Report: Sustainability Surveys Eating Up Company Time
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Requests for company sustainability data are often redundant and take up considerable time, up to the equivalent of two full-time staff members, according to a report by the National Association for Environmental Management (NAEM).

In "Driving ESG Reporting Progress through Dialogue", NAEM says that as the type and number of sustainability surveys continues to increase, the task of responding is consuming significant resources without a clear value proposition for the participating companies. The number of environmental, social and governance (ESG) ratings has risen from about 20 in the year 2000 to more than 100 in 2010.

The report summarizes insights from NAEM's May 2011 "Measuring Corporate Sustainability" conference, which included representatives from more than 100 companies, research firms, and third-party verifiers, including American Electric Power Co. Inc., 3M, The Coca-Cola Co., General Mills Inc., IW Financial, Jantzi-Sustainalytics, Ernst & Young LLC and Pax World.

NAEM says that internally, companies only track about 40 sustainability-related performance metrics, while ESG surveys may request information on several hundred variables. Each survey tends to use its own terms and units of measure, further increasing the burden on business, even though much of the information they request is very similar.

Strategies for dealing with the information requests differ. Some companies respond to many survey requests each year – anywhere from ten to 20 or even more – while others focus their efforts on the select few requests they deem most relevant to their business.

Cardinal Health, for example, said that it participates only in those surveys that provide a strong benefit, given the time and effort involved. Its solid CSR scores led the company to attract two new European investors, the company told NAEM.

The demand for corporate transparency on sustainability will only increase, according to Michael Muyot of CRD Analytics. He predicted that in the next five to ten years, ESG disclosure will become mandatory for listings on an increasing number of stock exchanges. He also told NAEM that a global, centralized database of ESG data will likely develop, given the sheer volume of information available.

The report recommends that companies and ESG firms build more meaningful relationships. For example, at Johnson & Johnson, dialogue with ESG firms had been a key tactic allowing the company to tell its sustainability story.

"It allows the company to correct inaccuracies that sometimes arise when an ESG firm incorrectly applies publicly available data, and helps researchers better understand J&J's progress," NAEM said.

But it said that within most companies, it's not yet clear how ESG issues affect the core business or its ability to create financial value.

The report also said that researchers should do a better job reflecting the differences between industries in their evaluation models. Because many rankings do not currently take a company's business model into adequate account, evaluations often reward industries that inherently require fewer resources, NAEM said.

And it said that companies must also develop strategies for responding to the growing number of information requests.