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Voluntary Facility-level Sustainability Performance Reporting: Current Status, Relationship to Organization-level Reporting, and Principles for Progress

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Public information about the economic and social perform-ance of individual facilities—such as factories, campuses, and gov-ernmental sites—is an essential basis for social accountability of the private sector and other institutions at the local level. Such information is necessary if interested stakeholders are to assess and judge the impacts, both beneficial and adverse, that local fa-cilities have on local communities. However, there are strong *a priori* reasons to believe that the quality and availability of such information is highly inadequate in the United States context. The Facility Reporting Project (FRP) was created to investigate the state of facility reporting, identify elements of best practice, and develop, via a multistakeholder process, a generally accepted framework for reporting facility-level economic, environmental and social sustainability performance.[1] Although Ms. Levy is no longer a member of the FRP Secretariat, both authors were mem-bers at the time this article was written.

While the FRP's goal is to create a voluntary facility-reporting standard, this article is intended neither to promote this standard nor to speculate on the extent of its eventual adoption or influ-ence. Rather, the article synthesizes a unique body of research and stakeholder consultation carried out by the Project. Our ob-jective is to provide insight into the status of facility-level per-formance reporting and disclosure, key stakeholder perspectives, and the principles and criteria that determine the utility of such

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1. See *infra* "Annex A: The Facility-Reporting Project in Brief" for a more de-tailed description of the FRP.

reporting to key stakeholders, including facilities themselves.[2] This article presents information current as of January 2004. While the FRP is ongoing, the baseline research and initial consultation phase is completed; we do not anticipate that the analysis and conclusions presented here will change.[3] Except where explicitly noted, the views expressed are solely those of the authors, not the FRP secretariat or its steering panel.

Information: The Basis of Accountability and Self-improvement

Over the past two decades, a combination of right-to-know laws, changing social expectations of the private sector, and a revolution in information technology have vastly increased the amount of information publicly available regarding the environmental compliance and performance of regulated entities, primarily in the private sector. Disclosure requirements such as the Toxics Release Inventory (TRI) have mandated the generation and publication of new types of information.[4] Many environmental regulatory agencies at the state and local level are making concerted efforts to render emissions and regulatory compliance information publicly accessible via the Internet.[5] At the same time, voluntary corporate-level environmental reporting has proliferated.[6]

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2. Because this article is substantially based on the results of structured stakeholder consultations, it is necessarily less heavily cited to exterior sources than other articles in these pages. Readers are encouraged to contact the author or to consult the Project's on-line archives at www.facilityreporting.org.

3. Future work and consultations focus instead on the details of the reporting indicators and guidance language, not the broader issues addressed in this paper. See *infra* "Annex A: The Facility-Reporting Project in Brief" for an overview of the FRP workplan.

4. TRI is a statutory reporting program. Facilities required to participate in TRI report annually on the releases of over 650 toxic chemicals; TRI data is available in a publicly accessible, on-line database. EPA, TOXICS RELEASE INVENTORY PROGRAM, *at* http://www.epa.gov/tri (last visited Feb. 1, 2004).

5. A variety of environmental leadership programs include environmental reporting as a component of a facility's participation, such as the Environmental Protection Agency's (EPA) Performance Track program, Oregon's Green Permits, the Clean Texas Leader Level, and Wisconsin's Environmental Cooperation Pilot Program. For more detail, see EPA, State Program Linkages to the National Environmental Performance Track, *at* http://www.epa.gov/performancetrack/partners/linkage.htm (last visited Apr. 21, 2004). See *infra* note 10 for more information on leadership programs.

6. For example, a 2002 KPMG survey revealed that 45% of the Fortune global top 250 companies (GFT250) issued a separate environmental, social, or sustainability report in addition to a financial report. ANS KOLK ET AL., KPMG INTERNA-

Increasingly, labor and civil society are extending the principles underlying environmental reporting and disclosure to a concern with *social* indicators of organizational and facility performance. These groups have raised awareness that concerns with environmental and social justice and sustainable livelihoods demand information from the private sector and other organizations beyond the strictly environmental. Reflecting this changing sensibility, government has undertaken efforts to increase public access to occupational and social performance data (though such efforts and access still lag in comparison to environmental information). And significantly, corporate *environmental* reporting has now expanded in many cases to become corporate *sustainability* reporting, which includes and integrates social, environmental, and economic concerns.[7]

The *2002 Sustainability Reporting Guidelines* of the Global Reporting Initiative (GRI)[8]—the most broadly accepted voluntary sustainability reporting standard—feature economic, environmental, and social performance indicators, and both result from and promote this trend towards *sustainability* rather than *environmental* reporting and disclosure.

All these laws and efforts reflect a clear understanding that information is the fundamental basis of accountability for sustainability performance, whether such accountability manifests via regulatory oversight, citizen action, or consumer preferences

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TIONAL SURVEY OF CORPORATE SUSTAINABILITY REPORTING 2002, *at* http://www. wimm.nl/publicaties/KPMG2002.pdf. A PricewaterhouseCoopers survey of large US-based companies indicated that 32% of the companies currently issued a corporate sustainability report and a further 18% planned to do so within two years. PRICE-WATERHOUSECOOPERS LLP, 2002 SUSTAINABILITY SURVEY REPORT (2002), *at* http://www.pwcglobal.com/fas/pdfs/sustainability%20survey%20report.pdf.

7. The KPMG study notes, "the focus on sustainability, or social issues, has increased since the 1999 survey." ANS KOLK ET AL., *supra* note 6, at 23.

8. *See* GLOBAL REPORTING INITIATIVE, 2002 SUSTAINABILITY REPORTING GUIDELINES, *at* http://www.globalreporting.org/guidelines/2002.asp (last updated Feb. 27, 2004). The Global Reporting Initiative (GRI) is "a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines." GLOBAL REPORTING INITIATIVE, GRI AT A GLANCE, *at* http://www.globalreporting.org/about/brief.asp (last visited Mar. 3, 2004). Now an independent, Amsterdam-based international organization, the Coalition for Environmentally Responsible Economies (CERES) convened the GRI in partnership with the United Nations Environment Program and with primary technical support from Tellus Institute. *Id.* According to the GRI's figures, over 416 companies and other organizations in forty-three countries worldwide now use its guidelines. *See* GLOBAL REPORTING INITIATIVE, ORGANISATIONS USING THE GUIDELINES, *at* http://www. globalreporting.org/guidelines/companies.asp (last updated Feb. 27, 2004).

and the market.[9] Axiomatically, information is also the essential basis of internal benchmarking; absent baseline performance information, private sector entities themselves may lack the ability to measure and drive improvement in the sustainability performance of their operations and products.

For sustainability performance information to serve these needs—that is, for such information to function effectively as an accountability and learning mechanism—a set of first principles applies. Sustainability performance information must not only be *accurate,* but also meet four additional key criteria, that the information is: *accessible* to all interested stakeholders, *sufficient* for its intended use, *comparable* both over time and between reporting sources, and easily *interpretable* by its users. Of these four key criteria we posit for sustainability reporting information, at least two—"sufficiency" and "interpretability"—are highly relative concepts. A set of sustainability indicators that are sufficient from the standpoint of the facility or organization itself—or even of a regulator—might be notably inadequate from the standpoint of labor and environmental organizations or of community members. Likewise, an indicator that presents a clear meaning to an environmental professional might have little meaning to a typical community resident.

The sustainability performance of economic entities can be measured at both the organization-level and the facility-level. Based on first principles, *facility-level* sustainability performance information should be highly relevant to a broad set of stakeholders:

- **Environmental, labor and community organizations, and community members,** who are frequently concerned about the environmental, economic and social impacts of *particular facilities*.
- **Facility and corporate managers,** who require facility-level information if they are to benchmark across facilities within the corporation or at the same facility over time, identify facilities with superior performance and methods worthy of replication, or identify sub-par facilities.

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9. See MARK STOUGHTON ET AL., ENVIRONMENTAL INFORMATION IN THE MAIN-STREAM EQUITY INVESTMENT SECTOR (TELLUS INST. 2001) for a discussion of and further citations to potential "green" feedback mechanisms in financial services markets and the conditions under which they may be operational.

- **Regulatory agencies** seeking to target poor per-
formers or to pursue "leadership-based" approaches
that grant greater flexibility to superior performers.[10]
Such approaches require that regulatory flexibility be
balanced with enhanced transparency and accounta-
bility for facility performance. Typically, Environ-
mental Management Systems (EMSs), the foundation
of such programs to date, do not provide such trans-
parency or accountability when employed without dis-
closure requirements.[11]

**The State of Facility Level Reporting: Survey
Research**

Unfortunately, there are strong *a priori* reasons to believe
that the availability and quality of current facility-level sus-
tainability performance information falls significantly short of
meeting these stakeholders' needs. In the experience of the CE-
RES and Tellus staff who jointly form the FRP Secretariat, regu-
latory reporting information, while facility-based, is incomplete
and only poorly interpretable by non-experts. Regarding volun-
tary reporting, our experiences clearly indicated that such report-
ing is heavily centered on the organization level rather than the
facility level. To assess the state of facility-level reporting, the
FRP undertook a detailed survey of existing facility-level measur-
ing and reporting activity and schemes.[12]

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10. Under "leadership-based approaches," usually implemented as "leadership
programs," regulated entities commit to environmental leadership—usually involving
some combination of good compliance, Environmental Management Systems adop-
tion, greater transparency, and pollution prevention (P2) programs—and in return
receive benefits intended to lower the transaction costs of their interactions with the
regulatory agency. *See* S. KEINER ET AL., BEYOND ENFORCEMENT? ENVIRONMENT, COM-
PLIANCE ASSISTANCE, AND CORPORATE LEADERSHIP PROGRAMS IN FIVE MIDWESTERN
STATES 14-15 (2003). Such benefits might include, for example, expedited permitting
and reduced inspection frequency. *Id.* See generally KEINER ET AL. for a description
of leadership programs in several states.

11. Shelley Metzenbaum provides a detailed discussion of the relationship be-
tween EMSs and public policy goals related to leadership programs and voluntary
approaches to environmental policy. *See* Shelley Metzenbaum, *Not All EMSs Are Cre-
ated Equal, in* COUNCIL OF STATE GOVERNMENTS, STATE OFFICIAL'S GUIDE TO ENVIRON-
MENTAL MANAGEMENT SYSTEMS 47-55 (2003).

12. The secretariat presented the results of this "baseline research" to the pro-
ject's steering panel at the group's first meeting, in May 2003. Portions of this section
are derived from TELLUS INST., THE STATE OF FACILITY LEVEL REPORTING: A BRIEFING
PAPER ON FRP'S BASELINING RESEARCH (2003), *at* http://www.facilityreporting.org/doc-
uments/May03SCdocs/Baselining_paper.pdf.

Identifying the Facility Reporting Universe

The research process attempted to identify and assess as many current facility-level sustainability measurement and reporting activities as possible. The identification methodology focused on both Internet keyword searches and direct inquiries to non-governmental organizations, governmental agencies, industry representatives, and trade associations to find additional reporting and measurement examples and references.[13] The process was highly iterative. The researchers divided the identified facility reporting activities and schemes into three categories:[14]

- **Frameworks**: Frameworks describe *how or what to report*. This category includes voluntary frameworks such as ISO 14031[15] and reporting standards developed by several chemical engineering professional associations, as well as mandatory government reporting requirements. This group also included reporting frameworks focused on a single area of concern, such as the Greenhouse Gas Protocol.[16]

- **Codes**: Codes set out non-regulatory guidance for *how a facility should act*. This category includes industry behavioral codes such as the chemical industry's Responsible Care program, as well as the multinational government codes such as the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises[17] and AccountAbility 1000 (AA 1000).[18]

- **Reports**: This category comprised *facility-specific information* from facility- or corporate-level environmental or sustainability reports. Among the examples gathered for the research were reports from individual Ford Motor company plants, Rio Tinto

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13. The research did not include the many geographic-level (*e.g.*, municipal-, county-, or state-level) reporting schemes. *See id.*

14. A complete list of sources considered is available at http://www.facilityreporting.org.

15. ISO 14031 refers to the International Organization for Standardization's standards applicable to Environmental Performance Evaluation. For an explanation of the standards, visit http://www.riet.org/training/iso14031/htm.

16. Greenhouse Gas Protocol Initiative, *at* http://www.ghgprotocol.org/ (last visited Apr. 21, 2004).

17. *See generally* http://www.oecd.org (last visited Mar. 13, 2004).

18. *See generally* http://www.accountability.org.uk/aa1000/default.asp (last visited Apr. 21, 2004).

sites, the Brussels Airport, facility-specific information included in AMD and Bristol-Myers Squibb's corporate sustainability reports, and data companies have reported to EPA as part of the agency's Performance Track program.[19]

Characterization and Comparison of Reporting Activities by Depth and Scope of Coverage

For each reporting activity in the identified universe, the researchers sought to characterize the depth and the scope of the information it covered. This required identifying a set of generic sustainability performance reporting categories. The reporting requirements, indicators or reported information were then assessed within each generic category. The basic reporting categories and aspects set out in the GRI's *2002 Sustainability Reporting Guidelines*[20] were chosen for this purpose. The GRI's organization-level *Guidelines* were chosen for their broad scope and the wide recognition of the GRI *Guidelines* as an *organization-level* sustainability-reporting standard.[21]

The highest-level summary of these results is presented in the "Coverage Matrix" (Table 1, below). The three leftmost columns of this matrix reproduce the organization of the GRI *Guidelines:* each of the major indicator *areas* (general, economic, environmental, and social) is broken down into major *categories*, and then *aspects*. The remaining columns of the matrix summarize the overall or average degree to which each *type* of facility reporting activity—codes, frameworks and reports—addressed ("covered") each of the GRI's sustainability reporting aspects. The comparative level of coverage ("low," "medium," "high") is based on the average number of indicators that the sources within the group discussed for each aspect. Far more detailed results including comparison and assessment of each individual reporting activity, several supporting analyses and a full list of sources

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19. Performance Track is a national environmental leadership program administered by the EPA. To qualify for participation in the program, a facility must: have adopted and implemented an EMS that meets certain requirements; be able to demonstrate specific environmental achievements and commit to continued environmental improvement; commit to public outreach and performance reporting; have a record of sustained compliance with environmental requirements. *See* EPA, NATIONAL ENVIRONMENTAL PERFORMANCE TRACK PROGRAM GUIDE (2003), *at* http://www.epa.gov/performancetrack/programguide.pdf [hereinafter PERFORMANCE TRACK].

20. 2002 SUSTAINABILITY REPORTING GUIDELINES, *supra* note 8.

21. *Id.*

considered are available on the project website, www.facility reporting.org.

As this table shows, on average, codes, frameworks, and reports failed to address every reporting area in detail. The baseline research confirmed the expectation that the GRI *Guidelines* did have the broadest scope of the sources considered, but it also revealed areas where the GRI can likely be supplemented with additional indicators appropriate at the facility level.

Table 1: The Coverage Matrix

GRI Area	GRI Category	GRI Aspect	GRI Coverage	Code Coverage	Frame-work Coverage	Report Coverage
General	Vision and Strategy	Organizational vision CEO statement	High	Low	Low	Low
	Profile	Organizational profile Report scope Report profile	High	Medium	Low	Medium
	Govern-ance and Manage-ment	Structure and governance Stakeholder engagement Overarching policies and management systems	High	Low	Medium	Medium
Economic	Direct Economic Impacts	Customers Suppliers Employees Providers of capital Public sector	High	Low	Low	Low
Environ-mental	Environ-mental	Materials Energy Water Biodiversity Emissions, effluents, and waste Suppliers Products and services Compliance Transport Overall	High	High	Low	High
Social	Labor practices and decent work	Employment Working conditions Health and safety Training and education Diversity and opportunity	Medium	Medium	Medium	Medium
	Human rights	Strategy and management Non-discrimination Freedom of association and collective bargaining Child labor Forced and compulsory labor Disciplinary practices Security practices Indigenous rights	Medium	Low	High	Low

GRI Area	GRI Category	GRI Aspect	GRI Coverage	Code Coverage	Frame-work Coverage	Report Coverage
	Society	Community Bribery and corruption Political contributions Competition and pricing	High	Low	Low	Medium
	Product Responsibility	Customer health and safety Products and Services Advertising Respect for privacy	High	None	Low	None

Economic, Environmental, and Social Divisions, and the GRI Category and GRI Aspect columns are adapted from the Global Reporting Initiative's *2002 Sustainability Reporting Guidelines.*[22]

A Conclusion: Facility-level Information is Inadequate

As stated above, first principles demand that facility-level performance information be *accessible, sufficient, comparable,* and *interpretable* to serve the interests of key stakeholders. The research confirmed that currently, regulatory reporting is the source of almost all publicly available facility-level information.[23] While the disclosure of facility information through voluntary reporting is increasing, the great majority of corporate reporters do not report in any significant way at the facility level. The "facility reports" reviewed were varied, ranging from reports produced for a governmental leadership program,[24] to sections of corporate-level sustainability reports, to stand-alone corporate facility sustainability reports.

While Performance Track reporting is understandably environmental in nature, the voluntary reports were likewise strongest in reporting environmental information, and much weaker in reporting economic and social sustainability information. Much of the social sustainability information included was provided in a narrative form that cannot be compared or tracked over time. In general, these reports are not at all consistent in the information they report, and even less so in the way that they report it. These findings are broadly consistent with those of a recent survey of voluntary corporate sustainability reporting.[25]

22. TELLUS INST., THE STATE OF FACILITY LEVEL REPORTING: A BRIEFING PAPER ON FRP'S BASELINING RESEARCH (2003), *at* http://www.facilityreporting.org/documents/May03SCdocs/Baselining_paper.pdf.

23. TELLUS INST., DEVELOPMENT OF A GENERALLY ACCEPTED FACILITY-LEVEL SUSTAINABILITY REPORTING FRAMEWORK 4, *at* http://www.facilityreporting.org/documents.proposal_extract.pdf.

24. *See* PERFORMANCE TRACK, *supra* note 19.

25. KPMG's 2002 survey found that of the 114 sustainability-related reports published by the GFT250, only thirty-three (29%) "are either primarily sustainability,

The research highlighted key issues of the *sufficiency* of regulatory reporting information: unsurprisingly, regulatory reporting excludes sustainability issues that are not included in conventional regulatory regimes. *Comparability* was also an issue: regulatory reporting requirements are statute-based. Thus, they vary widely outside the umbrellas of the national environmental and occupational safety statutes, are not unified, and generate information in forms that is not easily integrated, as evidenced by the multitude of databases employed to present it.[26] The research also clearly indicated inadequate *accessibility* of information reported to satisfy regulatory requirements.

The Internet is proving a powerful tool for access to and dissemination of required information. Many regulatory agencies are making efforts to integrate their information systems for both internal and external users, to provide a single point of access to this regulatory information. However, environmental information still exists in widely scattered repositories that are challenging to locate, and online access is not available in many cases.[27] This is particularly true for issues regulated at the municipal or county level. The situation is significantly worse for *social* information, where regulatory jurisdiction (and thus data) is more fragmented (and where, moreover, voluntary reporting practice is even more embryonic). Integration among regulatory social and environmental information is nearly non-existent.[28] As a result, it is currently extremely difficult to assemble a complete, comparable, and interpretable picture of the sustainability performance of a spe-

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primarily social, or are combined social and environmental reports." *See* KOLK ET AL., *supra* note 6, at 24 n.15.

26. For example, the Right to Know Network presents eleven separate databases of environmental information on its website. *See* RIGHT-TO-KNOW NETWORK, ENVIRONMENTAL DATABASES, *at* http://www.rtknet.org/rtkdata.html (last visited Mar. 3, 2004).

27. See KEINER ET AL., *supra* note 10, at 61, for a detailed description of the state of regulatory reporting data systems in several state environmental agencies. *See also* NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, EVALUATING ENVIRONMENTAL PROGRESS: HOW EPA & THE STATES CAN IMPROVE THE QUALITY OF ENFORCEMENT & COMPLIANCE INFORMATION (2001); ERIC SCHAEFFER & MICHELE MERKEL, ENVIRONMENTAL INTEGRITY PROJECT, ASSESSING STATE ENFORCEMENT: TOO MANY CLAIMS, TOO LITTLE DATA: IMPROVING PUBLIC ACCESS TO ENVIRONMENTAL ENFORCEMENT DATA (2003).

28. *Interpretability* was not the subject of the survey research per se. *See* TELLUS INST., *supra* note 12. Requirements for interpretability are being addressed far more in the stakeholder consultation phase (see below). However, regulatory information does present well-known difficulties of interpretability for non-experts. Much regulatory reporting information is necessarily extremely specialized or technical, intended to allow the regulator to make a compliance determination, often at a sub-facility level.

cific industrial or commercial facility with current publicly available information.[29]

A Critical Question: Do Existing Reporting Frameworks or Standards Suffice?

Although publicly available facility-level *information* is neither sufficiently complete nor accessible, a separate question is whether extant *standards* (frameworks) for facility reporting are an adequate basis upon which to grow facility-reporting practices. Such standards (and preferably a single common standard) should at least *define* sufficiency and interpretability, and provide the basis for comparability as the volume of facility information available grows. Absent such standards, even substantially expanded facility reporting practices will have far less utility to key stakeholders and to society. Any possible facility-reporting standard must be either voluntary or regulatory.[30] We discount extant regulatory standards for the shortcomings of current regulatory reporting described above. Simply put, no unified regulatory reporting standard exists, and it is challenging at this point to imagine a regulatory scheme that would include all three types of information—economic, environmental, and social. The remaining candidates for a suitable standard are thus voluntary.

As we argue above, the potential value of facility reporting lies in serving the needs of multiple stakeholder groups, and at least two critical criteria for facility reporting information ("sufficiency" and "interpretability") are essential and relative, stakeholder-determined concepts. The most direct and certain way to assure that a standard serves and balances stakeholder needs is employing a rigorous and transparent multi-stakeholder consultation process in the construction and testing of the standard. As a practical matter, any voluntary standard is unlikely to acquire

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29. Web-accessible data integration tools such as Environmental Defense's Scorecard, *at* http://www.scorecard.org (last visited Mar. 14, 2004), and EPA's Envirofacts, *at* http://www.epa.gov/enviro/index.html (last visited Mar. 14, 2004), without question vastly improved public access to environmental data in national environmental databases. However, they necessarily do nothing to address sufficiency of the data itself, or to integrate data outside the federal databases.

30. "Leadership programs" which are voluntary but administered by regulatory agencies can be viewed as a hybrid or semi-regulatory category. *See* KEINER ET AL., *supra* note 10, at 15. These programs have in some cases specified reporting requirements as a participation condition, see, *e.g.*, PERFORMANCE TRACK, *supra* note 19, but the authors are aware of no program that utilizes or has developed a broadly based sustainability-reporting standard.

wide currency or credibility absent inclusion of key stakeholder groups in its development process. Of the voluntary facility-level sustainability reporting frameworks identified in the baseline research, however, none had engaged in extensive stakeholder consultation in their development. The narrower constituencies these frameworks served or represented was manifested in one obvious way: these frameworks invariably exhibited—often by design—highly incomplete coverage of the generic sustainability reporting categories we adopted from the organization-level GRI *Guidelines*.

A more subjective judgment is that none of the reporting frameworks reviewed have been broadly accepted by a variety of stakeholders as the source of information for facility reporting. Our conclusion was thus that no extant facility-reporting standard was sufficiently broad nor broadly representative to serve as an adequate base for growing future facility reporting practice.

These comparisons with the GRI *Guidelines* beg an important question: need facility-reporting standards be different from organizational reporting standards? Can corporate (organization)-level reporting standards simply be utilized directly for facility-level reporting? The answer to these questions rests on the *sufficiency* and *interpretability* of using an organization-level reporting standard for facility-level reporting; again, sufficiency and interpretability are judgments made from multiple stakeholder perspectives. Put another way, any significant differences between organization- and corporate-level reporting should derive not simply from the self-evident fact that facilities are different from the organizations of which they are a part, but from stakeholder differences—differences in type, capability, and interests or motivations. For the reasons enumerated above, a reliable answer can thus derive only from stakeholder consultation.

Stakeholder Consultation: Process and Lessons

Stakeholder Consultations: Overview

The FRP solicited stakeholder perspectives on the essential requirements for a facility-level reporting standard and the differences between facility and organization-level reporting via three

preliminary stakeholder consultation mechanisms[31] detailed below:

- The FRP Steering Panel. The FRP Steering Panel was assembled in the spring of 2003, and has met in Boston twice, May 14-15 and October 27-28, 2003. The Steering Panel is the FRP's principal advisory body; the fourteen panel members are drawn from academia, the investment community, national environmental organizations, the labor community, consultancy, industry, and GRI itself.[32] (While individuals on the panel represent themselves rather than their organizations, affiliation was used as one proxy for the diversity of viewpoint and experience).

- "Fast Feedback" from Experts and Opinion Leaders. In the fall of 2003, FRP solicited comments from a small group of experts and opinion leaders drawn from the academic, corporate, consultancy, governmental, and Non-governmental organizations (NGO) communities, on an interim, *Discussion Draft* of the FRP guidance.[33]

- Stakeholder Focus Groups in Camas, Washington. With the assistance of the corporate environmental office of Georgia-Pacific (GP), FRP held a series of focus groups at the GP tissue/toweling and paper mill in Camas on October 7, 2003. At the workshops, stakeholders provided the secretariat with feedback on aspects of proposed reporting guidance. These stakeholders included management and hourly employees and community representatives from local governments, local and national environmental organization, the local school district, the local fire department, and community organizations.

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31. More extensive stakeholder consultations are planned for the public comment period to follow the release of the *FRP Reporting Guidance Public Exposure Draft*, scheduled for May 2004.

32. A complete list of Steering Panel members and their affiliations is available at http://www.facilityreporting.org/SC.htm (last visited Feb. 4, 2004) [hereinafter Steering Panel].

33. A complete list of participants in the "Fast Feedback" process is available at http://www.facilityreporting.org (last visited Feb. 4, 2004). The "Fast Feedback" round served as a prelude to the more extensive public exposure process planned for spring 2004.

These consultations were not conducted in the abstract. Rather, discussions were structured initially around the GRI's *2002 Sustainability Reporting Guidelines* and, subsequently, around progressive adaptations of these guidelines. These progressive adaptations were the result of an iterative effort to overlay the emerging (and, at first, crudely articulated) elements and principles of facility-level reporting on to the organization-level GRI base material. The GRI *Guidelines* were chosen for this effort for several reasons: to provide continuity with the baseline research phase; the extensive and rigorous stakeholder consultation process that underlies the GRI;[34] the increasing recognition of the GRI as an organization-level reporting standard; and FRP's early awareness that disparate and unrelated facility and organization-level standards would likely work against, rather than facilitate, complementary facility-and organization-level reporting.[35]

As a result of our approach, however, the insights gained from the stakeholder consultations cannot be considered completely free of instrument bias. The advantages of the approach are the far more productive nature of conversations that take place over draft text rather than over abstract concepts, and the value of an iterative approach in testing our emerging understanding of facility reporting elements and principles.

Defining the Differences Between Facility and Organization-level Reporting

The consultation process confirmed our expectation that stakeholder differences are a critical source of differences between organization- and facility-level reporting. As is clear in the discussion that follows, stakeholder differences exist not simply between facility-level and organization-level report *users*, but report *preparers* as well. User differences manifest both in user sophistication and in the likely *uses* to which users will put information. As the stakeholder consultation process progressed, it resulted in an evolving understanding of facility reporting stakeholders, the needs of different stakeholders and their uses for facility reporting

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34. For a description of the GRI's stakeholder engagement and consultation mechanisms, see the GRI website at http://www.globalreporting.org (last visited Feb. 4, 2004).

35. The FRP was also aware that a number of companies had attempted to apply the GRI framework for reporting facility-level performance, both independently and in the context of the EPA's Performance Track program, which references the GRI Guidelines. It was anticipated that these experiences could provide valuable, experience-based feedback to the consultation process.

information, and key differences between facility and organiza-tion-level reporting. We synthesize the findings from this process as follows; we provide examples and anecdotes to more vividly il-lustrate generally applicable points.

A facility-reporting standard should place greater em-phasis on indicators of local impacts. As a facility operates in a specific community and local environment, many of its key stakeholders are local. These include its employees, local re-sidents, local civil society organizations, and local government, all of whom have a direct, personal relationship to the facility.[36] This local or personal character of key stakeholders has a number of implications for facility-level reporting:

- These groups have much more specific interests in a facility than corporate stakeholders often do. For ex-ample, a description of an environmental manage-ment system may be of interest to corporate stakeholders, but facility stakeholders are interested in how systems apply at their facilities, and what ac-tions have occurred because of them.

- Information regarding *local impacts* of all types is es-sential. These include, for example, indicators relat-ing to odor, noise, traffic congestion, demands on and contribution to local infrastructure, emergency inci-dents and response, and safety. (Impacts such as noise and odor are often regulated as nuisances at the local level; they are not reflected in the GRI's organi-zation-level guidelines).

- In addition to any adverse impacts, local facility stakeholders are also interested in the benefits to their particular community from a facility. Employ-ees at the Camas facility, for example, believed that any report from their facility should include informa-tion on the economic contribution of the facility to the community, in terms of salaries and taxes paid, as well as philanthropic contributions and projects.

A facility-reporting standard should recognize and de-lineate the scope of facility decision-making. Facilities pos-sess varying degrees of authority over product design and product policy, ultimate markets served, supply chain and purchasing de-

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36. Non-local stakeholders include peer and competitor facilities, labor, environ-mental, and other civil society organizations, and regulatory agencies, particularly environmental leadership or other next-generation regulatory programs.

cisions, labor policies, and employee compensation. Authority in many of these areas is often circumscribed by or completely reserved to the corporate office. While facility-level sustainability reporting should reflect a complete picture of facility performance, it should also delineate the limits of facility autonomy—*i.e.*, where responsibility for performance lies. On balance, impacts that are both non-local and likely to be outside the control of the facility should receive less emphasis in a facility-reporting scheme, at least where organization-level reporting is also undertaken.

A facility-reporting standard should accommodate legitimate security, competitiveness, and privacy concerns. Organization-level data is in most cases derived from the aggregation of facility-level data. Information that can be disclosed in aggregated form at the organization level may pose competitiveness concerns when disclosed in disaggregated form at the facility level. For example, if a report includes information on what product mix a facility manufactures as well as what input materials are used at the facility, it might be possible for a competitor to infer proprietary information about product composition or process chemistry. Similarly, reporting employee turnover at the facility level could reveal sensitive information regarding a specific product's market share.

A related concern was raised by both industry and community members regarding public safety. Divulging the name, amount, and possible location of stored hazardous chemicals could create public safety risks, a heightened concern in the U.S. following the September 11, 2001 attacks on the World Trade Center.[37] While reporters of course have the option in voluntary reporting *not* to report on particular indicators, the reporting scheme should not place the expectation on facility-level reporters to report information that would be likely to raise such concerns for most reporting entities.

A facility-reporting standard should employ non-technical language and indicators to the greatest extent possible. Overall, users of organization-level sustainability performance information are likely to be more specialized or professional information-users than critical constituency groups using facility-level information. (Community-based civil society and

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37. A corporate stakeholder noted that the Community Affairs Director at his corporation evinced strong concern regarding what kind of "risks" would be created by divulging certain information, an experience affirmed by several of FRP's Steering Panel members. (notes on file with authors).

individual citizens, for example, typically fall into this "less spe-cialist" class of facility-level information users.) At the same time, those responsible for actually undertaking the compilation of re-porting data—largely facility-level environmental managers—are at this time less experienced *reporters* than corporate environmen-tal offices. Clarity and simplicity of reporting guidance is essen-tial—as is presentation of information in the report itself.

A facility-reporting standard should strongly empha-size parsimony. Voluntary reporting generally is characterized by a tension between (1) the fact that the interests of stakehold-ers—particularly those other than the reporting entity—are best served by truly complete and thorough disclosure, and (2) the real-ity that the effort required to report is itself an important barrier to reporting. Again, reporters have the option in voluntary report-ing *not* to report on particular indicators. However, a reporting standard undeniably creates an expectation for full disclosure; by this reasoning, the amount of information requested by a report-ing scheme will influence both extent and rate of adoption.[38]

Our stakeholder consultations indicate that the "entry bar-rier" effect of reporting effort is likely, on average, stronger at the facility level than at the corporate- or organization-level. This is true despite the fact that much information reported at the organ-ization-level is aggregated from facility-level information—and thus that corporate reporting implies at least gathering of key in-formation at the facility level. In part, this apparent disparity can be explained by the fact that *gathering* information is but one of three essential parts of the reporting process—presenting the in-formation and consulting with stakeholders being the other two. In part it can be explained by the reality that complying with head office demands for information is rather different than exercising the initiative to undertake a facility-level reporting effort. Facili-ties and their managers—particularly in the private sector—are evaluated based on business performance. If a facility manager is to approve resources for facility reporting, he or she must necessa-

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38. GRI has addressed this tension with the concept of incremental reporting—arguing that while "in accordance" reporting with the full GRI standard should be a goal, reporting less completely is still valuable, particularly to help a reporter build its reporting capability and work towards full (or "in accordance") reporting. *See Report-ing Expectations and Design, in* 2002 SUSTAINABILITY REPORTING GUIDELINES, *supra* note 8, at 13-14. GRI supports such "incremental reporting" so long as indicators are not omitted in an effort to obscure areas of poor performance. *Id.*

rily view the commitment in cost/benefit terms.[39] The clear impli-
cation is that facility-reporting standards should emphasize
parsimony strongly—more strongly, perhaps, than is necessary or
appropriate for organizational level standards.

Common Principles do Apply

It is important to note that despite the several key differences
between facility- and organization-level reporting enumerated
above, the two types of reporting share fundamental commonali-
ties. In the FRP, this commonality is best illustrated by the appli-
cability of the GRI's "reporting principles"—eleven principles that
"underlie" GRI-based reporting: transparency, inclusiveness,
auditability, completeness, relevance, sustainability context, accu-
racy, neutrality, comparability, clarity, and timeliness.[40] We ex-
plicitly evaluated these principles with our stakeholders,
particularly our Steering Panel. The clear conclusion was that fa-
cility-level reporting differs not at the level of basic principle, but
in how these principles are implemented to serve stakeholder
needs.

Needed: A Standard to Support Consistent, Comparable, and Credible Facility Reporting

The clear conclusion from our documentary research and our
stakeholder consultations is that even the best stakeholder-
driven, organization-level disclosure standard cannot be a suffi-
cient basis for facility-level reporting. Facility-level reporting has
particular needs that derive *both* from the intrinsic differences be-
tween facilities and the organizations of which they are a part *and*

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39. In the words of a corporate stakeholder, "The facility manger is responsible for
all aspects of his or her facility and must understand the value that [facility report-
ing] will add to his or her business." (notes on file with authors). While less clearly
communicated, we also received indications from community stakeholders and grass
roots organizations that closely focused reports are most valuable and useful.

40. The GRI characterizes the principles in part as follows:
   Collectively, the principles define a compact between the reporting organ-
   ization and report user, ensuring that both parties share a common un-
   derstanding of the underpinnings of a GRI-based report. . . . The 11
   principles . . . help ensure that reports: present a balanced and reasonable
   account of economic, environmental, and social performance, and the re-
   sulting contribution of the organization to sustainable development; facil-
   itate comparison over time; facilitate comparisons across organizations;
   and credibly address issues of concern to stakeholders.

Part B: Reporting Principles, in 2002 SUSTAINABILITY REPORTING GUIDELINES, *supra*
note 8, at 22.

from the differences between organization and facility-level stake-holders. The clear need for facility-level sustainability perform-ance information on the one hand and the inadequate nature of the information and standards currently available on the other in-dicate to us that there is a clear need for a reporting system or framework that creates a vehicle for consistent, comparable, and credible facility reporting. Per the discussion above, in compari-son to an organization-level standard, a facility-reporting stan-dard should:

- Place additional emphasis on indicators of local impacts;
- Recognize and delineate the scope of facility decision-making;
- Accommodate legitimate security, competitiveness and privacy concerns;
- Emphasize non-technical guidance language and indicators;
- Place great weight on parsimony.

These "indications" for facility-level framework development, derived from our stakeholder consultations, are not without their internal tensions. For example, there is a clear tension between the need for parsimony and the need for *greater* focus on local im-pacts.[41] Such tensions are typical of multi-stakeholder processes and must be resolved through the process itself.

An additional challenge is that of *aligning* any facility-report-ing standard with a complementary organization-level reporting standard. From the perspective of report users, facility- and or-ganization-level reporting are clearly complementary activities, providing information for accountability at two critical levels of aggregation, and to two overlapping but distinct constituencies. From the standpoint of reporters, facility- and organization-level reporting can *in principle* be highly complementary, with informa-tion gathered for facility-level also aggregated and reported at the organization-level.

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41. One potential means to address these tensions in part is to balance increased attention to local impacts with reduced attention to impacts that are both non-local and likely to be outside the control of the facility (this category typically includes many supply chain, corporate policy and product design issues). This change in em-phasis was discussed under the discussion of recognizing and delineating the scope of facility decision-making. Where facilities do have discretion or control in these areas, however, complete reporting requires treating these areas as in organization-level reporting.

Achieving this level of complementary in practice requires close technical alignment between the two standards in question. If this alignment is not achieved, reporting at one level (with investment in a particular reporting standard) is likely to become an obstacle to reporting at the other level, under a non-compatible standard. This reasoning underlies the FRP's own engagement with the GRI.[42] These challenges are significant. However, we also believe that they are surmountable, and that surmounting them will bring significant benefits. We believe that widespread reporting under a widely accepted facility-reporting standard meeting the criteria we describe would:

- Provide a far stronger basis for assessment and decision-making on the part of the public, government, investors, and the facilities themselves, allowing these actors to track sustainability performance over time for individual facilities, sectors, or geographic areas.
- Provide facilities choosing to report with an accepted reporting model. Such a model in principle would reduce the entry barriers to initiating reporting, as facilities need not themselves specially devise or adapt a reporting framework for their own use. The use of such a model should also increase credibility with the public, especially the activist public.
- Empower community organizations in interactions with individual facilities.
- Enable government and facility managers to identify successes worthy of replication far more easily.

We hope that the FRP's contributions will help to make these potential benefits a reality. Immediately, however, we hope that the unique body of research and stakeholder consultation carried out by the Project and described herein will be valuable for those interested in the issues attendant to the use and promotion of information for accountability at the local level.

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42. See *infra* discussion in "Annex A: The Facility-Reporting Project in Brief" for more information on the relationship between FRP and GRI.

Annex A: The Facility Reporting Project in Brief

Tellus Institute[43] and CERES[44] jointly initiated the FRP with initial funding from the Chicago-based Joyce Foundation.[45] These two non-profit organizations function as the FRP Secretariat. However, the development of the FRP's reporting guidance is a multistakeholder process for which CERES and Tellus serve as facilitators and technical support respectively. By design, the framework is properly the product of this process, not of Tellus Institute or CERES.

The top tier of this multistakeholder process is the *Steering Panel,* which serves as the FRP's primary consultative and advisory body. The Panel's fifteen members[46] are drawn from environmental, civil society and labor organizations, the private sector, and academia. Individuals on the panel represent themselves rather than their organizations; however, diversity of affiliation was used as a proxy for the diversity of viewpoints and experience required for the Project. The steering panel does not include individuals currently employed by regulatory agencies. The steering panel and the secretariat are informed in their work by the results of a broad stakeholder consultation process. To date, this process has involved web-based outreach and feedback; presentations and feedback at conferences and fora such as the Multi-State Working Group and the CERES annual conference; a "fast feedback" phase soliciting comments on a pre-public draft from selected opinion leaders[47] and experts in a variety of sectors; and "field testing" this draft to salaried and hourly facility staff and community representatives.

With the release of the FRP's "Public Exposure Draft" in mid-2004, the core of the stakeholder consultation process will begin. Regional and sector-based outreach is the essence of this strategy, currently under development. Potential activities may include: virtual consultation groups and web-based feedback; presentations at and sessions attached to existing conferences; potentially,

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43. Tellus Institute is located at 11 Arlington St., Boston, MA 02116. Telephone: (617) 266–5400. Tellus Institute's homepage is located at http://www.tellus.org.

44. CERES is located at 99 Chauncy St., 6th Floor, Boston, MA 02111. Telephone: (617) 247–0700. CERES's homepage is located at http://www.ceres.org.

45. Joyce Foundation is located at 70 West Madison St., Suite 2750, Chicago, IL 60602. Telephone: (312) 782–2464. Joyce Foundation's homepage is located at http://www.joycefdn.org.

46. *See* Steering Panel, *supra* note 32.

47. See *supra* text accompanying the section "Stakeholder Consultations: Overview" for a description of the fast feedback phase.

special-purpose workshops, either for single or multiple stake-holder groups; feedback sessions with facility staff and community members. At its conception, the FRP's intent was to build a facility-level reporting standard compatible to the extent practicable with the organization-level GRI's organizational-level reporting framework represented by the *2002 Sustainability Reporting Guidelines*.[48]

While the FRP's stakeholder consultations have indicated that organization- and facility-level reporting standards must differ in key respects, they have also strongly underscored the need for complementarity and close alignment. A Memorandum of Understanding between the GRI and the FRP that will formalize a relationship to align the products is in the advanced stages of negotiation. Under the proposed text, the FRP's guidance would have a recognized place in the GRI family of documents; the FRP would be bound to the GRI's standards of due process for multistakeholder consultation and its document governance regime.

The basic elements of the FRP workplan are:

- **Baseline research,** which sought to assess the state of facility-level reporting, identifies facility-reporting initiatives and examples (conducted from November 2002 through April 2003).
- **Constitution of the Steering Panel** (completed in April 2003).
- **Developing the reporting guidance via a multi-stakeholder process,** including development of progressive drafts, broad stakeholder comment, and pilot testing by facilities. This process is summarized in Figure 1. The Project has just completed its "fast feedback" phase, which (1) solicited comments on a pre-public draft with experts and community leaders in a variety of sectors, and (2) "field tested" this draft to salaried and hourly facility staff and community representatives. The project anticipates release of a public exposure draft in mid-2004. This will be the subject of the core stakeholder consultation phase.
- **Close of project activities,** including a campaign to obtain formal endorsements of the framework, formal endorsements, institutional transition, and project evaluation.

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48. *See* 2002 Sustainability Reporting Guidelines, *supra* note 8.

Figure 1: FRP Framework Development Milestones

(1st steering panel meeting--mid-May 03)

FIRST DRAFT INDICATOR SET

(Steering Panel comment)

FULL DISCUSSION DRAFT

(Steering Panel comment)

REVISED DISCUSSION DRAFT

FAST FEEDBACK PHASE

-- Limited vetting @ facility level & with opinion leaders

-- Steering Panel comment

(2nd Steering Panel meeting end Oct 03)

PRELIMINARY PUBLIC EXPOSURE DRAFT

(Steering Panel comment)

PUBLIC EXPOSURE DRAFT

(90-day public comment period)

(broad-based stakeholder outreach)

PRELIMINARY PILOT TEST DRAFT

(Steering Panel comment)

PILOT TEST DRAFT

(Pilot test phase)

FINAL DRAFT