

# A Benchmark Study of Current Practices and Tools for Sustainability

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Corporate social responsibility reporting is similar in concept to environment, health, and safety (EH&S) reporting, but with a broadened emphasis on social matters, such as ethical labor practices; training, education, and diversity of workforce; and corporate philanthropic initiatives. The terms “corporate social responsibility” and “sustainability” are used interchangeably by companies on a global basis, especially by multinational firms. There is considerable pressure on companies from stockholders, outside stakeholders, consumers, and other groups to demonstrate tangible benefits to the “triple bottom line”: economic value and environmental and social impacts.<sup>1</sup>

Toward the end of the 1990s, EH&S managers began using EH&S management information solutions (EMIS) to streamline their EH&S data collection, manipulation, and reporting activities to save valuable time and money.<sup>2</sup> Today, the trend is for EH&S managers to want to expand the use of their EMIS to capture sustainability metrics. Some EH&S managers have even expressed a desire to integrate their EMIS with a new set of tools: Corporate Sustainability Management Information Solutions (CSMIS).

Numerous EH&S professionals are undergoing or have already completed a change in their day-to-day responsibilities because there is a greater need and expectation by their employer to collect, compile, analyze, and report sustainability data. Some organizations (e.g., Dow Chemical, DuPont, and Home Depot) have created a separate management position to handle these responsibilities (e.g., Chief Sustainability Officer or Sustainability Manager),<sup>3</sup> whereas other organizations have simply expanded the EH&S manager’s role to include these additional duties.

This article presents the results and conclusions drawn from a recent online, inter-industry survey of companies about their tools and drivers for managing sustainability data.

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## Purpose of Survey

Environmental Data Solutions Group conducted an inter-industry survey to benchmark current practices and to identify trends and statistics about how corporate sustainability information is being managed. The goals of this survey were to baseline current EMIS practices; identify drivers for corporate sustainability metrics and reporting; determine which tools or solutions are currently being used; and identify the costs of and satisfaction with available tools and CSMIS.

## Survey Participants

Participants in this survey are responsible for a total of 44,308 facilities on a global basis and work in the following industry sectors: aerospace and defense, chemical manufacturing, consumer products, energy and utilities, federal government, industrial manufacturing, pharmaceuticals, biotechnology, telecommunication equipment and services, and transportation services. The majority of the respondents had job titles such as “EH&S or Sustainability Manager,” with the exception of one “Chief Financial Officer” and one “Supply Manager.”

Nearly half of the companies that participated in the survey (48%) are listed on the Fortune 1000 list of companies. There were numerous large companies incorporated outside the United States, the largest of which had annual revenues in excess of US\$179 billion. The smallest company had annual revenues of US\$231 million and the average annual revenue for all respondents was US\$18 billion.

## Current EMIS Use

A substantial fraction of all respondents (78%) currently use an EMIS, with the earliest reported use in 1997. The average and median date of initial use was 2002. Many respondents indicated that they use a combination of software tools to manage their EMIS data: commercial off-the-shelf products (41%), custom software developed in-house (47%), and spreadsheet or database tools (56%). The level of satisfaction with the EMIS was reported as 6.2, on a scale of 1 to 10, where 1 = poor and 10 = outstanding. Fifteen percent (15%) of respondents indicated that their current EMIS tools are inadequate and need replacement or upgrading.

## Sustainability Drivers

Several drivers are influencing companies' decisions to collect, track, and report corporate social responsibility metrics: transparency (56%), goodwill and perception of outside stakeholders (48%), shareholders (28%), and regulations or laws (28%). Two respondents indicated that there is a new corporate initiative or strategy sponsored by their chief executive officer that is driving their sustainability program. (Note: Respondents were allowed to indicate more than one answer in their response, but were not asked to prioritize. This is why the sum of the responses may exceed 100% for some questions.)

Respondents indicated that they track and/or report corporate social responsibility data according to the

## 77% of respondents said their EH&S department is responsible for tracking and reporting corporate social responsibility metrics.

following standards: Global Reporting Index (GRI; 60%), in-house metrics (44%), ISO 14001 for Environmental Management Systems (20%), and industry established metrics (16%). Respondents who work for federal government agencies cited Executive Order 13423 as their primary driver. Fifteen percent (15%) of respondents indicated that they have a recent internal policy or mandate.

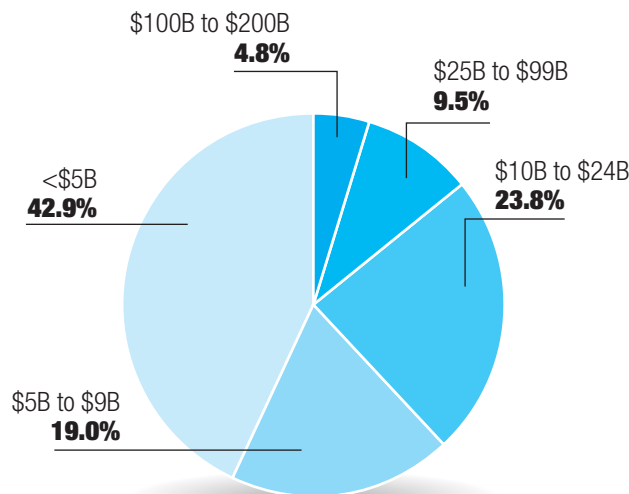
Because sustainability data can be reported in a variety of venues, respondents were asked to identify where they report their data. Respondents listed one or more of the following venues: external company report (48%), internal company report (48%), company Web site (30%), publically available forum such as GRI (22%), financial reports such as annual stockholder or Securities and Exchange Commission (SEC) report (13%), and Earth Day celebration (13%). Surprisingly, 13% indicated that their sustainability data is collected, but not reported at all.

More than three-quarters (77%) of respondents indicated that their EH&S department is responsible for tracking and reporting corporate social responsibility metrics. Other departments that were listed as having responsibility included supply, sourcing, contracts and quality, facilities, engineering, human resources, and sustainability. No respondent listed public relations or corporate communications as the responsible department, which is often an indication of a “soft” sustainability program that is not fully embedded in the operations of the business.<sup>4</sup>

## Sustainability Metrics

Participants in the survey were asked which of the GRI indicators they track and/or report at this time. It is logical that 89% of EH&S and sustainability managers are tracking

### 2007 Annual Revenues for Each Respondent



environmental indicators, given their traditional role and responsibilities in EH&S. In contrast, tracking and reporting of three other indicators was significantly lower: human rights (55%), society (46%), and product responsibility (48%), due to less familiarity or concern in traditional EH&S departments.

Since health and safety laws and fair labor standards are pervasive, it appears that the data for labor practices and decent work indicators is readily available and easily reported (84%). Similarly, based on the availability of data for economic performance, 65% of respondents are tracking and reporting economic indicators.

The largest struggles with corporate social responsibility reporting arise from the mechanics of collecting the metrics (81%), determining which metric to collect (50%), reporting the metric (23%), and defending the metric collected (15%).

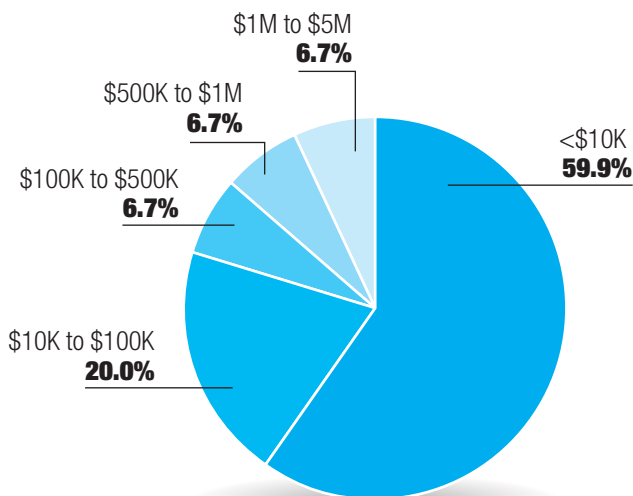
### CSMIS Status

Only 26% of respondents indicated that they are using a CSMIS at this time. The earliest implementation date was 2003, with an average and median implementation date of 2005 and 2006, respectively. For companies that are using a CSMIS, 75% are using spreadsheets and database tools to manage their data and 38% developed customized tools in-house. Only 13% are using commercial off-the-shelf products.

The cost of implementing a CSMIS varied enormously, depending on the size of the company, the number of locations, and the type of CSMIS deployed. Respondents indicated the following expenditures on their CSMIS deployments: less than US\$10,000 (60%), between US\$10,000 and US\$100,000 (20%), between US\$100,000 and US\$500,000 (7%), between US\$500,000 and US\$1 million (7%), and between US\$1 million and US\$5 million (7%).

Deployment costs ranged from less than US\$10,000 to a maximum of US\$5 million, with the average cost in the range of US\$450,000. Interestingly enough, Excel spreadsheets were used for companies spending in the lowest

CSMIS Deployment Costs for Each Respondent



ranges of cost (approximately US\$10,000) and these were also the companies who stated they were the least satisfied with the system and were facing the largest challenges associated with collection of corporate social responsibility data. It appears that while Excel is quickly and easily understood tool, it provides little in terms of solution, security, and workflow enhancements from a long-term perspective. Companies who moved beyond Excel and into a relational database that offered workflow enhancements tended to be the most satisfied with the final outcome.

Despite the low implementation rates of CSMIS, respondents believe that using a CSMIS will help the defensibility of their data (90%). Only 14% undergo auditing by a third party for data verification at this time.

The level of satisfaction with CSMIS ranged from 1 to 8 on a scale of 1 to 10 with 4.6 as the average. Only 19% of respondents stated that their CSMIS tools are already in place and working well. Respondents had various comments about the current state of their CSMIS:

- Need to develop better tools for tracking and reporting (44%)
- Desire to expand current EMIS to add sustainability tracking and reporting capability (30%)
- Need to investigate commercial off-the-shelf product and implementation (26%)
- Just starting to think that CSMIS is a good idea (26%)

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- Have been reporting sustainability data for years (22%)
- Still figuring out what to report and our metrics/goals (26%)
- Seeking a new EMIS that has corporate social responsibility tracking and reporting capability (11%)
- No interest in combining an EMIS and CSMIS (4%)
- No interest in CSMIS right now (4%)

## Conclusions

It appears that 74% of the participants in this survey have not reached the “tipping point” in their sustainability program and implemented some type of CSMIS. Although there seems to be a strong desire to figure out which metrics to track and report and to have defensible data, many EH&S professionals seem to be coping by using simple spreadsheet and database tools. Those who have progressed beyond simple spreadsheets seem to be far happier with the results of their system from an ease of collection and defensibility perspective. It seems likely that there will be a surge in interest in CSMIS tools (similar to what occurred with EMIS in the late 1990s) as companies realize that they can streamline their collection, manipulation, and reporting of sustainability data to save valuable time and money.

It is interesting to note, however, that much of the information managed in a CSMIS is actually collected or retrieved from other integrated systems throughout an organization. For example, much of the “environmental” information that is factored into corporate social

responsibility is already being tracked in a company’s EMIS; and some of the human rights information may be collected in human resources systems. Until companies have a better handle of unique specifics associated with their CSMIS, they must rely on the data outputs from other systems. The reality is that there is no one “cookie cutter” answer for all companies. Many factors should be considered in the development and implementation of a corporate social responsibility program, such as market perspective, ease of reporting, defensibility of data, and industry expectations. em

## References

- 1 A Special Report on Corporate Social Responsibility: Just Good Business; *The Economist* January 19, 2008; p 2.
- 2 Mock, R.; Schroeder, J. EMIS Checkup: A Benchmark Study of EMIS Performance and Effectiveness; *EM* June 2002; p 14.
- 3 Deutsch, C. Companies Giving Green an Office; *The New York Times* July 3, 2007; available at [www.nytimes.com/2007/07/03/business/03sustain.html](http://www.nytimes.com/2007/07/03/business/03sustain.html) (accessed June 2008).
- 4 A Special Report on Corporate Social Responsibility: Just Good Business; *The Economist* January 19, 2008; p 14.

### About EDGS

Environmental Data Solutions Group, LLC (EDSG; [www.edsg.com](http://www.edsg.com)) integrates information technology tools to optimize EH&S performance. Taking a consultative, systems-based approach toward corporate social responsibility, EDGS has worked with numerous clients in a variety of industries on their sustainability issues. EDGS has staff in California, Texas, Indiana, and Pennsylvania.

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