BSR

Going Local

Increasing the Value of Local Sustainability Reporting

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About This Report

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Any errors are those of the authors.

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ABOUT BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

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Introduction

Methodology

BSR interviewed representatives from five leading MNCs—GE, BNY Mellon, Pfizer, British American Tobacco, and Vodafone—which have all produced material on country-specific sustainability impacts and practices, to understand motivations behind local reporting, approaches taken, and lessons learned. These interviews were supplemented by interviews with six experts from around the world, based in Brazil, India, the U.K., Jordan, and South Africa, to understand global trends at the country and regional levels. Finally, BSR reviewed the websites of the global 100 companies by market capitalization for the years 2003 to 2009, to understand current trends in local reporting, approaches used, and geographies covered.

Over one-quarter of the largest companies around the globe are reporting on site- or country-specific sustainability performance. While stakeholders view this as positive, they caution that it needs to move beyond a pure communications exercise to be valuable for both business and society at the local and global levels. This report provides an overview of trends in local reporting and offers a framework by which sustainability practitioners may approach local reporting in a manner that generates value for the company and its stakeholders.

In addition to producing a global sustainability report, a number of multinational corporations (MNCs) are reporting on local sustainability performance at the regional, country, and site-specific levels. This local sustainability reporting takes a number of forms—including standalone sustainability reports, country-specific "balanced scorecards," and country key performance indicators (KPIs) listed on the corporate website—and is evolving in its sophistication as companies learn more about the opportunities that can be captured from doing it well and the risks that may accrue if it is done poorly.

From our analysis of the global 100 companies by market capitalization,[1] our interactions with experts from around the globe on this topic, and interviews with CSR practitioners from six leading MNCs representing different industry sectors, we present this overview as a reference for companies thinking about producing a local sustainability report.

The following observations emerge from our research:

» The amount of local sustainability reporting is increasing across industries and geographies. When done well, it benefits companies by supporting a number of value drivers, such as reputation enhancement, risk mitigation, and addressing local employee needs. It can also address local stakeholder concerns emanating from communities, governments, and consumers.

» Industries exposed to more significant environmental, social, and governance (ESG) risks relative to other industries tend to report at the local level with more frequency.

» There is increasing sophistication in the types of issues treated in local sustainability reports, as coverage shifts from community issues to sustainability strategy at the local level.

» Companies are not settling on one standard format for local sustainability reporting—there are inter- and intra-company differences. This is partly due

[1] Financial Times 2010 Global 500, which ranks the top 500 companies globally by market cap.

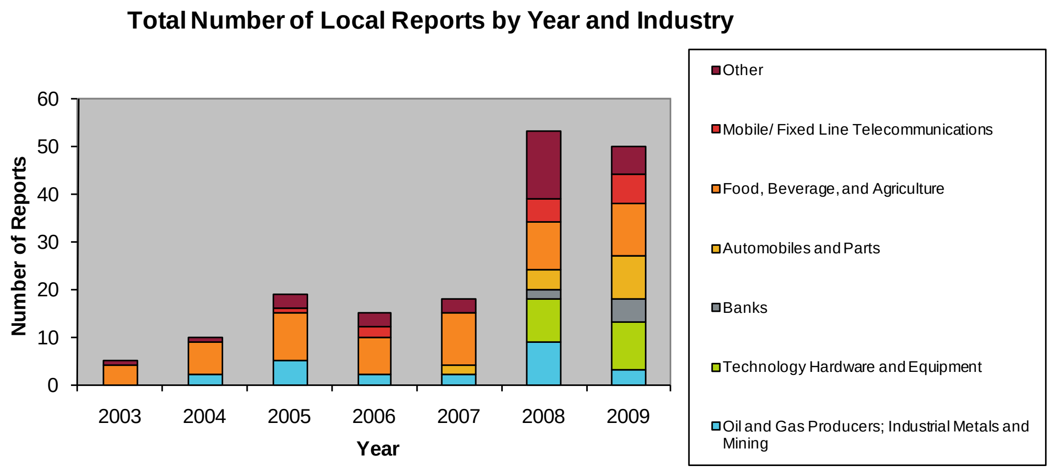
to the fact that local reports are geared toward specific sets of stakeholders and not to one common set with the same expectations (for instance, investors in the company's shares).

» Certain motivating factors, common to all industries and split between internal drivers and external drivers, determine whether companies produce a local sustainability report. These motivating factors, such as government regulation on corporate disclosure on environmental and social impacts, are quickly evolving.

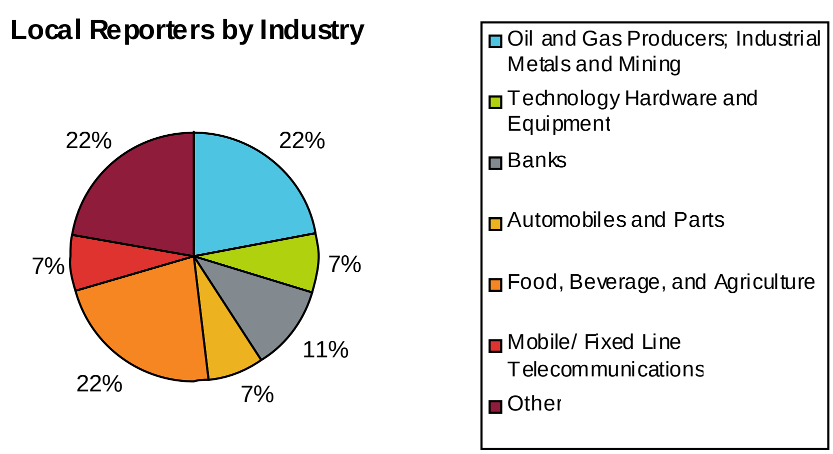
» Companies are applying an approach to local sustainability reporting that prioritizes frameworks, internal coordination, and external engagement. Employing this type of approach helps companies manage costs while addressing the original motivations behind producing the report.

Trends in Local Reporting

Of the 100 companies we reviewed, 86 report on their global sustainability performance. Of these, 27 companies reported local sustainability performance data of some kind during the period from 2003 to 2009, resulting in more than 170 reports, the majority of which were produced in 2008 and 2009. The data shows significant growth in the number of reports being produced by companies across a variety of sectors, particularly between 2007 and 2008.



Companies in the extractives and food, beverage, and agriculture sectors most often report local sustainability performance, relative to other sectors. This is not surprising given the local and site-based nature of their operations and resulting higher exposure to local ESG risks. A 2007 survey by Experts in Responsible Investment Solutions (EIRIS) found that more than a quarter of global investors believe that at least 25 percent of oil and gas companies' value is at risk from ESG issues. Investors also identified food producers as being one of the top 10 sectors affected by ESG risks.[2] Local reports provide a good means by which companies from these higher-risk sectors can disaggregate risks and highlight where they are improving performance on issues that have a material bearing on their business.



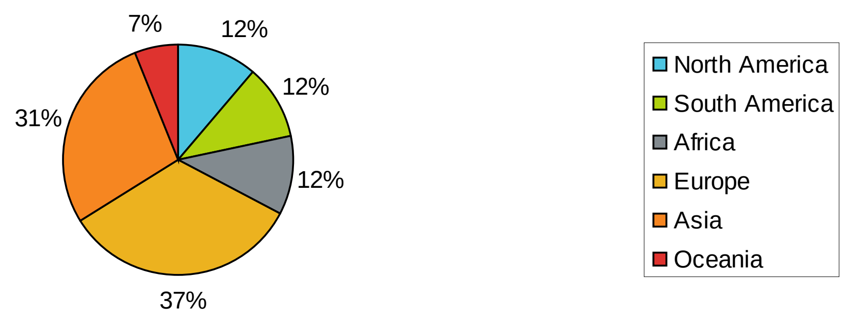
[2] Valuing ESG Issues—A Survey of Investors, Stephanie Maier, EIRIS, January 2007

While some of these local sustainability reports are "one-offs," whereby a company produced only one or two local sustainability reports, a greater proportion of companies that embark on local sustainability reporting continue to do so. The one-offs we reviewed tended to be a response to increased public awareness of the company's operations in a specific geography. For example, Nestlé's 2004 Africa report highlights the company's performance on local issues within the framework of the company's global approach to sustainability and does not focus solely on one issue of concern. Similarly, other one-off Africa-specific reports we reviewed tended to cover a number of relevant ESG issues.

GEOGRAPHICAL DIFFERENCES

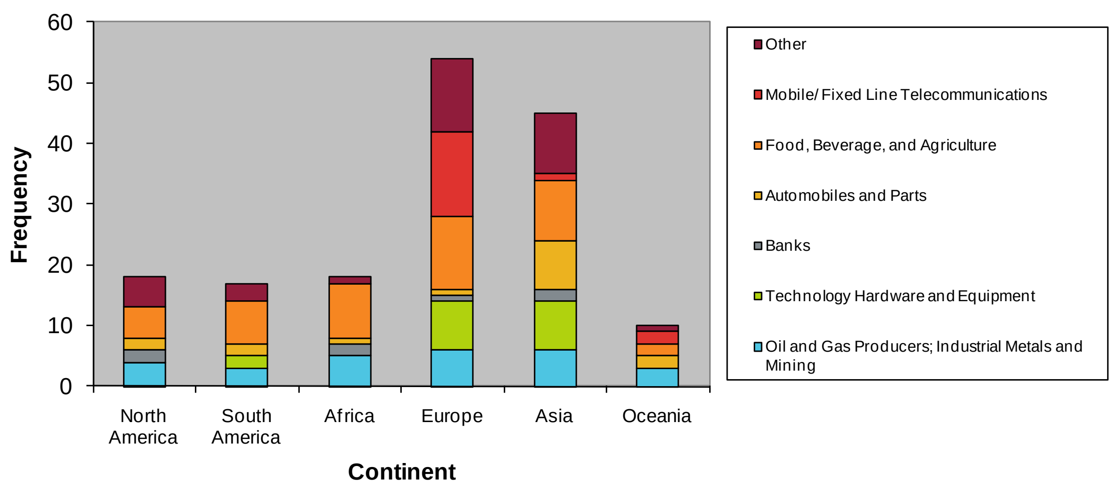
The majority of local sustainability reports focus on countries and manufacturing sites in Europe and Asia.

Geographical Focus of Reports



By industry, companies in the extractives sector and food, beverage, and agriculture sectors cover the six continents in the most balanced manner, while companies in the mobile and fixed-line telecommunications sector are most skewed toward Europe. This is reflective of the makeup of the company sample analyzed for this report.

Geographical Focus of Reports: By Industry

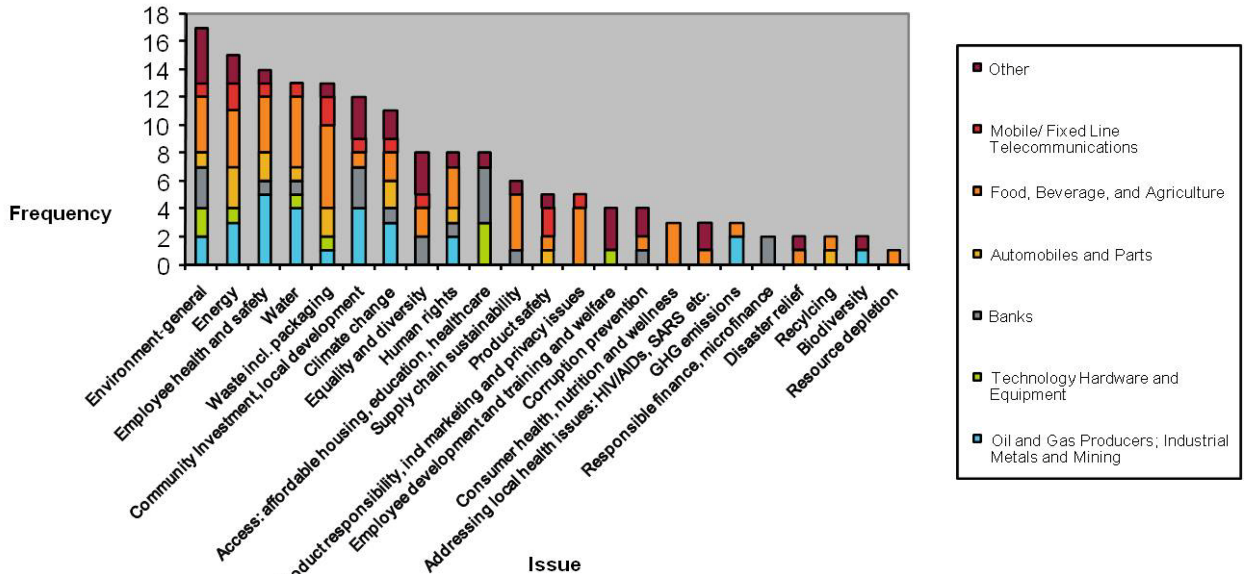


CONTENT

The local sustainability reports reviewed for this analysis cover a broad spectrum of ESG issues from a high level down to the very granular. What we observe is an evolution in the sophistication of issues covered in local sustainability reports, a pattern that matches the trajectory of global sustainability reports.

Local reports do not focus solely on community initiatives and local employee engagement. Rather, the more sophisticated local reports disclose the local version of global data. In other words, the data fits into the company's global sustainability framework and is given local flavor. Of the issues covered in the more than 170 local reports we reviewed, those related to the environment—energy issues, water, waste, climate change—are referred to most frequently, following the general trend in corporate-level sustainability reporting.

Issues Treated in Local Sustainability Reports: By Industry



Comparing and Contrasting Two Companies' Approaches to Local Sustainability Reporting in China: Toyota and Hewlett-Packard

	Toyota—2008 China CSR Report	HP—2009 Chinese Language Global Citizenship Brochure
Design	Country-specific	Global template to align with other country reports
Length	58 pages	20 pages
Format	Standalone PDF	Standalone PDF
Language	Mandarin	Mandarin
Content	China-specific environmental, social, and governance data covering: » Energy use » Emissions » Vehicle design » Manufacturing facilities/ China footprint » Environmental management systems » CSR vision and strategy » Employee engagement efforts » Community involvement	No China-specific data included. Provides HP Global data (quantitative and qualitative) on: » Energy—business constraint or catalyst » Health care—the role of technology » Education—fueling economic growth
Framework	Does not use GRI or refer to other international reporting frameworks	Does not use GRI or refer to other international reporting frameworks
Third Party Assurance	No	No
Reference to Global Report	No reference	Includes a link to the general report site, and also states that the local report "complements HP's annual report detailing programs, performance, and goals across a wide array of issues that make up global citizenship."
Other Information	Part of Toyota Group's Strategy to cover 85 percent of Toyota vehicles manufactured and sold worldwide through 15 country-level reports by end of 2010.	Other country-level reports utilize the same template, and provide some country-specific information, including details on key partners, employee engagement efforts, community contributions.

Source: http://toyota.com.cn/corporate/inchina/report.pdf; http://www.hp.com/hpinfo/globalcitizenship/09gcreport/pdf/FY09GCR_mechs_CHINA.PDF

Why Companies are Publishing Local Reports

From our interviews with experts and corporate practitioners, the motivations behind the increasing number of local sustainability reports appear to be consistent across industries, falling into two categories: external and internal drivers.

External Drivers:

GOVERNMENT/REGULATORY PRESSURE

Increasingly, governments are mandating corporate disclosure on certain environmental, social, and governance (ESG) performance for their specific country. For those countries in which disclosure is not yet mandatory, there may be sustainability reporting guidelines that have been established, or indications that legislation is about to be enacted. Outlined below are the current trends in this regard across a select number of key markets. It's clear that there will be an increasing patchwork quilt of mandatory and voluntary ESG disclosure requirements specific to the markets in which a company operates and partly driven by pressure from other groups in society for reports on particular issues and industries. This is already the case in relation to diversity in the United States, which prompted General Motors to place significant emphasis on its reporting of diversity policies and practices in its supply chain. Understanding the lay of the land is imperative for companies looking at local sustainability reporting.

Country	Select examples of government/regulatory pressure for corporate disclosure on ESG performance
Brazil	**2009**—Federal Climate Change National Plan signed by President Luiz Inácio Lula da Silva » The plan announced a sectoral approach to climate change, likely creating carbon caps and creating a trading desk to be regulated by the Comissão de Valores Mobiliários. **2009**—State-level action on climate change » There are state laws signed or being discussed in 16 of Brazil's 26 states in relation to climate change, most of them creating caps for different sectors. From the end of 2010, companies operating in Brazil with emissions over a pre-defined limit will have to report their carbon emissions to officials. A performance summary, at least, will be disclosed publicly. The most likely reporting standard is the GHG Protocol.
China	**2008—**Guidelines to the state-Owned enterprises directly under the central government on fulfilling CSR » The guidelines were issued by the State-Owned Assets Supervision and Administration Commission (SASAC) and propose criteria relating to CSR management systems (including reporting). **2008**—MOFCOM-issued Corporate Social Responsibility for Foreign Investment guidelines » The guidelines suggest that foreign-invested companies in China voluntarily adopt annual CSR reporting. **2009**—Formal implementation of Shanghai Municipal Local Standards on CSR » The "Pudong guidelines" stipulate that CSR reports be produced by all businesses in the Pudong area.
European Union	**2001** (France)—New Economic Regulations Act passed » Act requires publicly listed companies to disclose data on 40 social and environmental criteria in their annual reports to shareholders **2010** (United Kingdom)—The Carbon Reduction Commitment (CRC), 2010 » Requires companies to measure and report on all their emissions related to energy use to the

	Environment Agency, and purchase allowances
India	**2008—**Indian Chartered Accounts Institute (ICAI) special project on sustainability » Sustainability reporting is mandatory for Indian companies planning to be listed abroad.
Middle East and North Africa	**2010** (Egypt)**—**Launch of Egypt S&P/EGX ESG Index » Standard and Poors' Methodology is used for assessing ESG performance of companies listed on the Egyptian stock exchange.
South Africa	**2004**—Black Economic Empowerment Act passed » The act requires disclosure on corporate initiatives regarding black empowerment to be submitted to the government. **2004**—The Johannesburg Stock Exchange (JSE) Socially Responsible Investment Index (SRI Index) » Companies in the FTSE/JSE All Share Index that choose to participate are encouraged to report publicly on sustainability-related issues. **2010** – King Code of Governance (King III) » The code applies to all entities regardless of the manner and form of incorporation or establishment. » It recommends that organizations produce an integrated report in place of an annual financial report and separate sustainability report. » Integrated reports should be prepared every year. » A company should have controls to enable it to verify and safeguard the integrity of its integrated report. » The code requires a formal process of assurance with regard to sustainability reporting.
United States	**2010**—Securities and Exchange Commission's guidelines regarding corporate disclosure of climate-related risks » Ruled that climate change is a category of risk which companies should consider when disclosing material risk and opportunities.

Source: Innovations in Social and Environmental Disclosure Outside the United States; November 2008; Domini Social Investments; Steve Lydenberg and Katie Grace; Carrots and Sticks—Promoting Transparency and Sustainability, 2010, KPMG; King Code of Governance for South Africa 2009, Institutes of Directors Southern Africa

The Case of China: SASAC's guidelines and the extension of soft power abroad

Although not mandatory in the legal sense, according to Sean Gilbert, GRI's China director, the SASAC guidelines constitute more than just a soft recommendation to Chinese state-owned enterprises (SOEs) to report on their ESG performance. He notes, "In many ways, China has gone further than other countries on CSR reporting requirements, given the often unsaid but implicitly understood expectation that companies report their performance on ESG issues. The SASAC guidelines are just one example of this." He continues, "As Chinese companies globalize yet further, the expectation is that they will issue more country-specific reports." To date, Sinosteel (through Africa and Australia reports) and CNPC (through its Sudan report) are the only examples of Chinese SOEs producing country-specific reports on their ESG performance outside of China.

KEEPING UP WITH THE LOCALS

Our research showed that "keeping up with the locals" is one motivating factor for companies not headquartered in a particular market to report on local sustainability performance. GE, for example, recognizing that more local companies and global MNCs are publishing country-specific reports (to varying degrees of quality), is providing more regional facts and country-specific web pages in its global citizenship reporting portal, as well as more regional nuances in its corporate-level citizenship reporting.

The level of sophistication in locally headquartered companies' sustainability reporting is broadly increasing. This trend among the emerging (and already emerged) MNCs from the Global South, including the Brazilian majors that dominated the 2010 Global Reporting Initiative's (GRI) Readers' Choice Awards (see box below), is causing western-based MNCs to move toward more sophisticated reporting on local sustainability performance. Even CSR report award[3] winning Vodafone—a company that has a track record of being the first reporter in many of its markets—indicated that Vodafone Turkey issued a local report only after the sole Turkish-owned ICT company (and its main competitor) produced a comprehensive sustainability report.

GRI Readers' Choice Awards, 2010—Brazilian Companies Dominate

Brazilian companies dominated all six categories of the GRI Readers' Choice Awards for 2010:

The Engage Award: Banco do Brasil
The Civil Society Award: Vale
The Value Chain Award: Natura Cosmeticos
The Investor Award: Banco do Brasil
The Most Effective Report Award: Banco Bradesco
The GRI Readers' Choice Award, Best Overall: Banco do Brasil

Whether this signifies that reports by Brazilian companies are better than those of non-Brazilian companies is debatable. The majority of the readers who participated in the survey emanated from Brazil, India, and the United States, which perhaps skewed the results accordingly.

INVESTOR PRESSURE

Companies are increasingly subjected to scrutiny from both mainstream and niche investors reviewing sustainability performance across their operations. The extractive industry, in particular, is exposed to country-specific taxes and regulatory risks that have a material bearing on their financial performance. This partly explains why a number of companies in the industry have reported their royalties, taxes, and host government benefit streams on a country-by-country basis for several years. Examples include Newmont Mining, StatoilHydro, and Talisman.[4]

As investors become more discerning about ESG performance and factor it into their corporate valuation models, this driver will increase in importance at both the global and local levels. Already, some are calling for the creation of key performance indicators (KPIs) for specific industries headquartered in a particular country, enabling these KPIs to take advantage of existing data collection

[3] "CR Reporting Awards, 2010," Global Winners and Reporting Trends, April 2010, Corporate Register

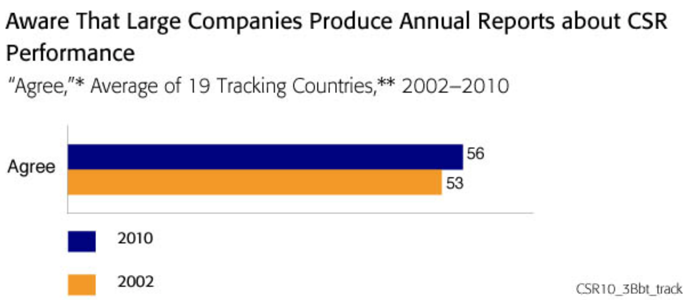
[4] Materiality of Disclosure Required Through by the Energy Security Through Transparency Act, Calvert Investments, Paul Bugala, 2010

systems, commonly used industry terminology, and to reflect national standards and policy.[5]

Despite this trend, investors' expectations for companies to produce local reports *per se* versus reporting on country risks are not necessarily increasing. Indeed, it is unclear whether global investors have a preference for local reports over global reports. To the extent that local reports provide greater insight into performance on material issues, they are viewed positively by investors. Goldman Sachs Sustain, for example, bases its analyses in large part on the available information for a company in the public domain. Lack of information makes a company less of an interesting investment prospect. For Calvert, absence of information on a company is a significant barrier to investment given the premium placed on individual corporate disclosures.

CONSUMER EXPECTATIONS

Across 19 developed and developing markets[6], 56 percent of a representative sample of the general public in these markets were aware that many large companies now produce annual reports outlining their social and environmental performance. This awareness level has increased over the past eight years, but only very moderately given the significant increase in the number of reports produced over the same period.



Source: GlobeScan Radar Research Program, 2010. Asterisks refer to countries tracked (listed in footnote below).

Although the data suggests that consumer awareness is not increasing, ESG information is being proactively communicated to local consumers, especially by downstream companies with a significant level of consumer interaction. In India, for example, consumer products companies such as The Coca-Cola Company and Hindustan Lever are producing India-specific reports. This tendency for consumer products companies to communicate about the sustainability bona fides of specific products is likely to increase across regions.

In the future, the trend will not be to compare company to company on sustainability performance, but rather product to product. Companies in other industries are also communicating more about their ESG credentials at the point of sale. Hotel chains, for example, detail efforts to reduce their carbon footprints in brochures at the check-in counter.

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[5] From Transparency to Performance—Industry-Based Sustainability Reporting on Key Issues, Initiative for Responsible Investment, Harvard University, June 2010

[6] Argentina, Australia, Brazil, Canada, Chile, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Nigeria, Russia, South Korea, Spain, the UK, and the USA

There is limited evidence to suggest that consumers value or even read standalone sustainability reports. From 2004 to 2010, for example, GlobeScan found that there was limited overall growth in the percentage of people reading sustainability reports. In some instances (in the U.K., Canada, Australia, and the United States), the percentages actually decreased.[7] This finding calls into question whether consumers are viable targets for standalone sustainability reports and suggests that companies are correct to highlight elements of their ESG performance with different stakeholders through a variety of media. Research suggests that other "high value" stakeholders—watchdog groups and advocacy organizations that seek to change consumer sentiment—are the more likely targets of standalone reports.[8]

COMMUNITY PRESSURE

Community pressure has proven to be a significant external motivation for companies to report on local sustainability performance. This is especially true for extractives companies operating in sensitive geographies. Local sustainability reporting can help justify the continued participation of a global MNC in a particularly sensitive geography, or even a particular site.

BP's local report for Angola describes how it faces increased scrutiny from local community groups as the scale of its operations in the country expands. The local report is a response to this scrutiny and is intended to help build trust.

At the site level, airport company BAA produces individual sustainability reports for Heathrow, Stansted, and Southampton airports in the U.K. The reports focus on issues relevant to specific sites and on local community groups—the most vociferous stakeholder for this specific industry. Heathrow's 2008 report, for example, starts with a case study entitled "Maintaining Community Relations." Heathrow's reporting, which has now evolved from a standalone annual report to a series of bimonthly sustainability briefings, focuses on issues such as climate change, noise, and air quality, and is designed to complement other community communications efforts, including a hotline enabling local residents to contact BAA with questions and concerns. Heathrow airport also publishes community newsletters and holds forums at which residents, councilors, and other stakeholders can speak with airport senior managers.

[7] GlobeScan Radar Research Program, 2010

[8] The Value of Social Reporting—Lessons learned from a series of case studies documenting the evolution of social reporting at seven companies, Institute for Responsible Investment, 2009

Internal Drivers:

LEGACY ISSUES

A strong motivation for companies to produce a local sustainability report in a specific geography often relates to their history and legacy in that particular region. In industries that have seen a large amount of consolidation through mergers and acquisitions in recent years—such as financial services and information and communications technology—many companies have inherited local reports. For example, when Vodafone acquired Omnitel in Italy, even though the company was no longer listed on the Italian stock exchange, the country leads wanted to continue producing a report for their stakeholders to continue to meet established expectations. When this happens, companies need to decide whether to gradually phase out the reports they have inherited or treat them as a permanent fixture. This decision is increasingly driven by an assessment of the report's value.

EMPLOYEES

Employees at the local level are also asking their corporate management for local sustainability reports. Employees recognize the value of local reports, which includes the ability to showcase their companies' credentials when talking with current and prospective customers, and when responding to specific criticism from community groups or regulators. BNY Mellon encourages such overtures from local staff, but only decides to produce a report in a specific location when the company reaches a threshold number of employees in that location.[9] In addition, there has to be a rich story about BNY Mellon's sustainability performance for that region or country before the report is given the green light. As GE also notes, its country-level citizenship information sheets have helped local employees better understand the company's citizenship strategy and better respond to citizenship inquiries.

RISK MANAGEMENT

For many, sustainability reports at the local level have been viewed as reputation management tools. Local reports can proactively build reputational capital should anything go awry in a particular region. They can also serve as a response to local and/or international observers demanding to know what a company brings to (versus extracts from) a particular region. The extent to which local sustainability reports reduce criticism is difficult to prove quantitatively. Qualitatively there are signs that they help, especially when the reports are a fair reflection of the company's footprint in a particular location.

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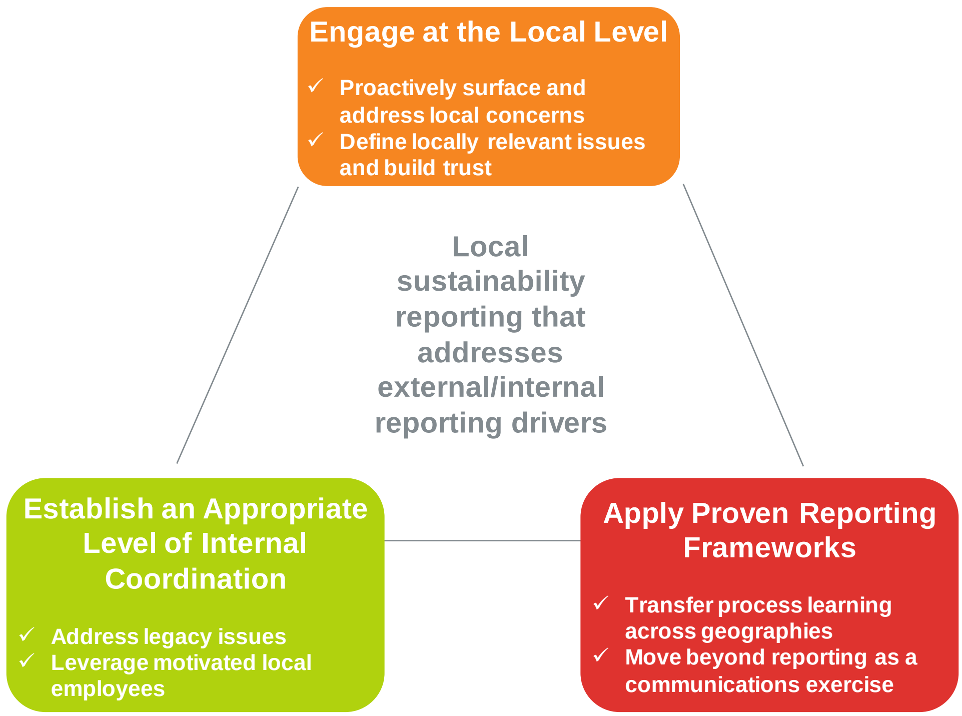
[9] To date the company has produced five local reports—Massachusetts; New York, New Jersey, and Connecticut; Pennsylvania; Europe, Middle East and Africa; Asia Pacific

An Approach to Increasing the Value of Local Reporting

"The key challenge [with local reporting] is to find the appropriate level of discussion and sharing that provides information to the company, employees, shareholders, and stakeholders—without going down a path of diminishing returns that erodes its value."
Bob Corcoran, GE

The fact that increasing numbers of local sustainability reports are being produced suggests that companies are finding value in producing them at both the local and global levels. However, from our interviews with experts and corporate practitioners, it is clear that producing more reports is not necessarily better. Local reporting is a costly and time-consuming exercise which, if not managed well, can quickly erode its value. The following approach, built from conversations with practitioners, offers a means by which a company can produce a local report in a way that provides benefit for both the business and its stakeholders.



ENGAGE AT THE LOCAL LEVEL

Engaging at the local level allows companies to proactively raise and address issues of local concern, while also helping to contextualize a local approach to sustainability that will garner trust with stakeholders. As a process, it helps companies address a number of external drivers that have prompted them to think about local reporting in the first place.

By necessity, group-level sustainability reporting aggregates disparate information to keep the report focused and accessible. However, as a consequence, stakeholders at the local level cannot find relevant information among an homogenized aggregation of data. The materiality of ESG information at the local level is both stakeholder-relative and context-specific. Indeed, without local stakeholder engagement, local reporting cannot provide the necessary nuance or insight into the actual state of the business in a particular location.

"Stakeholder engagement at the local level allows us to create reports focused on issues deemed to be most material to the local environment."
Jennie Galbraith, British American Tobacco

At the same time, local stakeholder engagement processes are time-consuming and costly. As British American Tobacco implemented its initial strategy of producing standalone, country-level sustainability reports, it found value was being generated through the stakeholder engagement process. However, this value was being eroded through planning, designing, assuring, and publishing comprehensive, local, standalone sustainability reports. Now, the company maintains local stakeholder engagement and reports the outcomes in key markets. Currently, the company provides detailed sustainability performance information for nine of its largest markets (Australia, Brazil, Canada, Germany, Malaysia, Nigeria, Russia, South Africa, and South Korea) through case studies and online sustainability balanced scorecards. For now, the company feels like it has found the right balance between cost and value.

"Writing a report has been a useful forcing agent that helped local practitioners understand CSR better—which helps them to respond to CSR-type enquiries that come in."
Frank Mantero, GE

Other companies have used local reporting to improve stakeholder engagement at the local level. GE finds that going through the process of creating country-level corporate citizenship information sheets has educated local teams on sustainability and improved their dialogue with local stakeholders, which improves their ability to address issues in the next round of information disclosure. The more this reinforcing engagement loop can be used, the more value companies will generate and retain from the local reporting process. Additionally, writing a local sustainability report is a valuable management discipline that can improve overall management quality, given the manner by which data is collected, verified, and communicated.

APPLY PROVEN REPORTING FRAMEWORKS

Companies have found that providing country-level sustainability teams with a proven framework for reporting can generate value in two main ways. First, it helps develop an understanding among employees of what makes a good report, reducing the time they spend on the reporting process. Second, it helps develop a robust report that becomes a true reflection of sustainability performance at the local level in addition to being a piece of communications collateral.

GE notes that reporting at the local level is a learning process—the more that learning can be fostered through the utilization of tried and tested frameworks, the better. External frameworks have also contributed to a level of sophistication and understanding of how to cover a broader but more strategically relevant set of sustainability issues. This also ensures local sustainability reports are more substantive than glossy marketing materials.

Commonly used reporting indicators like the Global Reporting Initiative (GRI) are becoming more of the norm as opposed to the exception, as shown by the growth in its global use in aggregated reports (see below) and also in local sustainability reports. From our analysis, 33 percent of the local reports produced by the largest global companies by market capitalization from 2003 to 2009 utilized the GRI. Some elements of the GRI guidelines are more important for local sustainability reports, such as the Sustainability Context principle, which states that information on performance should be placed in context. Companies tend to do well in this regard at the global level, but have struggled at the local or regional levels. The GRI is pushing toward the creation of national annexes to enable companies to appropriately distinguish between "topics or factors that drive global impacts, and those that have more regional or local impacts."[10] Work is currently under way on a Brazil guidance document, and the strategic intent is for the GRI to produce more national annexes that will enable companies to navigate the complexity of sustainability regulations, issues, and expectations at the local level.

[10] Sustainability Reporting Guidelines, GRI, Version 3.0, 2006

Growth in Number of GRI Reports

	2007	2008	2009
Africa	23	46	48
Asia	88	182	290
Europe	366	500	627
Latin America	77	137	171
North America	91	148	171
Oceania	45	66	83

Source: Globalreporting.org

"We need to be flexible at the group level and allow country managers to do what makes sense locally. This means staying within certain guidelines but allowing for a level of creativity."
Chris Burgess, Vodafone
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ESTABLISH AN APPROPRIATE LEVEL OF INTERNAL COORDINATION
Without establishing an appropriate level of internal coordination to manage local/global interactions, companies are unable to address a number of internal drivers, including how to address legacy issues and capture the value offered by motivated and insightful local employees in relation to sustainability reporting. From our research, it is evident that companies are establishing parameters, with varying degrees of flexibility, to provide an important level of internal coordination with regard to local reporting.

Being too prescriptive in terms of these parameters can be counter-productive, particularly when countries in a company's footprint have different levels of understanding of sustainability and there are performance concerns. Vodafone has found that it has achieved the right balance between establishing consistent parameters across the group and allowing local flavor in reporting. The company recognizes that reports should not all look the same and that as long as they stay within corporate guidelines, local company offices can be creative with the look and feel of their reports. At the same time, these local company offices all provide performance metrics through one global data collection and reporting system. Thus, any inconsistencies are caught through the reporting process at the group level. A reporting system that uses consistent KPIs helps Vodafone develop a groupwide understanding of what is being measured and how.

Vodafone has also found that being "available" at the corporate level and engaged at the local level is key to getting a good result. The converse is also true. Pfizer relies heavily on country offices for insight into local sustainability issues, since they understand their markets better.

Understanding how to integrate content that resonates at the local level with global content means local managers must be well-versed in sustainability strategy at the global level. Indeed, Sean Gilbert from the GRI observes the need for "reverse secondments," whereby local sustainability managers are seconded to global headquarters for prolonged periods of time to be able to better connect the dots and prevent "agency issues."

Conclusion

MOVING FROM THE AD HOC TO THE STRATEGIC
As global companies become more advanced in their approach to global sustainability reporting, it will be necessary for them to have a strategic as opposed to an ad hoc approach to local reporting. From our review of local sustainability reporting around the world, we conclude that local reporting can add value when three important conditions are met:

1. Stakeholders are engaged at the local level.
2. Proven reporting frameworks are applied.
3. The appropriate level of internal coordination is established.

While these conditions do not guarantee that local sustainability reporting will always add value, they can ensure that local reports transition from being a one-way communications product to one that is the result of a robust, consultative process around local sustainability impacts.