

## Columns



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## Ask the Experts

by Steve Rice, Richard MacLean, and  
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## Lessons Learned

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**Now that companies have been issuing external EH&S and sustainability reports for the better part of the past ten years, what lessons have been learned?**

**Steve:** I checked with Andrew Broadbent of Sunoco, which has issued an [external EH&S report](#) for the past 12 years, for what lessons they have learned over the years:

- Don't take the effort lightly. Either be intentional about the effort or don't do it; a half-hearted attempt is worse than none.
- Use how you tell your story to show the readers who you are. If you're an industrial company, show industrial pictures; use in-facility photographs that capture real people doing real things.
- A Web-based report is an important communication method, but don't underestimate the effort required.
- Determine the style of web report you want and ensure that whomever is helping you with it can handle the volume of work within the desired time frame. Also ensure that they have the proper technology to interact with the servers hosting the report.
- If you indicate goals, indicate which are practical targets and which are ultimate objectives. "Twenty-three wastewater non-compliances" for the upcoming year is only a target toward an ultimate goal of "zero wastewater non-compliances." Otherwise the company is subject to being perceived as believing that 23 violations is acceptable.
- Use a variety of communication outlets, including print summaries, Web pages and CDs

He also feels that most people who issue reports are harder on themselves than others are.



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I offer the following additional suggestions:

- Have it signed by both the lead EH&S and/or sustainability executive and the company president or CEO to demonstrate commitment and belief in the results provided.
- Provide relevance by comparing results to industry and/or compiled peer company averages.
- Indicate where the company has not been as successful as desired, why, and what's being done to correct the situation.
- Present data in a normalized (per pound of product, per sales dollar, etc.) manner whenever possible.
- Indicate not only where the company's EH&S and/or sustainability efforts have been and where they are, but also where they are headed.
- Include an outside advisor on your metrics and reporting team -- he/she can provide perspective, insight and commentary that inside people are not able, or willing, to provide.

In the end, I've found that stakeholders can accept a company's imperfections, so long as the company is honest about them and is working to improve.

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### What is a "non-governmental organization" (NGO)?

**Richard:** "NGO" is a broad term encompassing a wide array of diverse organizations that are beyond any simple definition. NGOs can be private agencies that support international development or can be indigenous groups organized nationally or regionally. They can be citizen groups that raise awareness among the public and influence government policy. Various charitable and religious associations that mobilize private funds and use them for the development of society also are considered NGOs.

They are typically nonprofit, voluntary organizations structured to provide a service or provide development support to communities or to some greater societal goal. They're also often independent, non-sectarian organizations working for the empowerment of economic and/or socially marginalized groups. In our profession, I suppose one might consider "the environment" as a marginalized group with NGOs acting to protect the flora and fauna that obviously don't have the wherewithal to send a lobbyist to Washington, D.C. At the UN, private bodies that do not have any of the following fundamental features are recognized as NGOs:

- Commercial organizations
- Organizations that engage in violence or advocate violence as a political tactic
- Organizations that have the stated goal of replacing existing governments
- Organizations that are under direct control of any government

There are also "NGO pretenders" that may be registered legitimately as NGOs but serve none of the intended purposes. They even have acronyms and some of the more amusing are:

- **BRINGO** (Briefcase NGO) -- nothing more than a briefcase carrying a well-written proposal
- **ComeN'GO** (Come & GO NGO) - appears spasmodically; only used by the owners when the NGO pasture looks greener
- **CONGO** (Commercial NGO) - sets up businesses in order to participate in bids, helps win contracts and reduce taxation
- **CRINGO** (Criminal NGO) - Organization established for illegal purposes,

especially import-export (i.e., smuggling); common in transition economies

Although these acronyms are amusing, the fact remains that some NGO pretenders have been created for questionable or illegal reasons. The scrutiny over the creation of such organizations has increased dramatically since the 9/11 terrorist attack. For example, I created a university-based environmental research organization, [Center for Environmental Innovation](#), back in 1997. It took an effort spanning six months and two thousand dollars in legal fees to get through the IRS hurdles to receive the converted 501 (c) (3) status as an educational NGO. Today, it would take several times that effort.

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**I'm very interested in supporting, and investing in, renewable energy markets (e. g. wind power, fuel cells, etc.). What are the major companies aligning their efforts in these directions?**

**Jeff:** Renewable energy appears to be a crowd favorite, as this column has responded to the issue over the years [in many different ways](#), a hopeful sign. Renewable energy, once the realm of small startups, is now big business. While it remains a small fraction of all fuels use, it is a market which is growing rapidly. For example, the [American Wind Energy Association](#) states that wind energy could grow from the current 1% to 6% by 2020. AWEA's member list provides a sense of which companies are involved in that segment of the industry.

Some familiar names are major players in renewable energy. General Electric is a major manufacturer of wind turbines, along with Westech Energy and Ohio Alternative Power, to name two North American firms. GE also has a robust fuel cell business, along with Ballard Systems and Plug Power, both of whom are exclusively in fuel cells. BP is the world's largest solar panel manufacturer and Shell has a standalone business in wind energy, though recognize that both of these oil companies' alternative energy business represents a small fraction of their total income. In addition to these major players, there are many smaller companies, a few of which are publicly traded.

Mutual funds for alternative energy are beginning to emerge. The newly introduced [WilderHill Clean Energy Index Fund](#) (AMEX symbol ECO), for example, consists of companies which are involved in a variety of businesses, including solar panel production, [fuel cells](#), wind power, and component manufacturing. You can look at the stocks which make up these funds to identify individual companies.

In addition to investing in company stocks, another way to support the development of alternative fuel is through selecting it as *your* source of electricity. Many electric utilities make "green power" available to their customers. Because alternative energy is most often still a bit more expensive than conventional power, there is typically a premium to pay (perhaps 5%-10%), but as the market builds the price should come down. Inquire with your local power company.

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**Why don't more companies issue combined financial and EH&S/sustainability reports?**

**Steve:** This topic came up in a session at the recent Audit Roundtable Conference. Combining my experience with that of the session's presenters, here's a short list of reasons:

1. The reports, for the most part, are read by vastly different audiences. Investors and the SEC want the financial report content and format they are used to seeing from other companies. Also, what might not be "materially significant" in an SEC 10-K, 10-Q or other report may be quite relevant and interesting in an EH&S/sustainability report. Further, companies' annual reports cover many topics -- adding a significant focus in any one area like EH&S/sustainability would overwhelm the remainder of the report. Many EH&S/sustainability reports are already the same size as, or larger than, the respective company annual report.
2. Few folks reading the EH&S/sustainability report would be able to digest much

of the financial information. More and more EH&S/sustainability reports, like Coca Cola's current one, present an overview summary of the financial information inside the front cover.

3. EH&S/sustainability targets and goals might be construed as "forward-looking" statements subject to security exchange rules; not achieving them could result in investor security fraud lawsuits. Even barring a combined report, Coca Cola's EH&S/sustainability report contains a "forward-looking statements" disclaimer. The Nike lawsuit and recent financial governance issues have probably killed the potential for combined reports.
4. The format for distributing such reports is diverging. Many EH&S/sustainability reports are now being issued in a segmented format where an executive summary hard copy version is printed (typically in limited quantities), the detailed version is posted on the company website, and a CD contains both versions.

At the conference session I asked about what changes people see in external EH&S/sustainability reporting over the next five years. Debra Phillips of the American Chemistry Council foresees an increased focus on facility reporting. Debra Hall of CERES foresees a shift to more software-oriented formats for a) reporting companies to enter data and communicate information and b) readers to review and do benchmark comparisons. These projects indicate a further divergence from financial reporting, rather than a convergence.

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### **I heard that DuPont reorganized their EH&S department after Paul Tebo retired. What's going on?**

**Richard:** DuPont is ranked as having one of the best EH&S organizations in industry (DuPont calls it "SHE" to emphasize safety first). After Tebo retired, some senior EH&S professionals were surprised that they did not just replace him; instead, the company made a number of changes, some major and others more subtle. I suppose one could say it represents continuous improvement in action.

The first change involved creating the position VP Safety, Health, Environmental and Engineering to lead the SHE Excellence Center; this position was filled by Jim Porter, the former Engineering VP. It previously had reported administratively up through engineering, but under the functional direction of Tebo. Functional and administrative responsibilities are now combined. Prior to the reorganization, the Excellence Center was "on demand," billing its services essentially the same way as an external consulting organization (i.e., hourly tracking for specific projects). It now uses a chargeback system based on a number of factors, including historical and projected usage. The businesses have the option of going outside. This is the same route that a number of EH&S shared service-type organizations have taken.

Second, Linda Fisher was hired into a newly created position of VP and Chief Sustainability Officer reporting to the CEO. She is an attorney who was at the EPA and, prior to that, a D.C. law firm and Monsanto. Under her direction are several functions related to sustainable growth including three new groups: Product Stewardship Council for governance, Product Stewardship Steering Team for strategic direction and a Network for execution and technology exchange. EH&S VPs are fairly common among large corporations, but having two, one of which reports to the CEO, is unique.

Finally, the operations leadership team was realigned to match DuPont's transition from 23 strategic business units to five platforms. Specialized EH&S resources scattered among the businesses were brought under the SHE Excellence Center to be shared among all businesses. They remain in their original regional office locations. Each of the five business platforms has an EH&S leader plus embedded plant-level resources (typically 1 - 6 individuals, up to twenty at the largest facilities). DuPont has chosen a hybrid organizational structure with a decentralized philosophy, yet with centralized resources to promote governance, strategic focus or resource sharing.

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### **What are the sustainability impacts of Radio Frequency Identification Tags and**

## what public policies are needed to address them?

**Steve:** Radio Frequency Identification Tags, or RFITs, are those little hidden tags and labels that transmit where a product (typically retail) is in the value chain process, how long it remains in each step, and when/who possesses it. They are supposed to reduce inventory, obsolete product and operational costs, as well as provide instantaneous and accurate sales data.

The three of us discussed it and came to the same conclusion -- we don't see any, or at least no significant, sustainability impacts. Oh, maybe a bit from possibly producing less obsolete product that won't otherwise be made and discarded, but hardly a "top tier" issue given all the other issues and problems to be addressed.

There are some potential privacy issues to be addressed, as well as the cost to implement such tracking systems, but those are best addressed by others, not us.

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**Environmental Management Systems - Friend or Foe?** A funny thing happened on the way to last month's Audit Roundtable conference in Philadelphia. Well, not actually on the way, but at the lunch table. One of the after-lunch discussions where I sat centered on standard-based environmental management systems (EMSs) and their as-yet unproven promise to improve environmental performance, a topic covered often in this column.

Interestingly, the group dynamic brought forth a new perspective on the now-aging issue - whether a standard-based EMS, whether ISO, EMAS, Responsible Care, etc. is a friend or a foe to the human factors that influence companies' ability to pursue environmental excellence. It can be a friend, some said, in that it provides both organizational discipline and a flexible cookbook to address operational management issues. In addition, documented processes establish the "rules of the game" and retain institutional memory beyond any single individual. On the other hand, others indicated, they can "dumb down" an organization into a set of no-thought-necessary procedures and a belief that fewer and less-experienced staff are all that's necessary. Further, they can create a false sense of security by senior company executives believing that "if we're certified -- everything must be OK."

This struck me as a perspective that I hadn't heard before -- how EMSs might positively and/or negatively impact the human factors essential to the pursuit of environmental excellence. It seems worthy of further exploration, so it will be the topic of a "town hall" meeting that I will be facilitating at the Third Annual Con Ed Environmental Excellence Forum, to be held later this month.

Stay tuned . . .

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## Got A Question?

Send your questions about environmental management issues to [Experts@GreenBiz.com](mailto:Experts@GreenBiz.com)

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