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2009 Review of corporate responsibility reporting: the largest transnational corporations and climate change related disclosure

Report by the UNCTAD secretariat

Executive summary

This study provides an overview of the current environmental reporting practices adopted by the world's largest transnational corporations (TNCs). The review focuses on corporate reporting related to environmental issues generally and climate change issues more specifically. The sample used in the study consists of the 100 largest TNCs as identified in UNCTAD's 2008 World Investment Report.

At UNCTAD XII, member States called on UNCTAD to analyse voluntary enterprise policies on corporate social responsibility, in particular by TNCs, and, through the Group of Experts, to continue to contribute to the field of environmental reporting. As member States work towards a new international agreement on climate change at the United Nations Climate Change Conference in Copenhagen (7-18 December 2009), environmental reporting takes on a renewed sense of practical importance. Implementing any agreement on climate change emissions will require high quality reporting practices.

The findings of this study show that a large majority of the TNCs are disclosing information on environmental performance and climate change issues. At least some information related to environmental issues is reported by 98 of the 100 TNC's, with 87 of the enterprises providing explicit data on green house gas (GHG) emissions. Distinct policies on GHG emissions are disclosed by 75 of the enterprises, while 73 make use of the ISO 14000 environmental management system and 72 reference the GRI sustainability guidelines. The United Nations Global Compact is cited in the reports of 63 of the 100 TNCs and 69 of the companies have Board level responsibility for environmental performance.

The overall picture that emerges from the research is that, while questions about the quality and consistency of reporting remain, the world's largest TNCs have already begun to adopt a range of voluntary practices to address issues of climate change and make related information available in their public reports. Further work in this area may wish to focus on strengthening the existing reporting frameworks and management tools.

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Introduction

1. Corporate responsibility (CR) reporting has been a focus of work for the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) for a number of years. Complementing this general area, the Group of Experts has also addressed environmental reporting, for example in the publication *Accounting and Financial Reporting for Environmental Costs and Liabilities* (1999) and the publication *A Manual for the Preparers and Users of Eco-Efficiency Indicators* (2003). Since ISAR began its work in this area, environmental reporting (and especially disclosure on climate change related emissions) has become increasingly important. At UNCTAD XII, member States called on UNCTAD to analyse voluntary enterprise policies on corporate social responsibility, in particular by transnational corporations (TNCs), and, through the Group of Experts, to continue to contribute to the field of environmental reporting.¹ Environmental issues are recognized as an important feature of corporate responsibility. Among the range of environmental issues that companies and communities face, reducing climate change related emissions has been identified by the United Nations as a particularly urgent goal. As member States work towards a new international agreement on climate change at the United Nations Climate Change Conference in Copenhagen (7-18 December 2009), environmental reporting takes on a renewed sense of practical importance. Implementing any agreement on climate change emissions will require high quality reporting practices.

2. This study provides an overview of the current environmental reporting practices adopted by the world's largest TNCs. The report focuses on corporate reporting related to environmental issues generally and climate change issues more specifically. The study examines the reporting practices of the 100 largest TNCs as identified in UNCTAD's 2008 World Investment Report (WIR).² The data and analysis presented in this study were prepared by the UNCTAD secretariat in cooperation with the Ernst and Young EMEIA CSR Knowledge Center and the CSR Management & CSR Auditing Programme at Erasmus University, Rotterdam.

3. The objective of this report is to present and analyse the results of the secretariat's study of climate change reporting among the world's 100 largest TNC's. The findings of this study show that a large majority of the TNCs are disclosing information on environmental performance and climate change issues. At least *some* information related to environmental issues is reported by 98 of the 100 TNC's, with 87 of the enterprises providing explicit data on green house gas (GHG) emissions. Distinct policies on GHG emissions are disclosed by 75 of the enterprises, while 73 make use of the ISO 14000 environmental management system and 72 reference the GRI sustainability guidelines. The United Nations Global Compact is cited in the reports of 63 of the 100 TNCs and 69 of the companies have Board level responsibility for environmental performance.

4. The overall picture that emerges from the research is that while questions about the quality and consistency of reporting remain, the world's largest TNCs have already begun to adopt a range of voluntary practices to address issues of climate change and make related information available in their public reports. Complete findings of the study along with detailed analysis are presented in Chapter I below.

¹ Accra Accord paragraphs 152 and 156.

² Slight modifications have been made to the list found in the 2008 World Investment Report to account for merger and acquisition activity in the time since the data was originally compiled; these are indicated by a footnote in Annex I. For a complete list of companies in this study see Annex I.

I. Status of TNC disclosures on climate change

A. Background and methodology

1. Selected climate change disclosure items

5. This study examines the environmental reporting practices of TNCs, with special reference to climate change issues. Table 1 shows the 14 disclosure items which were selected as a benchmark to gauge the reporting practices of TNCs in this area. These 14 items were selected from among the existing range of international, industry, and civil society standards, practices and guidance tools. This is intended to be a representative sample of mainstream tools and practices, but should not be considered an exhaustive list of all possible disclosures in this area, nor should it be considered a recommended list of disclosure items.

Table 1. Selected climate change disclosure items, by category

International guidance frameworks
Reference to United Nations Global Compact
Reference to OECD Guidelines for Multinational Enterprises
Policy, management and governance
Policy on Greenhouse Gas (GHG) emissions
ISO 14000 certification ³
GHG emissions reduction targets
Board level responsibility for environmental performance
Climate change risk assessment (impact of climate change on the reporting entity)
Off-sets through Clean Development Mechanism (CDM) & joint implementation (Kyoto protocol)
Performance measurement
GHG emissions data
Country specific GHG emission data
Reporting framework and assurance
Reference to Global Reporting Initiative (GRI)
External assurance statement for environmental reporting
Reference to the Carbon Disclosure Project (CDP)
Reference to the GHG Protocol Corporate Standard ⁴

2. Sample studied

6. The present study uses the one hundred most international non-financial corporations in the world (as ranked by foreign assets) found in UNCTAD's 2008 WIR. The sample is composed of corporations from a range of home countries and sectors (see Annex I and II), however more than half of the sample comes from just six sectors: motor vehicles (13 companies); petroleum (10); electrical and electronic equipment (9); telecommunications (8); pharmaceuticals (6); and electricity, gas and

³ Refers to any of the standards within the ISO 14000 family of environmental management standards. The standards ISO 14001:2004 and ISO 14004:2004 deal with environmental management systems (EMS). ISO 14001:2004 provides the requirements for an EMS and ISO 14004:2004 gives general EMS guidelines. The other standards and guidelines in the family address specific environmental aspects, including: labeling, performance evaluation, life cycle analysis, communication and auditing.

⁴ The Greenhouse Gas Protocol Corporate Standard, produced by the World Resources Institute and the World Business Council for Sustainable Development, is an international accounting tool for companies and other organizations preparing a GHG emissions inventory. It covers the accounting and reporting of the six greenhouse gases covered by the Kyoto Protocol: carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF₆). Additional information can be obtained from www.ghgprotocol.org.

water (5). Due to the unequal sector weighting in the sample, this study did not test for sector effects on disclosure practices, but the possibility of such effects should be considered and possibly incorporated into future research on this subject. Twenty different countries are the home countries for the TNCs in the sample, however more than half of the sample comes from just three countries: France (16 companies); the United Kingdom (15); and the United States (21). Over 90 of the corporations have developed countries as home countries. Due to the unequal home country weighting in the sample, this study did not test for home country effects on disclosure practices, but the possibility of such effects should be considered and possibly incorporated into future research on this subject.

7. Selecting the world's largest transnationals as a sample for study allows for a better understanding of the way in which global issues (e.g. climate change) are addressed by global corporations. TNCs are also prime actors in the transmission of new business practices across borders. Examining the disclosure practices of TNCs, therefore, can provide not only a better understanding of what leading large companies are doing today, but also a suggestion of what may emerge in the near future as standard business practice around the world.

3. Research questions and sources of information

8. The primary research question applied to the sample enterprises was: How many of the selected climate change related disclosures are reported by each enterprise? To answer this question, the study examined a range of publicly available corporate reports including: annual reports, environmental reports and other information available from company websites.⁵ These company reports were then compared with the 15 selected disclosure items to gauge what information on climate change related issues enterprises were disclosing. Additional research questions applied to the sample include: the location of sustainability information in corporate reports; the level of GRI reporting used; and the use of GHG protocol scopes 1, 2, and 3.⁶

9. It should be noted that this study makes no indication of the quality of disclosure found among the enterprises. The study asks only whether or not some information is reported on each of the disclosure items listed below. Thus the study is limited to an examination of the *existence* of corporate reporting on certain topics, and not an examination of the *quality* of corporate reporting.

10. In total, the review considered more than 1,400 individual data points. This is comprised of the 14 disclosure items explained above, multiplied by the 100 TNCs that make up the sample studied. The main findings of this study are presented in section B below. Section C presents a detailed analysis of reporting practices by subject area, along with additional data from secondary research questions.

B. Disclosure practices of the largest 100 TNCs: overview of findings

11. Table 3 below displays the results of the study, giving the number of enterprises disclosing each item from the sample of 100 TNCs. The information is presented within each of the four subject areas discussed in section A.1 above. This grouping of the disclosure items allows readers to draw their own conclusions based on the importance they assign to a particular category or subject area and, within

⁵ Corporate reporting on a consolidated basis for 2008 was used in this study; when information for 2008 was not yet available, 2007 reporting was examined.

⁶ Please see section C.3 below for an explanation of the GHG protocol and the concept of 'scopes' along with definitions for scopes 1, 2 and 3.

that category, a particular disclosure item. Within each category, the disclosure items are presented in order from most often disclosed to least often disclosed. It is again noted that the findings below make no indication of the quality of disclosure found among the enterprises, only whether or not some disclosure exists for each of the disclosure items listed below.

12. A significant finding of this study is that 87 of the 100 enterprises provide at least some data on GHG emissions. More than two thirds of the enterprises reference the GRI sustainability reporting guidelines. Also more than two thirds of the TNCs indicate use of the ISO 14000 environmental management system for part or all of their operations. Sixty-three of the 100 TNCs are signatories to the United Nations Global Compact and more than two thirds of the companies have assigned responsibility for environmental performance at the level of the Board of Directors. Taken together, the results indicate substantial adoption among TNCs of voluntary enterprise policies related to corporate social responsibility and climate change.

Table 2. Information disclosed by world's largest 100 TNCs
(Number of enterprises disclosing this item)

Disclosure items by category	No. of enterprises (max = 100)
International guidance frameworks	
Reference to United Nations Global Compact	63
Reference to OECD Guidelines for Multinational Enterprises	21
Policy, management and governance	
Policy on GHG emissions	75
ISO 14000 certification	73
GHG emissions reduction targets	69
Board level responsibility for environmental performance	69
Climate change risk assessment (impact of climate change on the reporting entity)	40
Off-sets through CDM & joint implementation (Kyoto protocol)	19
Performance measurement	
GHG emissions data	87
Country specific GHG emission data	21
Reporting framework and assurance	
Reference to GRI	72
External assurance statement for environmental reporting	49
Reference to the CDP	28
Reference to the GHG Protocol	25

C. Disclosure practices by subject area

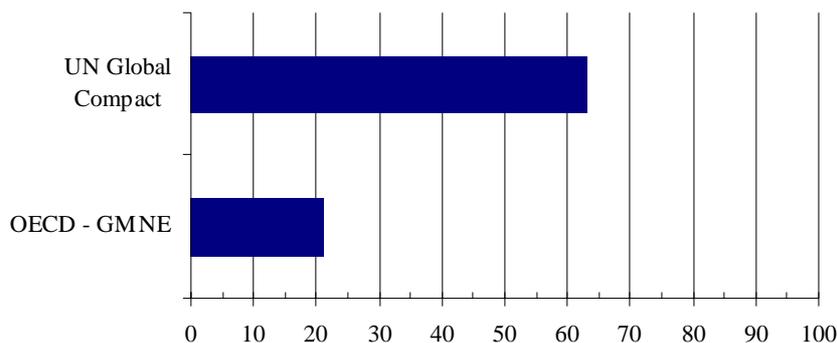
1. International guidance frameworks

13. There are two international guidance frameworks on corporate responsibility, including environmental responsibilities, that are often used by companies: the United Nations Global Compact and the Guidelines for Multinational Enterprises produced by the Organisation for Economic Co-operation and Development (OECD-GMNE).

14. The United Nations Global Compact is a voluntary initiative for businesses and other organizations that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business can help ensure that markets, commerce, technology and finance advance in ways that benefit economies

and societies everywhere. Since its official launch on 26 July 2000, the initiative has grown to more than 6,700 participants, including over 5,200 businesses in 130 countries around the world. The findings show that the Global Compact is a widely adopted policy framework, with 63 of the 100 TNCs reporting that they are signatories to the Compact. The study made no distinction between general references to the Global Compact, and a Global Compact progress report (a concise yet standardized means of reporting progress on each of the Global Compact's 10 principles).

Figure 1. Number of enterprises referencing international guidance on corporate responsibility

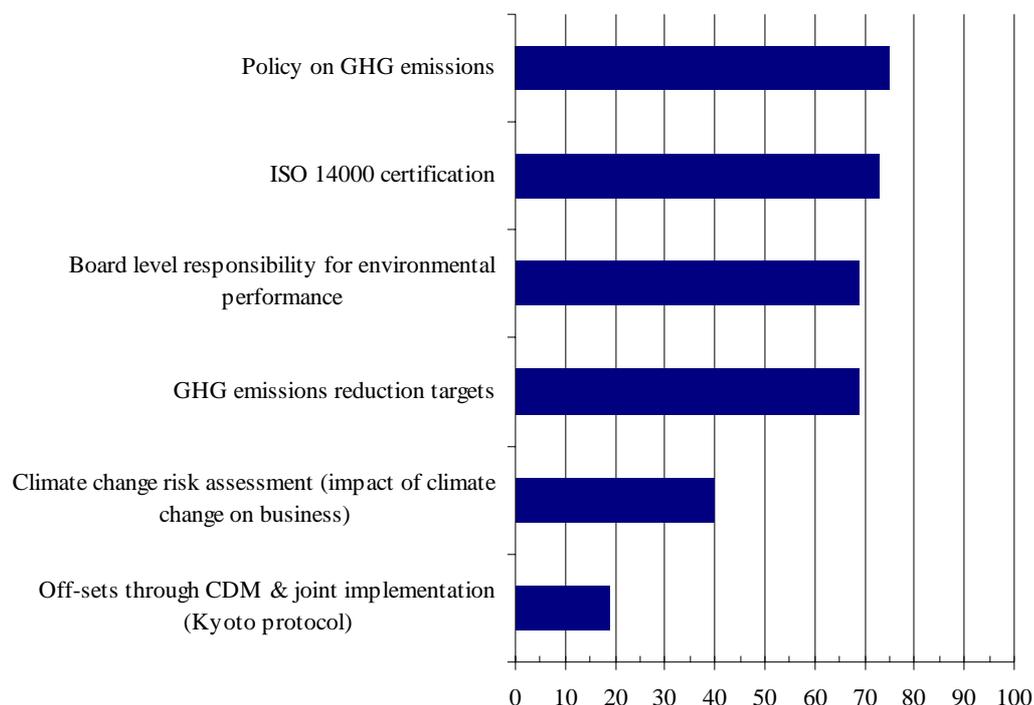


15. The Guidelines for OECD-GMNE are recommendations addressed by the member States of the OECD to multinational enterprises operating in or from adhering countries. They provide voluntary principles and standards for responsible business conduct in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. For the companies studied, reference to the OECD-GMNE is less widespread than the Global Compact.

2. Policy, management and governance

16. This subject area covers general policies on GHG emissions, disclosure on environmental management systems, tools or mechanisms (e.g. ISO 14000, risk assessments, reduction targets, off-set mechanisms and joint implementation practices), and the disclosure of Board responsibilities for environmental performance. The disclosure rates for each of the selected disclosure items in this category are depicted in Figure 2 below.

Figure 2. Number of enterprises disclosing climate change related information on policy, management and governance



17. One of the most common disclosure items in this category was a statement of policy on GHG emissions. Three-quarters of the companies disclose this information. Such disclosures vary from a general policy statement on the role of the organisation with regards to climate change, to a more detailed policy statement that provides information on how the organisation will move forward to reduce the carbon footprint. More detailed policy statements are often combined with long term reduction targets. Such GHG emissions reduction targets are themselves the subject of disclosure for a significant majority of firms.

18. Also widely reported on among the TNCs studied was a reference to the use of the ISO 14000 environmental management system standard. Over 70 of the companies in the study indicated the use of ISO 14000 for all or part of their operations. While ISO 14000 does not indicate any absolute level of environmental performance, it does indicate a high quality management system that allows enterprises to identify the sources and quantity of emissions, and on the basis of this, take corrective action.

19. The disclosures on Board level responsibility for environmental performance and climate change issues vary from company to company. Information reported on this topic ranges from a general acknowledgement of responsibility by the Board stated in the company's annual report, to the identification of a designated Board member who is explicitly responsible for sustainability issues and the risks associated with climate change. In some cases, the disclosure identifies a special Board committee that is responsible for environmental issues. As the Board is the primary interface between investors and management, the disclosure of responsibility at the level of the Board of Directors provides important information for investors concerned with climate change issues. The fact that a clear majority of the enterprises in the study have Board level responsibility for environmental issues is an indication of the relevance of topics such as climate change for the long term

sustainability of the firm, as well as the materiality of such topics for a growing number of investors.

20. The reporting of a climate change risk assessment by companies is less widespread, but not uncommon (40 of the 100 TNCs). This disclosure item may become more widespread in the future as the large number of companies with policy statements on GHG emissions move to the additional step of preparing a risk assessment: all companies with a risk assessment also have a policy statement, but not all companies with a policy statement have a risk assessment, which suggests a certain logical sequence between the two items. New voluntary and legislated initiatives may also increase the number of enterprises for whom climate change is a material issue, and thus drive increased disclosure of associated risk assessments. Where companies do disclose a climate change risk assessment, the format of disclosure and the amount of information on this topic vary considerably between companies. Such inconsistencies stem in part from the degree of comprehensiveness of a company's risk assessment. Though this study does not test for industry specific effects on this disclosure item, it seems likely that variations in risk assessments may also be related to the industry in which the company operates (which can have different levels of risk exposure to climate change issues). Inconsistencies may also reflect the absence of a commonly adopted and standardized climate change risk assessment tool. To illustrate current company practices, box 1 below contains a selection of excerpts from company reports on climate change risk assessment.

21. The offsets refer to the Clean Development Mechanism and Joint Implementation, both arrangements under the Kyoto Protocol allowing industrialised countries with a greenhouse gas reduction commitment (known as 'Annex B countries') to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. Companies do disclose qualitative information or business cases on off set projects, however, quantitative performance data is less common.

Box 1. Climate change risk assessments in corporate reports (selected excerpts)

Climate change, climate change regulations and greenhouse effects may adversely impact Alcoa's operations and markets.

Alcoa (Extraordinary times, extraordinary measures-Taking decisive action through the downturn, 2008 Annual Report and Form 10-K, p32)

There is growing recognition that energy consumption is a contributor to global warming, greenhouse effects and potentially climate change. A number of governments or governmental bodies have introduced or are contemplating regulatory change in response to the potential impacts of climate change. There is also current and emerging regulation, such as the mandatory renewable energy target in Australia, or potential carbon trading regimes that will affect energy prices. Alcoa will likely see changes in the margins of greenhouse gas-intensive assets and energy-intensive assets as a result of regulatory impacts in the countries in which the company operates. These regulatory mechanisms may be either voluntary or legislated and may impact Alcoa's operations directly or indirectly through customers. Inconsistency of regulations may also change the attractiveness of the locations of some of the company's assets.

Climate Change Risk

Bhpbilliton (Resourcing the future-Sustainability Report 2008, p.95)

Our businesses assess the potential impacts of climate change through our Enterprise-wide Risk Management process. The potential physical impacts of climate change on our operations are highly uncertain and will be particular to the geographic circumstances. These may include changes in rainfall patterns, water shortages, changing sea levels,

changing storm patterns and intensities, and changing temperature levels. These effects may adversely impact the cost, production and financial performance of our operations.

Physical risks

Xstrata (Sustainability report 2008, p59)

It is anticipated that weather patterns will be affected by climate change, which may pose a risk to Xstrata operations. For example, a study completed in 2007 indicated that climate change could increase the frequency, length and severity of droughts, resulting in potential water shortages with a consequent impact on our operations in arid areas. (...) The transport networks we use will come under increasing pressure if extreme weather events become more common and sea levels rise.

Climate Change Risks and Opportunities

Ford Motor Company (Blueprint for Sustainability-Sustainability Report 07-08. p11)

The past year has seen a seismic shift in the significance of the climate change issue in public awareness, political debate and government action, magnifying the risks and opportunities to Ford posed by the issue. These risks and opportunities include the following:

Markets: Worldwide, record oil prices continue to drive buyers to shift from larger vehicles and light trucks to smaller vehicles, cars, crossovers and diesel-powered vehicles. Energy security is also a major concern in several markets in which we operate. (...) These market shifts are very significant to our company. Everywhere we operate, the future financial health of our company depends on our ability to predict market shifts of all kinds and to be ready with the products and services our customers demand.

Regulations: The regulation of GHG emissions affects many areas of our business, including our manufacturing facilities and the emissions from our vehicles. For example, in Europe, GHG emissions from manufacturing facilities are regulated through a combination of emission limits and market-based mechanisms. (...) We have established global roles, responsibilities, policies and procedures to help ensure compliance with emissions requirements and participate in trading initiatives worldwide. We are also participating in the development of policies affecting our facilities and products (...).

Investment Community: Both mainstream investment analysts and those who practice socially responsible investing are assessing companies in the auto sector for their exposure to climate risks and their positioning to take advantage of opportunities created by the issue. Thus, providing climate change-relevant information to investors and shaping our business strategy with climate change in mind are important elements of maintaining access to capital.

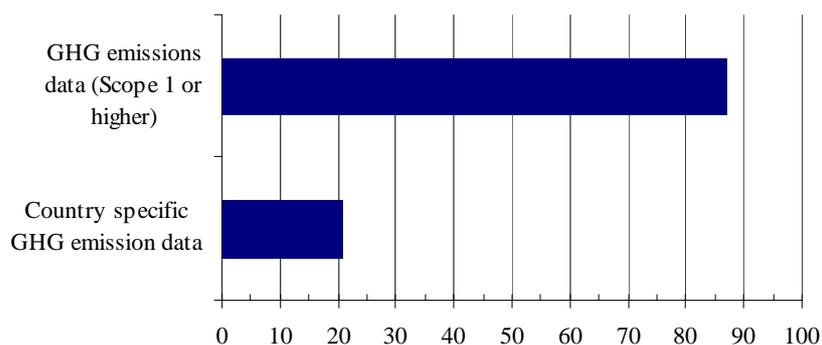
Physical Risks: Extreme weather disrupts the production of natural gas, a fuel necessary for the manufacture of vehicles. Supply disruptions raise market rates and jeopardize the consistency of vehicle production. To minimize the risk of production interruptions, Ford has established firm delivery contracts with natural gas suppliers and installed propane tank farms at key manufacturing facilities as a source of backup fuel. Higher utility rates have prompted Ford to revisit and implement energy-efficiency actions that previously did not meet our internal rate of return.

3. Performance measurement

22. Performance in the reduction of absolute levels of GHG emissions is central to efforts to reduce climate change effects. Disclosure of absolute levels of emissions were found for a large majority of the companies in the sample (87). Less often disclosed was country specific information on GHG emissions, for example a breakdown of a TNCs global emissions by country of origin. About one fifth of the companies in the sample provided this information. Given the global nature of

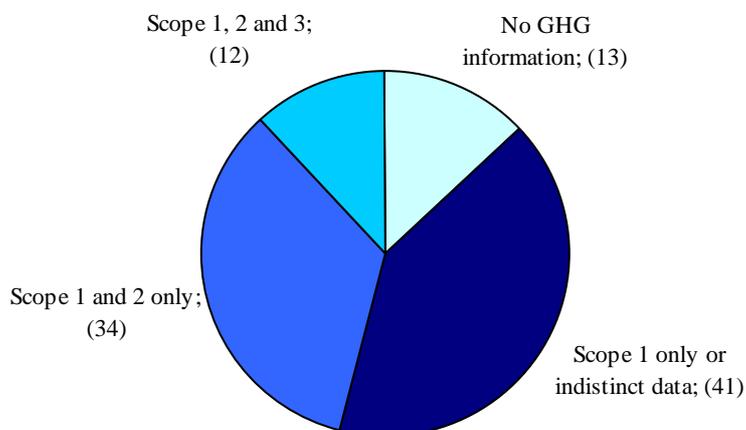
climate change, it is probably true that aggregate global figures are most relevant to most stakeholders. Given the increasing number of national initiatives to curb GHG emissions, however, country specific data can provide investors and other key stakeholders with useful insights into the future performance of certain business practices in certain jurisdictions. In a similar vein, country specific data can also assist regulators in better understanding the effects of national voluntary and legislated initiatives, and thus provide them with useful examples upon which to base future policy decisions.

Figure 3. Number of enterprises disclosing performance data related to GHG emissions



23. The Greenhouse Gas Protocol, created by the World Resources Institute and the World Business Council for Sustainable development, introduced the concept of *scope* for Greenhouse Gas information. Three “scopes” are defined for GHG accounting and reporting purposes to help delineate direct and indirect emission sources, improve transparency, and provide utility for different types of organizations and different types of climate policies and business goals. *Scope 1* emissions are direct GHG emissions that occur from sources that are owned or controlled by the company. An example of Scope 1 emissions would be gases emitted directly from factory processes. *Scope 2* emissions are indirect GHG emissions from the generation of electricity produced by an independent entity and consumed by the company. *Scope 3* emissions are other (not electricity related) indirect emissions that are a consequence of the activities of the reporting company, but occur from sources not owned or controlled by the company. Examples of Scope 3 items would include emissions from suppliers to the reporting entity, specifically related to work done for the reporting entity. Figure 4 below shows the level of detail of GHG emissions data, broken down into the three Scopes.

Figure 4. Use of GHG Protocol ‘scopes’ in emissions reporting
(Number of enterprises)



24. As noted above, 87 of the 100 TNCs in the study reported at least some information on GHG emissions. This finding alone suggests that GHG disclosure among large TNCs is a mainstream practice. Questions remain, however, about the quality and comprehensiveness of the reporting. Nearly half of the 87 companies reporting GHG emissions data did so at Scope 1, or with indistinct data. Indistinct data is measurement figures on GHG emissions without a clear distinction as to the source of the emissions. This study grouped all indistinct reporting with Scope 1 information on company direct emissions only. To clearly distinguish between different Scopes, company reports must include information on such things as whether electricity generation or other sources of fuel are included, whether all business units are included, and how the emissions are calculated. Often missing, this information is crucial to providing investors, policy makers and other stakeholders with a complete understanding the nature of a company’s emissions, and the potential impact of GHG reduction mechanisms on a company’s operations.

25. A third of the companies in the study also reported on Scope 2 emissions, which are the emissions derived from purchased electricity. This demonstrates an important awareness among the companies about the environmental impact of electricity suppliers. It further underscores what has become a key tenet in corporate responsibility, that companies must consider the social and environmental impacts of their suppliers (in this case, electricity suppliers). This is particularly important in a world where there are various technologies for electricity generation, each of which has different levels of GHG emissions. In the future, all else being equal, companies may prioritize investment in locations that have not only affordable energy supplies, but also cleaner energy supplies.

26. Finally it should be noted that a small number of companies in the study (12) reported on all three Scopes outline in the GHG Protocol. Scope 3 reporting in particular demonstrates not only a highly sophisticated reporting system, but a very in-depth knowledge about company operations. While all TNCs require good skills in value chain management, the Scope 3 level of reporting arguably reflects those companies that have a greater than average knowledge of their value chain. This

knowledge, and the information conveyed in Scope 3 reports, can help companies to properly evaluate risks to the entire value chain that might stem from changing GHG emissions regimes. In a world where TNCs are typically highly dependant upon vast value chains, such information becomes crucially important to effective risk management and evaluation of the sustainability of the enterprise.

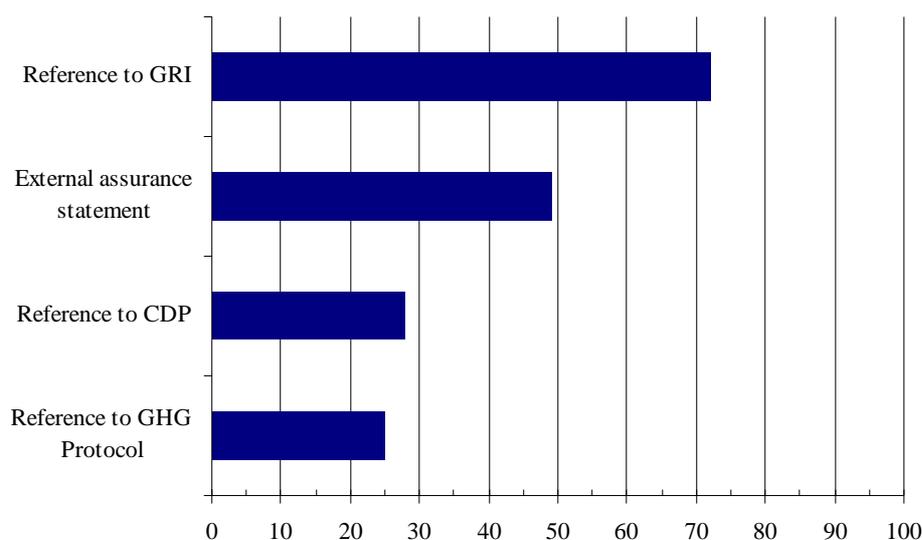
4. Reporting framework and assurance

27. Producing high quality, consistent and comparable reports requires a standardized reporting framework. Providing additional assurance to a report can enhance its credibility. A number of reporting frameworks and assurance standards exist in the area of CSR and environmental reporting. This study looks at one general CSR reporting framework (GRI) which also includes environmental (and specifically climate change) issues. Also examined in this study are the use of two other reporting frameworks, both of which focus more specifically on GHG emissions and climate change.

28. The first climate change specific framework examined is the Carbon Disclosure Project (CDP), which conducts annual questionnaires of companies on carbon emissions and is also the secretariat for the Carbon Disclosure Standards Board, a multi-stakeholder group that seeks to harmonize existing practices in GHG emissions disclosure. The CDP is an independent not-for-profit organisation which holds the largest database of corporate climate change information in the world. The data is obtained from responses to CDP's annual Information Requests asking companies for information on their GHG emissions. The Information Requests are issued on behalf of institutional investors, purchasing organisations and government bodies. More than 1,550 Responding Companies participated in the sixth year of this data request (or CDP6) in 2008. These companies vary in size and include constituents of the Global 500, FTSE 350 and S&P 500 indices.

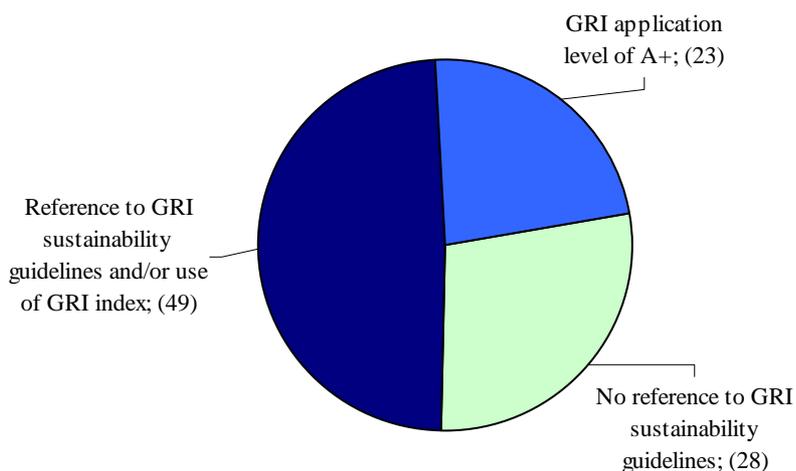
29. The second climate change specific framework examined is the GHG Protocol, already explained above. Finally, the reports of the 100 TNCs were examined to determine if they contained assurance statements related to their environmental reporting.

Figure 5. Number of enterprises referencing reporting frameworks and including assurance statements



30. Of the 100 TNCs in the study, 72 referenced GRI sustainability reporting guidelines. This finding reinforces the generally held view that the GRI reporting framework is the single most commonly used sustainability reporting framework among large enterprises. It is noted, however, that not all enterprises reference the GRI in the same way. As depicted in figure 6 below, nearly half the enterprises do use a GRI index or make a reference to the GRI guidelines in their reports. In some cases, the GRI indicators are referenced as the basis for a company’s own modified set of indicators, or a company selects and reports on a subset of GRI indicators. Almost a quarter of the companies, however, have taken the additional step of declaring themselves to have an application level of ‘A+’ (the most comprehensive level of reporting in GRI’s three level scale which runs from C to A, with an added ‘+’ at any level indicating external assurance). Keeping in mind that the current version of the GRI guidelines was launched in 2006, and that GRI application levels were only introduced in 2006, and that this study focuses primarily on 2008 reports, it is significant to see that nearly a quarter of the companies in this study have so rapidly adopted this reporting framework and its process for self-declaring an application level. This suggests a strong demand from large global enterprises for a commonly recognized standard in sustainability reporting.

Figure 6. Details of reference to GRI guidance
(Number of enterprises)



31. A quarter of the enterprises in the study made reference to the GHG Protocol, with slightly more making reference to the CDP. Although only 25 of the TNCs referred explicitly to the GHG Protocol, it was noted in section 3 above that a significant proportion of companies are categorizing their GHG emissions data according to the 3 ‘scopes’ recommended by the GHG Protocol. While this may be a case of the GHG Protocol simply reflecting existing best practice, it may also be the case that reporting frameworks like the GHG Protocol can influence company reports, even if report preparers do not reference the reporting framework.

32. Companies sometimes choose to add credibility to their reported information by asking for assurance on this information. There are various assurance standards in use, including the two most frequently used: AA1000AS produced by AccountAbility and the International Standard on Assurance Engagements (ISAE3000) produced by the International Accounting and Auditing Standards

Board. This study did not test for the exact assurance standard used, only whether or not an assurance statement of any kind accompanied the company's sustainability reporting. Some level of assurance was provided for nearly half of the reports in this study.

II. Conclusions

33. This study focused on the climate change reporting practices of the world's 100 largest TNCs. The study makes no judgment on the quality of reporting, rather it simply determines whether or not information is reported for selected topics. The results of the study show that a number of voluntary enterprise responses to environmental issues and climate change specifically have become common place. Of the 15 disclosure items tested in this paper, seven of the items were reported on by more than half of the companies. Key examples include: policies on GHG emissions, which are in place in three quarters of the companies studied; environmental management systems and governance mechanisms are in place in well over half the companies; and reporting on GHG emissions, at least at a basic level, was found among the reports of most of the companies in the study.

34. Taken together, these disclosure practices reveal a rough image of current best practice among large global enterprises when it comes to addressing climate change issues: company's create a policy, adopt appropriate management systems and governance mechanisms, and report on their progress. Such activities provide all the essential elements of a typical 'plan-do-check-act' loop (a.k.a. the 'Deming Cycle') which characterizes most modern management systems. This suggests that TNCs are applying their existing management practices to newer areas such as controlling GHG emissions.

35. This study noted in a number of places, however, inconsistencies in reporting practices between enterprises, and different degrees of comprehensiveness in reporting. In the absence of fully developed management tools for some tasks, inconsistencies are likely to continue. The disclosure of GHG emissions, for example, would benefit from a harmonized approach to the way companies explain, calculate and define emissions. Wider adoption of one of the existing generally accepted frameworks for emissions reporting might improve the transparency of calculations and the comparability between companies.

36. While questions about the quality and consistency of reporting remain, this study finds that most of the world's largest TNCs have already begun to adopt a range of voluntary practices to address issues of climate change and make related information available in their public reports. Future work in this area could usefully be focused on continuing to measure the use and usefulness of existing tools, and where possible, strengthening their quality.

Annex I. List of enterprises included in the study

	<u>Corporation</u>	<u>Home economy</u>	<u>Industry</u>
1.	AES Corporation	United States	Electricity, gas and water
2.	Alcoa	United States	Metal and metal products
3.	Altria Group Inc	United States	Tobacco
4.	Anglo American	United Kingdom	Mining & quarrying
5.	Anheuser Busch Inbev ⁷	Netherlands	Consumer goods/brewers
6.	Arcelor Mittal ⁸	Netherlands	Metal and metal products
7.	BAE Systems Plc	United Kingdom	Transport equipment
8.	Barrick Gold Corp.	Canada	Gold mining
9.	BASF AG	Germany	Chemicals
10.	Bayer AG	Germany	Pharmaceuticals/chemicals
11.	Bertelsmann	Germany	Retail
12.	BHP Billiton Group	Australia	Mining & quarrying
13.	BMW AG	Germany	Motor vehicles
14.	British American Tobacco Plc	United Kingdom	Tobacco
15.	British Petroleum Company Plc	United Kingdom	Petroleum expl./ref./distr.
16.	Carrefour SA	France	Retail
17.	Cemex S.A.	Mexico	Non-metallic mineral products
18.	Chevron Corporation	United States	Petroleum expl./ref./distr.
19.	Christian Dior SA	France	Textiles
20.	Coca-Cola Company	United States	Beverages
21.	Compagnie De Saint-Gobain SA	France	Non-metallic mineral products
22.	ConocoPhillips	United States	Petroleum expl./ref./distr.
23.	CRH Plc	Ireland	Lumber and other building materials dealers
24.	Daimler AG ⁹	Germany	Motor vehicles
25.	Deutsche Post World Net ¹⁰	Germany	Transport and storage
26.	Deutsche Telekom AG	Germany	Telecommunications
27.	Diageo Plc	United Kingdom	Beverages
28.	Dow Chemical Company	United States	Chemicals
29.	E.On	Germany	Electricity, gas and water
30.	Eads	Netherlands	Aircraft and parts
31.	Electricite De France	France	Electricity, gas and water
32.	Endesa	Spain	Electric Utilities
33.	Eni Group	Italy	Petroleum expl./ref./distr.
34.	Exxonmobil Corporation	United States	Petroleum expl./ref./distr.
35.	Fiat Spa	Italy	Motor vehicles
36.	Ford Motor Company	United States	Motor vehicles
37.	France Telecom	France	Telecommunications
38.	GDF Suez ¹¹	France	Electricity, gas and water

⁷ Formerly "Inbev SA" in the 2008 World Investment Report.

⁸ Formerly "Mittal Steel Company NV" in the 2008 World Investment Report.

⁹ Formerly "DaimlerChrysler" in the 2008 World Investment Report.

¹⁰ Formerly "Deutsche Post AG" in the 2008 World Investment Report.

¹¹ Formerly "Suez" in the 2008 World Investment Report.

<u>Corporation</u>	<u>Home economy</u>	<u>Industry</u>
39. General Electric	United States	Electrical & electronic equipment
40. General Motors	United States	Motor vehicles
41. Glaxosmithkline Plc	United Kingdom	Pharmaceuticals
42. Hewlett-Packard	United States	Electrical & electronic equipment
43. Hitachi Ltd	Japan	Electrical & electronic equipment
44. Holcim AG	Switzerland	Non-metallic mineral products
45. Honda Motor Co Ltd	Japan	Motor vehicles
46. Hutchison Whampoa Limited	Hong Kong, China	Diversified
47. Hyundai Motor Company	Republic of Korea	Motor vehicles
48. IBM	United States	Electrical & electronic equipment
49. Johnson & Johnson	United States	Pharmaceuticals
50. Lafarge SA	France	Non-metallic mineral products
51. L'Air Liquide Groupe	France	Chemicals
52. Liberty Global Inc	United States	Telecommunications
53. Linde AG	Germany	Industrial trucks, tractors, trailers and stackers
54. Marubeni Corporation	Japan	Wholesale trade
55. McDonald's Corporation	United States	Food & beverages
56. Metro AG	Germany	Retail
57. Mitsubishi Motors Corporation	Japan	Motor vehicles
58. Mitsui & Co Ltd	Japan	Wholesale trade
59. National Grid Transco	United Kingdom	Energy
60. Nestlé SA	Switzerland	Food & beverages
61. Nissan Motor Co Ltd	Japan	Motor vehicles
62. Nokia	Finland	Telecommunications
63. Novartis	Switzerland	Pharmaceuticals
64. Panasonic ¹²	Japan	Electrical & electronic equipment
65. Pernod Ricard SA	France	Beverages
66. Petronas - Petroliam Nasional Bhd	Malaysia	Petroleum expl./ref./distr.
67. Pfizer Inc	United States	Pharmaceuticals
68. Philips Electronics	Netherlands	Electrical & electronic equipment
69. Pinault-Printemps Redoute SA	France	Wholesale trade
70. Procter & Gamble	United States	Diversified
71. Renault SA	France	Motor vehicles
72. Repsol YPF SA	Spain	Petroleum expl./ref./distr.
73. Rio Tinto Alcan ¹³	Australia, Canada	Metal and metal products
74. Roche Group	Switzerland	Pharmaceuticals
75. Royal Dutch/Shell Group	United Kingdom, Netherlands	Petroleum expl./ref./distr.
76. RWE Group	Germany	Electricity, gas and water
77. SAB Miller	United Kingdom	Consumer goods/brewers
78. Samsung Electronics Co., Ltd.	Republic of Korea	Electrical & electronic equipment
79. Sanofi-aventis	France	Pharmaceuticals
80. Schlumberger Ltd	United States	Other services
81. Siemens AG	Germany	Electrical & electronic equipment

¹² Formerly "Matsushita Electric Industrial Co., Ltd" in the 2008 World Investment Report.

¹³ Formerly "Alcan" in the 2008 World Investment Report.

	<u>Corporation</u>	<u>Home economy</u>	<u>Industry</u>
82.	Singtel Ltd.	Singapore	Telecommunications
83.	Sony Corporation	Japan	Electrical & electronic equipment
84.	StatoilHydro ¹⁴	Norway	Petroleum expl./ref./distr.
85.	Telefonica SA	Spain	Telecommunications
86.	TeliaSonera AB	Sweden	Telecommunications
87.	Thomson Reuters ¹⁵	Canada	Media
88.	Thyssenkrupp AG	Germany	Metal and metal products
89.	Total	France	Petroleum expl./ref./distr.
90.	Toyota Motor Corporation	Japan	Motor vehicles
91.	Unilever	United Kingdom, Netherlands	Diversified
92.	United Technologies Corporation	United States	Transport equipment
93.	Veolia Environnement SA	France	Water supply
94.	Vivendi Universal	France	Diversified
95.	Vodafone Group Plc	United Kingdom	Telecommunications
96.	Volkswagen Group	Germany	Motor vehicles
97.	Volvo AB	Sweden	Motor vehicles
98.	Wal-Mart Stores	United States	Retail
99.	WPP Group Plc	United Kingdom	Business services
100.	Xstrata PLC	United Kingdom	Mining & quarrying

¹⁴ Formerly “Statoil Asa” in the 2008 World Investment Report.

¹⁵ Formerly “Thompson Corporation” in the 2008 World Investment Report.

Annex II. Breakdown of industrial sectors, by frequency

<u>Sector</u>	<u>Number of enterprises</u>
Motor vehicles	13
Petroleum expl./ref./distr.	10
Electrical & electronic equipment	9
Telecommunications	8
Pharmaceuticals	6
Electricity, gas and water	5
Diversified	4
Metal and metal products	4
Non-metallic mineral products	4
Retail	4
Beverages	3
Chemicals	3
Mining & quarrying	3
Wholesale trade	3
Consumer goods/brewers	2
Food & beverages	2
Tobacco	2
Transport equipment	2
Aircraft and parts	1
Business services	1
Electric Utilities	1
Energy	1
Gold mining	1
Industrial trucks, tractors, trailers and stackers	1
Lumber and other building materials dealers	1
Media	1
Other services	1
Pharmaceuticals/chemicals	1
Textiles	1
Transport and storage	1
Water supply	1