

# Major companies not rising to sustainability challenges

Todd Cort, *Chief Executive of sustainability consultancy Two Tomorrows (North America), investigates how sustainability commitments have slipped off the corporate responsibility agenda in the petroleum industry.*

Ten years ago, the major integrated petroleum companies broke new ground in their discussion of sustainability and their response to the industry's corporate responsibilities. Largely due to the inherent risks associated with conducting exploration and refining activities in complex and often difficult operating environments, the oil and gas majors developed global management systems for environmental, community and employee well-being, as well as health and safety performance, that were emulated by companies across many sectors.

Industry icons such as BP, Chevron, Shell and ExxonMobil were also instrumental in the development and implementation of reporting standards and indicators of sustainability performance – an influence that is still reflected in reporting standards such as the Global Reporting Initiative and the American Petroleum Institute (API)/IPIECA reporting protocols.

It appears now, however, that the petroleum sector has relinquished its earlier leadership. The majors struggle to distinguish their sustainability efforts from each other, and at the same time fail to make the same strides for which new and emerging sustainability leaders in other global industry sectors are being lauded. This sig-

nificant trend is identified in the latest Tomorrow's Value Rating (TVR) results produced by Two Tomorrows. The TVR, which measures governance, management, strategy, engagement and value chain performance of corporate responsibility, was applied to the 10 largest oil and gas companies in the world (see Figure 1).

## TVR results

Although BP emerged again this year as the leading company in the TVR, the margin is narrow. There is now great parity between the top seven companies in the way that they manage and report on sustainability commitments, bringing a significant opportunity for one or more companies to establish a much clearer leadership position.

As an illustration, TVR assessed the strategic approach and management mechanisms to address the challenges of energy security and climate change. Disclosures indicate these challenges are universally recognised as among the most material, while the critical role of oil and gas companies in balancing these two priorities is also acknowledged.

However, for the top seven companies, recognition of this broader societal role appears to only manifest itself as a set of self-referential principles coupled with

commitments to reduce operational greenhouse gas emissions. What they are missing, therefore, is a robust and articulate approach, with tangible objectives and results, to deliver energy that supports sustainable global growth and prevents further and potentially catastrophic climate change impacts.

Furthermore, there is an opportunity for all of the companies included in this TVR to demonstrate a more coherent approach to community engagement that is consistent and systematic and yet flexible enough to account for cultural circumstances. Successful engagement with and investment in local communities and governments – particularly in weak governance zones and other challenging operating regions – is already a critical aspect for successful exploration and refining. Future access to resources will hinge upon it.

## Social responsibility

The area of greatest discrepancy we see between the petroleum sector and the new leaders in sustainability communication is how the latter embrace and apply innovation to address social and environmental concerns. From GE's Ecomagination™ to IBM and Cisco's messaging on the power of applied networking, sustainability leaders are driving innovation within their products and core business models to address the most pressing sustainability challenges – while reaping the financial and reputational benefits.

In contrast, the oil and gas sector innovation discussion appears limited to a small number of important, yet fragmented, applications: alternative energy technologies; more efficient methods for finding and extracting resources; and chemistry innovations for safer and more efficient products. Ambitious goals and coherent thinking on innovations for social good or non-technological-based innovation are largely absent from sustainability reports in this sector.

While the TVR identifies a large number of strengths and weaknesses in the sustainability reporting of the sector, the overall message is one of opportunity. The top performers all have the opportunity to emerge as a sector leader, and perhaps a global leader once again. To do so will require not only the vision and commitment that these reports already describe, but the plans for action to create real change and real improvement against the greatest challenges. ●

Dr Todd Cort has worked extensively with extractive industries to build responsible and effective stakeholder engagement programmes integrated with environmental and social management systems. For more information please visit [www.twotomorrows.com](http://www.twotomorrows.com) or [www.tomorrowvaluating.com](http://www.tomorrowvaluating.com)

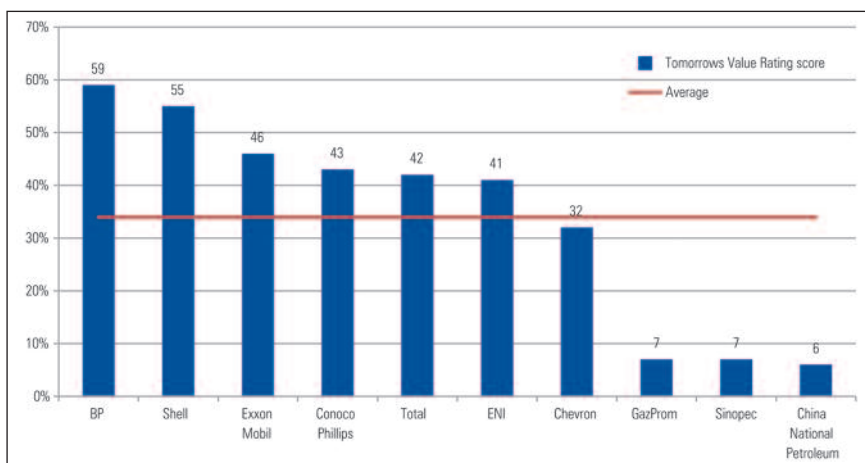


Figure 1: The TVR was applied to the 10 largest companies to measure governance, management, strategy, engagement and value chain performance of corporate responsibility