Karen Telleen-Lawton: Sustainable Reporting and the Corporate Side of ESG

After slow start, Global Reporting Initiative a powerhouse in applying carrots and sticks on world's corporate conscience

By Karen Telleen-Lawton, Noozhawk Columnist | Published on 09.07.2011 5:53 p.m.

What if you care not only about a good return on your investment (a gnarly proposition lately!) but also in being a values-oriented consumer? In April I updated readers about the world of socially responsible investing and the label-morph to ESG: environmental, social, and corporate governance. This time I'll tackle the corporate side of ESG: the rapidly evolving area of sustainability reporting.

Business self-reporting on ESG issues has developed in parallel with investors seeking this type of information for choosing responsible investments. But it was the Exxon Valdez that gave the push to generating data on a large scale.

After Valdez, a group called Ceres (originally the Coalition for Environmentally Responsible Economies) began developing a standards system such as GAAP(Generally Accepted Accounting Principles) is for accounting. These standards would apply to ESG measurement and reporting and involve the mandatory disclosure of sustainability factors such as carbon emissions and human rights screening.

After a slow start, the GRI (Global Reporting Initiative) is becoming a powerhouse in applying carrots and sticks on the world's corporate conscience. It is now an independent, "multi-stakeholder-based, consensus-seeking global institution that has developed and continues to refine frameworks and guidelines for ESG reporting," according to a recent article in Financial Analyst magazine.

The world headquarters of GRI is in Amsterdam. At the turn of the millennium, GRI organized a competition among interested cities. Amsterdam won for its relative central location and enthusiasm. In 2008, GRI held a global conference in Amsterdam, where officials and other representatives from 77 countries discussed how to implement GRI's guidelines.

Two years later, a U.N. report counted a total of 142 country standards or laws related to sustainability, about two-thirds of which are mandatory. Ten governments have a formal reference to GRI in their governmental guidance related to corporate social responsibility. In addition to political entities, participants included businesses, activists, accounting societies, financial advisors and labor leaders as well as people from regions around the world including Europe, North America, South Asia, Japan and Brazil.

The upshot is that the reporting tables are starting to turn. According to Allen White, GRI's CEO until 2003, the question is no longer, 'Why report?' but 'Why don't you report?'"

The frustrating part is the reticence with which the United States treated ESG until recently. The innovators of the GRI and its Ceres predecessor are Americans: Joan Bavaria, founder of Boston-based Trillium Asset Management, White, at the time a senior fellow at the Tellus Institute, and Bob Massie, Ceres president in the late 1990s. But after five or six years of diligent effort in the early 1990s, only about 15 companies had signed on. The group had the prescient idea to go global first and come back to the United States when Americans were ready.

Last November, the GRI established a presence in this country called Focus USA. It was launched at the New York Stock Exchange, which itself has published its own sustainability report and is working on its second as it contemplates sustainability guidelines for companies listed on the exchange. But our country is joining in an unaccustomed, also-ran position.

"The U.S., in this area as in many areas," Massie laments, "has squandered an opportunity for leadership."

— Karen Telleen-Lawton's column is a mélange of observations supporting sustainability. Graze her writing and excerpts from Canyon Voices: The Nature of Rattlesnake Canyon *at www.CanyonVoices.com*.