

Environmental Reporting & Communication Award Schemes in Sweden

Focus on the product or the process?

Discussion Paper

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Abstract

This discussion paper will present three different award schemes in Sweden aimed at promoting improved corporate environmental reporting and communication and evaluate their strengths as well as weaknesses. The paper will also discuss whether or not such award schemes can actually be counterproductive, if the aim is to reach sustainable development and resources are diverted from activities aimed at improving environmental performance to producing communication materials designed to please a jury rather than to satisfy the stakeholders. As the award schemes determine what is deemed to be best practice, the responsible parties have a great responsibility to make sure that the criteria actually reflects the needs of the stakeholders rather than expanding the market for various consultants by rewarding creative lay-out and verification for its own sake.

It is the view of the author that environmental reporting can only fulfil its potential if it is viewed as a *process* rather than a *product*, i.e. that it is the process of gathering, analysing, sharing and acting on the information on the company's environmental performance which promotes improvement and adds value for the company and its stakeholders – not the corporate environmental report itself. With this in mind, it is not enough to consider the needs of stakeholders when devising the environmental communication strategy. Their needs must be addressed already when designing the environmental management system and its supporting information systems.

Environmental communication is much more than environmental reporting. Thus other tools to establish stakeholder dialogue need to be applied as well. Dialogue with the stakeholders is the only way to ensure that the strategic environmental management initiatives of a company have the right content and direction to fully satisfy stakeholder requirements, exploit emerging opportunities and avoid unnecessary risks. There are thus clear interdependencies between environmental reporting & communication and the overall environmental management and information systems. The challenge for environmental reporting & communication schemes is thus to focus more on the process than the product, with all the difficulties this entails for the definition of criteria and method of assessment.

Introduction

In Sweden there is currently a total of four different initiatives aimed at promoting improved corporate environmental reporting and communication. In addition to the national schemes, several Swedish companies such as Volvo, ASG, and MoDo are in the sample for both the European Environmental Reporting Awards and the UNEP/SustainAbility Benchmark reports. As each of these initiatives usually comes up with different winners, it can be quite confusing for the general public. This is on top of the confusion between rating of the best environmental communication / reporting with rating of best environmental performance that is also hard to avoid.

The IIIEE and the author personally have been closely connected with one of the schemes - "Årets Miljödovisning" (direct translation "Environmental Report of the Year") - since its inception in 1995. In light of this it may seem hypocritical to write a critical account of the role such award schemes have to play. However, it is very important for researchers involved in action research to continuously take the time to reflect on whether or not their efforts are truly driving the development in

the right direction. Also, as this is a field of rapid development a researcher needs to be prepared to question his/her assumptions and to change his/her mind as the situation changes. This is also to say that award schemes need to be constantly adapted to be effective and that the schemes may even have a limited life expectancy.

In this short discussion paper the author will first briefly discuss the role of award schemes, before moving on to introducing each of the three different award schemes and analysing their respective strengths and weaknesses as well as the similarities and differences between the schemes. Because the author has been working closely with the “Environmental Report of the Year” scheme and thus knows more details of this case, this scheme is discussed more in depth than the others. A number of different issues connected with rating the quality of environmental reports are then discussed, leading up to the conclusions and some thoughts about the future.

The role of environmental reporting award schemes

All environmental reporting award schemes aim to promote environmental reporting through positive encouragement, i.e. by focusing public attention on the leaders in the field. The schemes aim to both increase the number of reports published and to improve the quality of the reports published. The criteria used by the jury as well as the winning reports themselves serve as best practice guidance for other companies. Thus those involved in environmental reporting & communication award schemes have a real responsibility to make sure that the criteria reflect actual stakeholder needs. Otherwise the schemes may be counterproductive by promoting environmental reporting for its own sake rather than for the benefits it can bring and thus diverting resources from activities that directly improve corporate environmental performance.

Swedish Better Environment Awards for Industry (SBEAFI)

In 1997 Sweden launched the national version of the European Better Environment Awards for Industry (EBEAFI). The responsible parties for the awards are the Confederation of Swedish Industry, the Academy of Engineering Science, the Swedish national competent body for the EMAS regulation and the Swedish Environmental Protection Agency. In addition to the five categories included in the European Awards (*Managing towards sustainability, Eco-design, Cleaner technologies, Recovery of waste, Partnership for sustainable development*), two more categories were added in the Swedish award scheme. Both of these were connected with environmental reporting and communication. The jury is the same for all the seven different SBEAFI awards. It consists of eight independent members who are all well qualified and respected professionals active within the environmental field and representing all sectors of society.

The Environmental Communication Award is intended for those companies who through open and credible communication inform their different stakeholder groups about their environmental work and through these initiatives also contribute to a constructive dialogue about the environmental initiatives of industry in the public debate. To be a candidate for the award the company needs to fill in an application form answering a number of questions connected with the criteria, which is submitted to the jury together with any other materials the company wishes to refer to. The main criteria used in the assessment are:

- Openness
- Humility and common sense
- Participation by top management
- Participation of the staff
- Dialogue with stakeholders
- Use of a variety of channels

The intention with the award for the Best EMAS Statement is quite obviously to reward EMAS registered companies and sites, who have developed the environmental statement above and beyond the requirements set out in the regulation. All environmental statements submitted to the national competent body are automatically considered for the award. The criteria used when assessing the environmental statements are the following:

- Readability
- Logical disposition
- Participation of top management
- Use of the EMAS logotype
- Distribution
- Activities to get feedback

When assessing the strengths and weaknesses of this award scheme the focus is on the Environmental Communication Award, as the EMAS Statement Award is rather specific. The main strength with the award is that it takes an holistic approach to environmental communication. This is in line with the need to have an environmental communication strategy that involves producing tailor-made information materials suited to the needs of the different stakeholder groups and active multi-way dialogue. However, this also makes the assessment all the more difficult. How do you compare simple pamphlets distributed to consumers in the local supermarket and in-depth environmental product declarations aimed at industrial customers? Both might be equally well suited for their respective purpose.

The main weakness of the award scheme is the application and assessment procedure. With a non-specialised jury that has limited time to spend on this particular award within the SBEAFI framework, the risk is that the application form itself that will play the biggest role as there is not enough time to properly review all the materials that may have been submitted along with it. In such a case what is rewarded is not the environmental communication activities of the company, but its ability to write a good application. This is dangerous as this can give very wrong signals – the ability of a company to describe their environmental communication activities in a positive way is not of interest to the stakeholders.

DTTI Corporate Environmental Report Scorecard

The Scandinavian practices of the auditing firm Deloitte Touche Tohmatsu have developed and refined a Corporate Environmental Report Scorecard over the past few years. This scorecard is currently being launched worldwide. The scorecard was developed as a reaction to the feeling that the criteria for environmental reporting awards had all been developed to fit particular circumstances. The scorecard took the UNEP/SustainAbility list of 50 essential reporting ingredients as a starting point and aims to be an objective way to assess how the individual corporate environmental report measures up against the “ideal” CER. The scorecard contains 40 questions that are categorised into eight groups of criteria:

- Corporate Profile (10 points)
- Report Design (15 points)
- Environmental Impact/Data (20 points)
- Environmental Management (20 points)
- Finance/Ecoefficiency (10 points)
- Stakeholder Relations (10 points)
- Communications (10 points)
- Third-Party Statement (5 points)

In Sweden the environmental information provided by companies on the stock exchange have been assessed with the help of the scorecard by Deloitte for the past three years. It is a very expensive and time-consuming endeavour as each environmental report takes on average two hours to assess and each report needs to be reviewed by two consultants in the attempt to achieve consistency and objectivity of the scoring.

The main strength of this rating scheme is the systematic assessment procedure. The idea that this assessment can or even should be made “objectively” is at the same time one of its main weaknesses. For starters this ignores the differences between industries and stakeholder groups. As a consulting company which both supports companies when developing their environmental report and verifies environmental reports, Deloitte also have their own vested interest in how the criteria have been defined and interpreted. The aim to be “objective” was thus doomed from the beginning. Also, all those who use the scorecard bring their own values and beliefs with them and this will influence the final score as the criteria is qualitative in nature and subject to interpretation. In Sweden the rating has been criticised since the companies coming out on top were the ones whom Deloitte had helped develop their environmental report, which raises the issue of a conflict of interest.

“Environmental Report of the Year”

The aim of this award scheme is explicitly to stimulate the development of regular, concrete and comparable environmental reporting from Swedish companies. The award is given in cooperation by the Swedish business magazine “Affärsvärlden” and the “Foundation for Business Economics and the Environment” (backed by the professional & educational institution “Företagsekonomiska Institutet / Sveriges Kontoristförening”). There is a heavy focus on financial aspects of environmental issues in this award scheme, largely depending on the fact that “Företagsekonomiska Institutet” specialises in courses in financial and management accounting. The jury also consists of three people with extensive accounting/auditing experience, along with one journalist from “Affärsvärlden” and Professor Karl Lidgren, IIIIE at Lund University.

The award was presented for the fourth consecutive year at a ceremony in Stockholm on September 30,1998. There has been growing interest in the award year by year. In 1995 only 11 companies entered, in 1996 it was 25 and in 1997 a total of 28 companies entered the competition. This year a record of 42 companies submitted their annual and environmental reports to be considered for the award. The author has personally been involved by supporting the jury for the past two years. Some of the changes during that time has been the introduction of industry groupings, individual feedback to all candidates and the revision of the criteria for this year. There is now seven different categories of criteria that the jury takes into account:

- Environmental information in the annual report and financial metrics in corporate environmental reports
- The impact on the environment of the company’s activities
- Strategic environmental positioning / environmental management
- Cleaner production / holistic approach / life-cycle thinking
- Environmental incidents
- Policy for environmental reporting / communication
- Presentation of the information

The strength of the award scheme is the strong focus on helping all the participants to improve their environmental reporting. Each year the awards are presented in connection with a seminar (free of charge to participants) which deals with some aspects of environmental reporting / communication each year. There is also plans to introduce a half-time seminar during the time the companies are producing their environmental reports to exchange ideas and experiences. By the “best-in-class” – “best-in-show” approach along with the individual feedback given to all participants, the necessary incentives and encouragement can be given to both SMEs and companies in sectors new to environmental reporting. Take for example the financial sector. None of the companies in this sector can compete overall with the environmental reporting of for instance the forestry companies. Nor will a forestry company’s environmental report provide the financial services companies with much guidance on how to improve their own environmental reports. But the award scheme can make a real contribution to the development of environmental reporting in the sector by highlighting the best-in-class example and providing feedback on what is good, what is missing and what needs improvement in the feedback to the respective environmental reports.

Another strength of the award scheme in the opinion of the author is the focus on the policy for environmental reporting / communication. The jury thus tries to adapt its assessment of the environmental reports according to who the main target audience is. The heavy focus on financial aspects of environmental issues can be viewed both as a strength and as a weakness depending on which stand you take. The main weaknesses of the award scheme are the workload involved and the qualitative characteristics of the criteria that need to be interpreted. The weighting of the various criteria is also not explicitly defined and the assessment procedure is not as systematic as for instance the scorecard technique developed by Deloitte.

Similarities and Differences

To summarise the similarities between the three award schemes in Sweden, it can be said that all of them have good intentions and that they all have their flaws. Another similarity is that none of the award schemes have any of the main stakeholder groups represented in the jury. Otherwise it is three very different approaches to promoting improved environmental reporting / communication that have been presented above. The differences range from the composition of the jury, how to participate, the focus of the criteria, what materials are assessed, the process of assessment, degree of objectivity, degree of normative influence and feedback to participants.

Truth or Dare?

The author likes to use the analogy of the game “Truth or Dare?” (that most of us played at some point during our adolescent years) to illustrate the dilemma still facing companies who have yet to start reporting on their environmental performance. Companies make this decision faced with great uncertainty, since there is no way of knowing what the consequences will be of choosing either option. The stakes are high for corporations whose credibility, success and even survival may weigh in the balance. More and more companies are now choosing to “tell the truth”. One reason behind this may be that in the global networked economy very few skeletons will remain in the closet for long. That most companies continue to report once they have started also seems to indicate that they feel that it is yielding a return.

In this context the different environmental award schemes give very clear guidance, i.e. that “telling the truth” is the only option for companies wishing to be considered as leaders in the environmental field. Award schemes also offer some additional guidance regarding the importance of doing it right. If you decide to “tell the truth” and you do it well enough to win an award, then you can reap rewards in the form of positive press. If you do it poorly there is an increased risk for a negative response from the stakeholders to the environmental report.

Different industries – different conditions

Companies in different industries face very different conditions when designing their environmental reports. To date it is companies in the industrial sector that have been dominating the environmental reporting scene. The criteria for most of the schemes have also been developed solely with these companies in mind. To a large extent it is the companies with a significant environmental impact who have been targeted by the public environmental debate who are the leaders in the field of environmental reporting. In this context it is relevant to question how “voluntary” the voluntary environmental reporting really is in the different industry sectors.

It is important for award schemes to recognise the differences between different sectors. Especially important is to consistently reward quality, not quantity of environmental information in the environmental reports. Process industries will always be able to report more quantitative data on their environmental performance than a small service company. A few well defined and relevant environmental performance indicators for the service company could however bring the quality of the environmental information up to the same level as the process industries with their large quantities of data. This is important to take into account when assessing the environmental reports.

Different stakeholders - different needs - different preferences

The view of the corporate environmental report as “one-size-fits-all” tool that will take care of all the environmental communication needs has caused many problems. By trying to satisfy all the stakeholder groups at once, companies usually end up by satisfying nobody at all. Different stakeholder groups have different needs and preferences regarding environmental information, and all these different needs and preferences have to be addressed within the scope of an environmental communication strategy.

The different stakeholder groups not only have different needs and preferences – they also have different perspectives and values. Thus a new issue arises for the companies who have chosen to “tell the truth”. What is the truth? “Reality is only a social construction”, i.e. what is considered to be the truth depends on each individual’s experiences and values. We can imagine companies who openly report on their environmental performance as being up on the witness stand faced with the question “Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?”. Most companies endeavour to tell the “truth”, but none probably manage to tell the whole truth and nothing but the truth in the opinion of all their stakeholders within the boundaries of the current environmental reporting.

There is currently much debate whether or not the separate corporate environmental report has a future or it will become an integrated part of the annual report to satisfy the financial stakeholders, supplemented by tailor-made information materials to satisfy other stakeholder groups. In the opinion of the author this is not a very relevant debate. No matter what the format and channel for communication, the environmental reporting process is needed to provide the information to be included. Also, by producing a corporate environmental report as the base for the corporate environmental communications a certain consistency of the messages transmitted to the different stakeholder groups can be assured.

Focus on the product or the process?

The process of gathering and analysing the data is also important when rating the quality of the resulting information materials. This is currently ignored by most environmental award schemes. Most of the companies publishing environmental reports today (even some of the leaders in the field), still collect most of the data for their reports through sending out questionnaires to all their various subsidiaries and departments. This method of collecting data has both strengths and weaknesses. By involving large parts of the organisation in the process the levels of awareness and motivation in the organisation can be raised. However, if there are not systems and structures in place to continuously track the required information in a consistent way throughout the whole organisation, the answers to the questionnaires can vary between being pure guesses, careful estimations and detailed measurements.

This makes it very difficult to assure data quality and consistency across the board and hence questions arise regarding reliability and validity of the corporate environmental reporting. Quantitative data can look very impressive in graphs and tables, but the relevance and validity of the data can only be assessed by also taking the supporting systems and procedures to collect and process the data into account. These required information management systems are the same kind of systems necessary to ensure the success of an environmental management system. This is yet another reason for integrating the environmental reporting process fully into the environmental management system of an organisation. Indeed, the author believes that neither environmental reporting nor environmental management systems can be efficient without the two being integrated.

It is the view of the author that environmental reporting can only fulfil its potential if it is viewed as a *process* rather than a *product*, i.e. that it is the process of gathering, analysing, sharing and acting on the information on the company’s environmental performance which promotes improvement and adds value to the company and its stakeholders. With this in mind, it is not enough to consider the needs of the stakeholders when devising the environmental communication strategy and compiling the annual corporate environmental report. The needs of the stakeholders must be taken into account already when designing the environmental management system and its supporting information systems.

Dialogue

It is crucial to establish dialogue with the stakeholder groups to establish a common understanding of the “truth”, in order to ensure that the company’s strategic environmental

management initiatives have the right content and direction to fully satisfy stakeholder requirements, exploit emerging opportunities and avoid unnecessary risks. But how can you assess the quality and effectiveness of a company's activities to establish dialogue with its stakeholders? Within the framework of an award scheme it will not be enough to look only at how many different stakeholder groups the company has established dialogue with and how often they interact with them. In order to judge the appropriateness and effectiveness of an approach to stakeholder dialogue somehow there is a need to also assess the content of the discourse, the quality of the information exchange and the actual effect of the dialogue. This will be extremely challenging.

Sustainability

Corporate accountability towards a diverse group of stakeholders on a variety of issues is gaining widespread acceptance. The tyranny of the bottom-line and shareholder value is beginning to give way. Corporate Social Responsibility, Corporate Citizenship, Balanced Scorecard and the Stakeholder Corporation are all concepts gradually being introduced into mainline business. The notion of sustainability or triple bottom-line performance is gaining acceptance and a transition towards corporate sustainability reporting can be sensed. First of all a common understanding of the term sustainability needs to be determined through stakeholder dialogue. The role of award schemes after the transition to sustainability reporting rather than environmental reporting is unclear. If it has been difficult to assess the relative merits of environmental reports from different industries, sustainability reporting will add a whole other dimension of complexity to the considerations that have to be made when devising an award scheme.

Conflicts of interest

Consultants and / or auditors in the jury of an award scheme have to struggle with a potential for conflicts of interest. They are charged with acting with the best interest of the stakeholders in mind when promoting the development of environmental reporting. But at the same time they have their own agenda. Verification is here a good example. What value does an independent third-party statement add today? There are no guidelines for what the verification process should consist of, nor are there established standards for what should be included in an environmental report that can be audited against. When award schemes today reward verification is that really in the stakeholder's interest or is it really deceiving them? Conflicts of interest can be avoided by exercising appropriate professional conduct in the role assigned to the members of the jury, but it is important for those involved in the award schemes to be aware of the issue.

Conclusions

A common characteristic of all the mentioned schemes is that there is no direct representation of the stakeholders for whom the environmental information is intended in the jury. "Experts" are here expected to act as spokespeople for the stakeholders. In this situation the experts continuously have to question their own intentions and actions, especially when there is risk for conflicts of interest. Do they always act with the best interest of the stakeholders in mind? Another challenge for environmental reporting / communication award schemes is the need to focus more on the process than on the product, with all the difficulties that this entails for the definition of criteria and method of assessment. The issue of how to assess information tailor-made for specific user groups is another challenge, along with efforts to establish dialogue. This will be almost impossible to achieve without involving representatives from the stakeholder groups. The same applies for the assessment of sustainability reporting, as this first of all requires a consensus to be established as to what the term "sustainability" actually means.

The future

The author has recently been awarded a grant from the “Foundation for Business Economics and the Environment” to study the current attitudes to environmental reporting/communication in general among Swedish companies, and the attitudes towards the environmental reporting/communication award schemes in particular. Have the award schemes had any impact on the development? How should the award schemes change to remain relevant in the future? The answers to these questions and many more are what the author hopes to find through the research project and plans to share with the network members at the 1999 conference.

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