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Corporate Sustainability Benchmarking

What Are Boston's Top Businesses Doing About Sustainability?

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The term *sustainability* is becoming more common in business language, yet there is no consensus about how to compare the varying corporate approaches and commitments to this evolving area of business management. Who are the leaders? The laggards? How is success defined?

Perhaps stakeholders have asked what your company is doing to be "greener," or maybe you are actively beginning to integrate sustainability into your organization. Some of you may even be writing a sustainability report to convey your goals, objectives, and performance to a broader audience. No matter where you fall in this spectrum, there is little doubt that weaving sustainably into operations, infrastructure, strategy, and products is the future of business. For example, Carbon Disclosure Project (CDP) recently reported that companies that are considered leaders in addressing climate change outperformed the Global 500 average return by two-to-one (CDP, 2011).

How is this possible? A well-designed sustainability strategy considers the environmental, social, and economic impacts of a company from a variety of perspectives. It has the potential to mitigate risk, ensure that supplies and services are available, and meet and exceed current regulations. It may even put your company in the position to anticipate and possibly shape future regulations. Additionally, putting into practice or "operationalizing" sustainability can improve business efficiency, reduce operating costs, enhance employee commitment, and open up opportunities for new innovations in product development or service delivery. Taking the next step to report on your sustainability efforts solidifies credibility, strengthens your reputation, and promotes transparency and accountability, which may increase investor confidence and, ultimately, contribute to your bottom line.

This may lead you, and any other company considering the role of sustainability in their business, to some obvious questions:

- How can I find out where my company stands?
- Is my sector being scrutinized for these issues?
- Is there potential for negative exposure or being perceived as lagging in this area?
- What are my competitors doing in this area?
- Can I gain a competitive advantage by implementing a sustainability program?

To begin to address some of these questions, we conducted a high-level study investigating what trends, if any, are starting to emerge among the business leaders in the Boston area. We focused our research on a sample of top Boston-based companies that represent highly relevant sectors in this region, in an attempt to shed light on their sustainability efforts. Our goal was not to assess performance, but rather to analyze the level of transparency within and between these sectors and to identify a list of common aspects of corporate sustainability programs. While this analysis was limited to a small sampling of companies, we were able to draw some basic conclusions that offer insight into the local norms and minimum requirements for developing a credible sustainability program.

The Boston area is a hub for innovation and technology, among several other key business areas. We focused the scope of our benchmarking exercise on the sustainability efforts of a representative cross-section of local publicly traded companies. The companies we reviewed were drawn from the Boston Top 150 Public Companies list published in the Boston Business Journal "Book of Lists: The 2011 Book of the Who's Who in Boston Business." We chose 25 companies from five of the List's most prominent sector categories:

- Biomedics/Genetics & Biotech
- High Tech
- Financial Services
- Manufacturing
- Retail

In order to compare the sustainability efforts of each company, we developed a set of indicators that we predicted to be commonly reported across many sectors. An indicator is a measure that is either observed or calculated that helps to show a

Table 1

Indicators for Benchmarking Corporate Sustainability Programs

Qualitative Indicators	Quantitative Indicators
Sustainability / Corporate Social Responsibility (CSR) Report – Company produced a document describing sustainability priorities, initiatives, management structure, and performance.	**GHG Target –** Company has set a target amount and date for achieving greenhouse gas (GHG) reductions.
GRI Report – Company produced a CSR Report conforming to the standards of the internationally accepted framework of the Global Reporting Initiative (GRI).	**GHG Scope 1 –** Company reported direct GHG emissions, arising from sources such as stationary combustion, fleets, etc.
CDP Report – Company submitted a response to the Carbon Disclosure Project (CDP), a widely distributed survey of corporate greenhouse gas and water management practices.	**GHG Scope 2 –** Company has reported indirect GHG emissions arising from imported energy such as electricity or district heating/cooling.
LEED Buildings – Company has built or is in the process of building a facility certified to the Leadership in Energy and Environmental Design (LEED) standards of the U.S. Green Building Council.	**GHG Scope 3 –** Company reported other indirect GHG emissions arising from sources such as commuting, air travel, product use, or supply chain.
Supplier Code of Conduct – Company has developed a document laying out ethical and environmental standards which suppliers are expected to uphold.	**Fuel or Electricity Used –** Company reported amounts of fuel and/or electricity consumed in its operations.
Community Involvement/Philanthropy – Company described priorities, initiatives, or programs for community engagement, volunteering, or charitable giving.	**Water Used –** Company reported amount of potable water used in its operation.
Diversity – Company discussed priorities, initiatives, or programs related to ethnic, gender, socioeconomic, or other diversity concerns.	**Water Recycled –** Company reported amount of water recycled or reused on-site in its operations.
Sustainability Tools – Company described specific methodologies, third-party frameworks, software, or other tools to support sustainability programming.	**Waste Produced –** Company reported amount of waste materials generated in its operations.
	Recycling – Company reported waste materials diverted from the landfill for recycling.

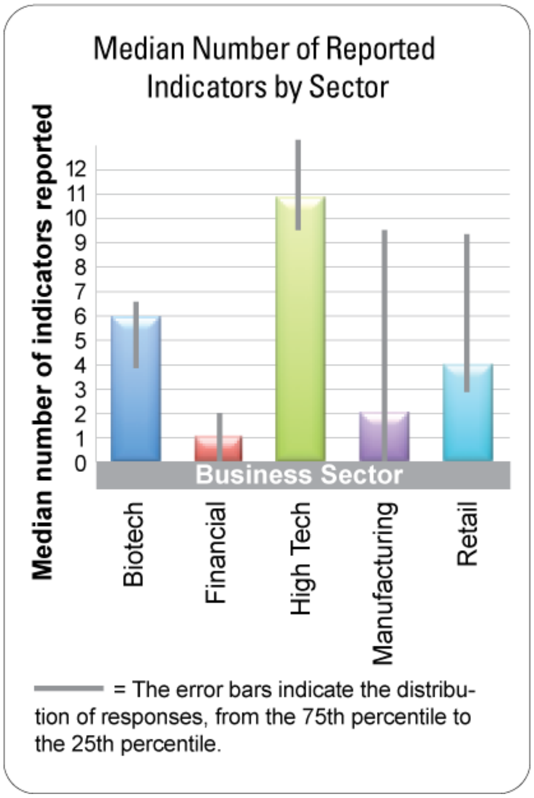
trend. Indicators enable you to understand where you are, the direction you're going, and how far you are from where you want to be. We selected indicators that we thought would transcend sectors and would be relevant for all the companies in the assessment. These included a mix of quantifiable aspects of sustainability performance and qualitative indicators such as adherence to third-party standards. The set of indicators that we developed are outlined in **Table 1.**

We collected this information from publicly available sources such as the companies' websites and sustainability reports (if any exist), and searchable databases from the Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), and the U.S. Green Building Council (USGBC). It is possible that some data may have been missed; however this approach provides a relatively quick method to screen the corporate sustainability landscape.

A summary of our findings, according to sector, is shown in **Table 2** (see page 6). One interesting trend, as highlighted in **Figure 1** (left), is the degree to which sustainability overall is mentioned in company literature. The figure shows a

Figure 1

Figure 2



breakdown of how sustainability initiatives are commonly reported, including GRI reporting (more standardized and typically more rigorous), self-generated CSR reporting, and website statements. Taken together, 64% of the companies surveyed mentioned at least some aspect of sustainability in their published materials. The remaining 36% did not mention sustainability in company literature at all.

The fact that a majority of companies did highlight some aspect of sustainability may point to the growing acceptance of sustainability as a de facto business consideration.

Figure 2 shows how the number of indicators reported in each sector varied. Of the 25 companies we surveyed, 42% disclosed one or more of the quantitative indicators, but there was no overall consensus in terms of commonly reported indicators across *all* sectors. A majority of the companies surveyed (84%) reported on one or more of the qualitative indicators, which included more established social indicators such as community involvement and diversity. This variety in response may reflect the fact that the drivers for and impacts on sustainability can differ widely between sectors. For example, supply chain impacts are critical to the retail sector. Since retail is dependent on suppliers to extract, process, and ship the goods they sell, its sustainability exposure and impacts often occur "upstream." However, the supply chain may not be as important to the financial services sector since, by nature, finance is more reliant on direct human capital than material goods. So what is the take-home message? Sustainability is not a topic to be considered in isolation—that is, a cookie cutter approach will never suffice. Sustainability should be approached in terms of systems and context, such as regional, cultural, and institutional factors, and most importantly, a sustainability agenda should be aligned with a business's overarching mission and objectives.

Across all sectors, the most reported indicator was community involvement and philanthropy; the least reported was waste generated (see **Figure 3** below). It is good to keep in mind that what is reported may not reflect what a company actually deems most important. For example, many companies report on recycling since it is often one of the most well-established environmental programs and data is probably readily available. What might be a more telling indicator of a company's priorities is the waste minimization rate; in other words, is the company reducing its overall generation of waste? But as you can see from our sample, few companies disclose this type of

Figure 3

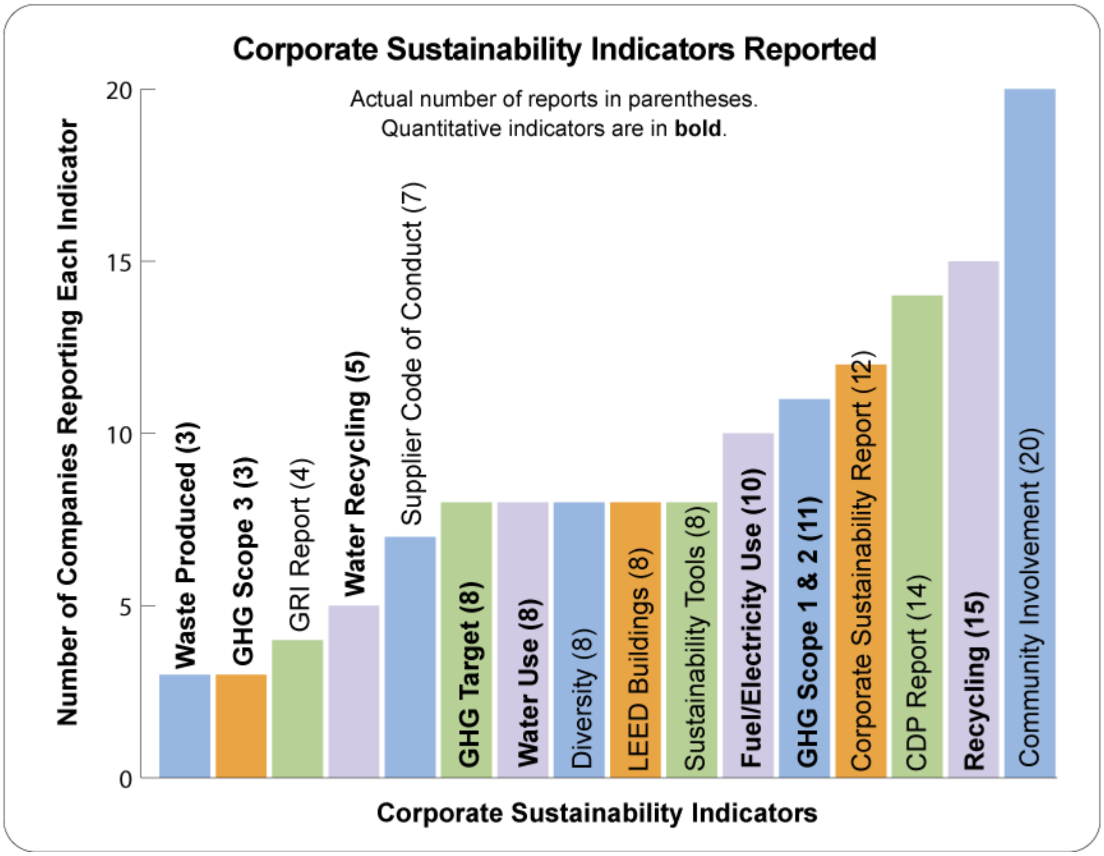


Table 2

Overview of Corporate Sustainability Indicators in Top Boston-Area Business Sectors

Sector	Company	Sustainability Reporting			Energy/ Carbon/ Built Environment						Water		Waste		Stakeholders			Tools
		Sustainability / CSR Report	GRI Report	CDP Report	GHG Target	GHG Scope 1	GHG Scope 2	GHG Scope 3	Fuel or Electricity Used	LEED Buildings	Water Use	Water Recycled	Waste Produced	Recycling	Supplier Code of Conduct	Community Involvement & Philanthropy	Diversity Discussed	Sustainability Tools Discussed
Biomedics/ Biotech	Boston Scientific Corp.			X		X	X			X				X		X	X	
	Genzyme Corp.			X						X						X	X	
	Biogen Idec Inc.	X	X	X	X	X	X		X	X	X	X		X		X	X	X
	Waters Corp.	X		X	X									X		X		X
	Parexel International Corp.									X								
Financial Services	State Street Corp.	X	X	X	X	X	X	X	X		X	X		X		X	X	
	Hanover Insurance Group Inc.															X	X	
	Eaton Vance Corp.																	
	Affiliated Managers Group Inc.																	
	Berkshire Hills Bancorp Inc.															X		
High Tech	Raytheon Co	**X**		**X**	X	X	X		X	X	X	X	X	**X**		**X**	X	X
	Thermo Fisher Scientific Inc.	**X**		**X**	X					X				**X**		**X**		X
	Analog Devices Inc.	**X**		**X**	X	X	X		X		X	X		**X**		**X**		
	PerkinElmer Inc.	**X**		**X**		X	X	X	X		X			**X**	X	**X**		X
	Millipore Corp.	**X**	X	**X**	X	X	X		X	X	X	X	X	**X**	X	**X**	X	X
Manufacturing	EMC Corp.	X	X	X	X	X	X		X			X		X	X	X		X
	Cabot Corp.	X		X		X	X		X	X	X			X		X	X	
	Watts Water Technologies Inc.																	
	UniFirst Corp.													X		X		
	Circor International Inc.																	
Retail	Staples Inc.	X		X		X	X		X		X		X	X	X	**X**		
	TJX Cos.	X		X		X	X	X	X					X	X	**X**		
	BJs Wholesale Club Inc.													X	X	**X**		
	Talbots Inc.														X	**X**		X
	Boston Beer Co. Inc.															**X**		

Companies reviewed, by sector (rows) and reported indicators (columns). Indicators are grouped according to themes. A bold “X” indicates that all companies in a given sector reported on the indicator listed.

information. This may either be due to lack of available data or a hesitancy to reveal the actual trends in performance.

The science of sustainability indicators is still under development, with companies wrestling with definitions and scope, and attempting to determine which indicators truly reflect the impacts and performance of their business. Among the companies we studied, there did not appear to be a correlation between the size or annual revenue of the individual companies and their selection of indicators. Rather, the trends could be roughly grouped by sector. On a sector-by-sector basis, it appeared that high technology was the leader in transparency (reporting the highest number of indicators), followed by biotechnology, retail, manufacturing and, finally, financial services.

In the high technology sector, every company reported on the qualitative indicators, and all but one company reported on quantitative indicators. This was the only sector in which every company had a corporate sustainability report, reported to the CDP, disclosed their recycling volume, and discussed their programs for community involvement and philanthropy. Many companies in this sector discussed both environmental as well as social responsibility as they relate to sustainability.

The biotech sector as a whole reported on the second highest number of indicators, though the focus appeared to be on qualitative rather than quantitative measures. The most-reported indicators in this sector were CDP reporting, LEED-rated facilities, and community involvement and philanthropy. One interesting observation was that the majority of companies surveyed in this sector reports to CDP but there was little consistency in each company's willingness to publicly release the quantitative information (GHG emissions by scope, energy use, etc.) that is contained in the CDP response. (For those of you not familiar with CDP, this voluntary reporting program, which is focused on carbon management, allows participating companies to either report all of the information in their survey response or merely list the company as being a reporter.)

The retail sector reported on the third-highest number of indicators with two companies leading the way, Staples Inc. and TJX Companies. The most reported indicator was community involvement followed by supplier code of conduct, diversity, and recycling. Similar to biotech, the more widely reported indicators in this sector were qualitative. This sector had the highest number of companies reporting supplier codes of conduct, which is likely due to supply chain concerns—such as supplier labor, compensation, compliance, and quality—being more relevant for this group. History has shown that the supply chain can be a prominent reputational risk for this sector, as exemplified by the Nike sweat shop scandal and other stories regarding supply chain concerns that broke ground in the 1980s.

The manufacturing sector ranked fourth overall for indicators reported. The two indicators most reported were recycling and community involvement, however this sector had quite a bit of variability in the number and type of reported indicators. It thus appeared that there was little consistency within this sector in terms of establishing a core set of relevant sustainability indicators. The nature of the manufacturing business may lead to the perception that the sector would report on more sustainability topics because of an assumed high level of material use and pollution generation, but overall we found a lack of transparency. Perhaps a larger sampling or targeted sectorial breakdown would reveal more insightful trends.

According to our analysis, the lagging sector was financial services, with the fewest number of reported indicators out of any sector. Only one company, State Street Corporation, had a sustainability report and reported to the CDP (including disclosing quantitative information). The

most commonly disclosed indicator in this sector, not surprisingly, was one of our social indicators, community involvement and philanthropy, which was reported by three out of five companies. Philanthropic programs have a long-established history within the financial sector, given its access to capital and interest in maintaining good community relations. Reporting on environmental responsibility, however, was lacking. This may reflect a perception that environmental impacts are not as material to companies within this sector (due to rented offices, electronic processing, service-oriented businesses, etc.) or that there is not much opportunity in terms of sustainability. However, State Street Corporation (also the largest company) demonstrates that it has a different perception, which may be working to their advantage.

As we look at each sector and what is being reported, we can gain a better sense of the emerging trends as well as the work that is still needed to make sustainability mainstream. **Most prominently, factoring sustainability into your company's public-facing communications, whether through a formal sustainability report, disclosing specific environmental information, or describing your company's philosophy toward community outreach, has become a standard practice in the business world.**

Yes, the landscape is rapidly evolving such that stakeholders are now asking companies to operate responsibly and report or demonstrate this effort publicly. Rating agencies, such as Standard & Poor's, Moody's, and Dow Jones Sustainability Indexes (DJSI), look at sustainability efforts and benchmark them as well. A positive rating in this area will most likely improve a company's stock price and future investment potential.

While the individual drivers and issues may differ from company to company and sector to sector, in general, you should be prepared to address a range of sustainability-related questions from your shareholders, employees, local community, and the government. No matter what sector you are in, we encourage you to take the following first steps toward building your sustainability program in a credible and transparent manner:

1. Determine which sustainability issues are most relevant or "material" to your business (for a description on how to do this, see our blog on sustainability survey fatigue).
2. Establish a data management system to gather information on how you are addressing these issues.
3. Report on your sustainability goals, initiatives, and performance. From our research and experience with our clients, we recommend including some basic elements that are becoming the standard fare of sustainability indicators:
    a. Craft a sustainability statement for your company's public-facing communications.
    b. Write a corporate sustainability report, and if possible follow the GRI guidelines.
    c. Establish your carbon footprint and report to CDP and/or independently disclose quantitative information on GHG / carbon management.
    d. In keeping with the triple bottom line definition of sustainability, report on community involvement and/or other social responsibility aspects of your business

Designing a sustainability program should involve taking a hard internal look at what your company is doing, and carefully weighing external factors such as sector norms and stakeholder expectations. We believe that it is in your company's best interest to start on the path toward sustainability now, and align yourself with the established sustainability leaders. Waiting for regulations to force compliance and risking the perception that you are neglecting these important areas of business management will not serve your company's long-term growth.

The indicators we chose may be representative of what your stakeholders—including rating agencies—are looking for when they decide to invest. We have spent the last ten years helping companies integrate the ingredients of a sustainable business—environmental, social, and technological excellence—into practical, actionable measures that contribute to business growth and value. Tools such as GRI allow you to package these actions into a cohesive narrative of your company's path toward sustainability, in the form of a corporate sustainability report that incorporates both quantitative and qualitative data to show that your company values transparency. As our clients and many others can attest, continually improving upon sustainability efforts will differentiate your company from competitors and put you in a solid position to increase business value. We hope that this white paper will provoke a dialogue about collecting and reporting sustainability information, and about the value of transparency.