and presentations.

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REPORT REVIEWS

Each month, we evaluate a corporate responsibility report for Ethical Corporation magazine. Click on the following link to read our most recent review:

> **BT 2008 Changing World: Sustained Values Report versus Virgin Media: Start… Managing our Responsibilities in 2008 2008 Corporate Responsibility Reports/Comparison Review**

NEW AND NOTEWORTHY

Carbon Disclosure Project launches CDP6 in New York

The Carbon Disclosure Project released its CDP6 reports, which include data from 1,550 companies worldwide, on September 22 in New York. Among the findings: 74 percent of Global 500 companies reporting to the CDP provided emissions reduction targets.

Environmental sustainability reporting still used as PR tool

A recent study by KDPaine & Partners finds that environmental accountability remains low among Fortune 50 companies. While 80 percent of the Fortune 50 report their environmental sustainability efforts online, only 38 percent provide evidence of stakeholder involvement in the reporting process; 38 percent provide specific contact information to their stakeholders.

GRI and stakeholder engagement top CSR trends for 2008

Canadian BSR and Craib Design & Communications highlight stakeholder engagement and the use of reporting standards in their CSR Trends 2008 overview. The study finds that 91 percent of reporters describe specific stakeholder engagement methods, and 71 percent follow Global Reporting Initiative (GRI) guidelines.

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Our perspective: In the spirit of open and continued dialogue, we want to pose this question: had the financial services sector as a whole taken a more systemic and integrative approach to sustainability—one that embeds governance, ethics, transparency, and accountability within business operations—could the economic mess in which we all now find ourselves have been prevented, or at least mitigated?

Yes, argue many, including Senator Christopher Dodd (D-CT), Chairman of the *Senate Banking*, Housing, and Urban Affairs Committee, who noted that "One of the things that got us into this mess was the lack of accountability and the lack of oversight that was occurring." Putting greed aside for the moment, the financial meltdown was essentially a failure of our leading banks to 1) be transparent about their investment activities, and 2) demonstrate their commitment to good governance practices; both are inextricably linked to a broader vision of sustainability.

Though the causes of the crisis are complex and intricately intertwined, two key factors were risky lending practices and the lack of transparency surrounding the complexity of the instruments created to bundle subprime mortgages into highly rated debt instruments. Far from being an excuse, however, the level of complexity in these transactions only increased the responsibility of those engaging in them—the financial institutions themselves—to dial up the transparency, turn a suspicious eye to potential conflicts, and continually second-guess their own motives and activities. Going forward, these institutions must instill within their cultures a responsibility to see to not only their own bank accounts but also those of others.

The bailout may have Adam Smith squirming in his grave, but perhaps his ideas could benefit from fresh perspective.

— Kathee Rebernak

CONFERENCE NEWS

Women's Network for a Sustainable Future Fifth Annual Summit

October 2; New York, New York

More than 150 women (and one man) attended the WNSF Fifth Annual Summit in New York. A panel of highly accomplished women who have championed sustainability at AIG Investments, JP Morgan Chase, American Express, and Intel Corporation provided insights and concrete steps for developing a culture of sustainability. Participants further explored these topics, as well as how to communicate effectively in a changing culture and how to give voice to the next generation of sustainability leaders, through lively discussion in small groups. The event culminated with keynote speaker Gail Blanke, who motivated the crowd to be a "champion for change", urging attendees to capitalize on these tumultuous financial times to step up and make a difference in their organizations.

ANNOUNCEMENT

Framework:CR partners with Seventh Generation and Yale University

During the fall semester Framework:CR is teaming up with Seventh Generation and graduate students at Yale University's School of Forestry & Environmental Studies and School of Management. The partnership is designed to promote thought leadership around issues of sustainability and to challenge existing business paradigms for sustainable management.

We are currently considering new corporate partners for the spring semester. For more information on partnership opportunities, please email kwhitaker@frameworkcr.com.

STANDARDS UPDATE

New study examines gender issues

In partnership with the International Finance Corporation, the GRI launched a year-long effort to develop a Gender Sustainability Reporting Resource Guide to complement the existing G3 framework. The new guide will help companies establish themselves as leaders in managing gender issues.

GRI seeks comments on electric utilities sector supplement

The draft GRI Electric Utilities Sector Supplement, assembled by a multistakeholder working group, is available for comment as of October 3. The public comment period is open for 90 days; content will be finalized in January of 2009.

FASB proposes controversial accounting standard

The Financial Accounting Standards Board (FASB) proposed a new accounting standard that seeks to modify the rules governing loss contingencies, including the disclosure of the costs of on-going environmental litigation and pending lawsuits. A number of corporations have objected to the amendment, which reflects increasing pressure from investors who support greater transparency. In a letter to FASB, six leading pharma-ceutical companies argued that "the new disclosure rules will . . . tilt the litigation balance in favor of disclosing companies' litigation adversaries and, thus, work to the ultimate detriment of our shareholders without providing meaningful disclosure to investors."

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