International Institute for Environment and Development

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7 Study Tour II: Sustainability Reporting (London)

7.1 Summary

During the course of the BP-IIED relationship, IIED reviewed and commented on two of BP Azerbaijan's Sustainability Reports (2005 and 2006).

As part of the Mentoring Programme and the overall work on sustainability reporting, IIED organised a study tour to London for Ayla Azizova, a member of the BP-Azerbaijan sustainability reporting team. This took place in **February 2007** and involved a structured set of meetings with opinion-formers and practitioners in the field of sustainability reporting and corporate social responsibility. The purpose was:

- To learn more about how different organisations engage in sustainability reporting and the 'state of the art' in corporate sustainability reporting; and
- To gain insights into how the outside world views BP Azerbaijan and what kind of reporting is most effective and useful to external stakeholders.

The aim was for Ayla to meet with other companies and organisations that produce sustainability reports; NGO users of such reports; consultants who provide technical expertise in this field; and organisations working to develop reporting standards and guidelines.

IIED made contact with companies and organisations that they had already engaged with professionally, and they had a good response. Ayla met with Aviva, SustainAbility, Vodafone, Traidcraft, Environmental Resources Management (ERM), Corporate Citizenship, Unilever, Accountability, and the Corporate Responsibility (CORE) Coalition.

In preparation for her trip, Ayla compiled a background paper highlighting key areas of interest and questions for the respondents. IIED facilitated the initial contact and planned the overall logistics for the visit.

Follow-up took the form of a feedback report sent to all respondents and some further email correspondence with some of them. Ayla also circulated her trip report 'Corporate Social Responsibility Learning Trip to the UK' around BP Azerbaijan and gave an internal presentation for colleagues. The experience was also shared with the local sustainability reporting team in BP Angola.

BP staff felt that the sustainability reporting collaboration probably had the most impact on their operations. It gave the reporting team the confidence to focus more on responding to stakeholder needs in their sustainability report. They adapted the BP Global sustainability reporting template to make it better suited to Azerbaijan.

IIED subsequently commented on a draft of the 2006 sustainability report, and received detailed feedback from the reporting team. The IIED and BP teams met up in Baku after the study tour, and discussed feedback from the visit, follow-up actions, IIED's comments on the 2006 report, and BP Azerbaijan's responses to those comments.

7.2 Expectations

Ayla was very keen to learn more about the current company reporting/social auditing agenda and gain insights into 'what sustainable development means for an oil company'. She was also keen to find out more about how people from different organisations based in London viewed issues around the BTC pipeline.

This was the first time that a local representative of BP Azerbaijan had talked about their own work and elicited the views of external parties on that work from organisations working outside Azerbaijan. Before the trip, Ayla's manager was unsure what the reaction of other organisations, particularly NGOs, would be to Ayla's visit. 'It would be a challenge to hear some of the feedback from the UK-based NGOs to BP Azerbaijan's work.'

Ayla was particularly interested in:
- *How businesses understand the notion of sustainable development.* Is there a single definition in use? How can business contribute to sustainable development? Can an oil company ever be sustainable?
- *How businesses interact with other major players* in the field of sustainable development: civil society/NGOs, government?
- *How do companies/organisations assess their contribution to sustainable development* in a specific context? What key performance indicators are used?
- *What CSR activities do companies engage in?* How do these differ in the different countries that a multinational company operates in?
- *How do other organisations use their sustainability report?* How do they produce it? What kind of feedback do they get on drafts? Is that mostly an internal process?

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The respondents were interested in learning more about:

- The challenges Ayla's team were addressing in the specific social and political context of Azerbaijan
- The benefits to business of effective stakeholder engagement
- How a company sees the 'limits' to CSR and the relative roles and responsibilities of NGOs, governments, and business (e.g. managing the tensions if NGOs such as opposition groups are seen as threatening government; or assessing the responsibility of a company if a government is corrupt and tax payments don't trickle through)

7.3 Impressions

Ayla found all of the meetings very stimulating. Some highlights included:

- Learning about Vodafone's stakeholder engagement process and how they started writing their sustainability report
- Discovering that Unilever have some of the same challenges as BP – including the internal challenges of certain departments being resistant to external reporting
- Learning more about sustainability reporting rankings/ratings from SustainAbility and AccountAbility
- Discussing environmental and social impact assessment with ERM

Ayla felt it was useful to talk to a range of organisations – including NGOs – to get a broader view of sustainable development, sustainability reporting and CSR. She would have liked to have met with a couple of oil and gas companies, but unfortunately that could not be arranged through IIED's contacts.

Overall, IIED staff appreciated the opportunity to engage closely with BP Azerbaijan on their sustainability reporting. This involved being able to make comments on the draft 2005 and 2006 reports. One area of concern to IIED was BP's definition of 'sustainability', which focuses on the sustainability of their operations. Social and environmental sustainability are seen as important only inasmuch as they contribute to the sustainability of the business:

> "By sustainability we mean the capacity to endure as a commercial organisation by renewing assets; creating and delivering better products and services that meet the evolving needs of society; delivering returns to our shareholders; attracting successive generations of employees; contributing to a sustainable environment, and retaining the trust and support of our customers and the communities in which we operate."[30]

The BP Azerbaijan reporting team found the comments from an external organisation very helpful. IIED staff were impressed by the detailed responses provided. The two organisations agreed to differ on the definition of 'sustainability'. This was in any case not something that the local reporting team had any influence over.

For the study tour IIED played the role of 'fixer', which proved to be quite a challenge given limited resources: 'It wasn't a role for a researcher, more for an administrator. There were time constraints.'

IIED staff were pleasantly surprised at the willingness of other organisations to meet Ayla. They had been concerned about whether their contacts would get something out of it or just felt as though they were doing IIED a favour. But feedback suggested that respondents did get something from the meetings. In the long term, however, IIED felt they would not be able to draw on the same contacts too often (which affects the replicability of such an exercise.)

IIED staff deliberately did not attend all the meetings with Ayla as that would have undermined her independence. One IIED counterpart attended a couple of meetings, but otherwise was not very closely involved. This had the negative outcome of IIED being less directly involved in the learning process. However, there was a joint de-briefing session which helped Ayla to compile lessons and feedback from her trip.

Both IIED and Ayla noted that there had been some logistical challenges in getting to all her meetings (getting lost etc.). Maps and contact details were all provided, but it might have been useful if IIED had dedicated someone to help with directions a little more. As noted above, however, there were time and resource constraints.

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[30] See inside cover of BP sustainability report 2006.

Learning and feedback from the study tour

1) What does sustainable development mean for an oil company?

Everyone defines 'sustainable development' as they want to see it. Any organisation (business, NGO, government) has to define up front what they mean by it.

Nonetheless, there is agreement that oil and gas development is inherently 'unsustainable'. An 'energy company' could eventually become a 'sustainable' business if it shifted its focus to renewable energy sources. But even re-styled 'energy companies' such as BP have a long way to go before demonstrating their commitment to move away from oil and gas as their main business activity.

Oil companies can legitimately talk about their **'contribution to sustainable development'**, including:

- Minimising the negative environmental and social effects of oil and gas development
- Maximising the positive effects, including local procurement, employment and training, community investment and revenue distribution.

2) What are the limits to corporate social responsibility?

There are three main reasons why companies engage in CSR: a) reputation; b) 'licence to operate'; and c) customers (innovation, diversification). These can be related to the 'business case' for responsible practice. But should a company seek to go **beyond the 'business case'**? And if so how?

A company needs to strike a balance between 'too little' and 'too much' CSR (e.g. building civil society capacity while retaining positive government relations). There is no clear understanding of where the limits to CSR 'could' or 'should' be set. A company needs to:

- determine its own CSR limits
- identify its ultimate goals with CSR
- develop a strategy to achieve its CSR goals (embedded in its regular business activities)
- engage in dialogue with stakeholders to negotiate the boundaries of CSR.

A stakeholder engagement plan can help to identify the range of stakeholders and develop external and internal communications strategies, thus aiding efforts to determine CSR limits.

3) How can sustainability reporting help?

A sustainability report needs to be clear about the CSR goals and limits. There may be limits to what a company can say about their aspirations (e.g. the civil-society/government relations balance).

Sustainability reporting can have a **positive impact** on the way a business operates, by:

- enhancing self-organisation for better 'sustainable development' performance
- improving internal and external communications
- providing an overall sustainable development direction for the business.

Challenges include the following:

- Internally, sustainability reporters may suffer push-back from colleagues who resent measuring and reporting on indicators
- It may be difficult to ensure consistency in recording data
- While environmental reporting is well established, in some areas, such as social issues, performance is less easy to measure and reporting is a newer requirement
- Reporters need to be clear about the assumptions upon which reporting is based.

Trust and transparency: Responsible investors increasingly care as much about what a company is doing as they do about their profit margins. Sustainability reporting helps to build trust through transparency.

Reporting rankings provide an incentive for companies to perform better. However, when chasing rankings there is a risk that companies lose sight of their actual goals. They need to really understand what they want to achieve and whether sustainability reporting is delivering this goal.

Which standards to use? The sheer number of standards that are used today can also be confusing. Companies need to make an informed decision about which ones best suit their purposes.

7.4 Impact

As noted above, the work on sustainability reporting was felt to have had the biggest impact on BP's work, and therefore had the biggest impact on people outside of BP in Azerbaijan. The 2006 sustainability report was directed to a wider population with increased transparency and more information. It was tailored to suit stakeholder needs: 'For example, the stakeholders wanted employment data and we provided it.'

Ayla's trip report, 'Corporate Social Responsibility Learning Trip to the UK', was well received within BP Azerbaijan and raised awareness both internally and internationally (e.g. in BP Angola).

7.5 Replication and recommendations

The success of this tour depended to a great extent on the enthusiasm, commitment and talent of the individual undertaking the tour. Ayla turned out to be a particularly good candidate for such an initiative. Overall, BP staff felt that the tour was an invaluable opportunity that could very usefully be replicated, with a single person or with a group of people.

Success also depended on the contacts that IIED was able to invite to take part in meetings. Despite an extremely positive response from their contacts, in the long term, IIED felt that they would not want to abuse that generosity, so could not replicate the activity too many times.

IIED also noted that to some extent the enthusiasm of their contacts was related to the topic of the study tour (sustainability reporting) and the fact that Ayla came from a multinational company working on a particularly controversial project – the BTC pipeline. It was also very interesting for them that she was a local Azerbaijani staff member herself, and brought her own perspectives as a local citizen.

Both sides agreed that a great benefit of the study tour was that there was a clear purpose and that it resulted in tangible outcomes.

Recommendations can be summarised as follows:

- Ensure a clear purpose for any study tour, and this should be discussed in advance with all parties.
- Select individual(s) for the study tour who are driven and motivated.
- Ensure that the organisations to be visited are interested and responsive – there should also be a clear benefit to those organisations.
- Take care in the use of personal contacts: they are very useful for facilitating meetings but the same contacts cannot be drawn upon too many times.
- Maximise the role of the host think tank/NGO in providing contacts for the meeting, in suggesting ideas for discussion, in thinking through lessons learned and feedback reports, and in facilitating follow up.
- Ensure excellent administrative and logistical support. Avoid giving these duties to a researcher to fit in among other commitments. Consider hiring an independent but trusted fixer, or failing that, providing a dedicated administrative staff member of the host NGO with adequate time and resources to take on this role.

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