Keeping secrets

Despite the good intentions of the industry, sustainability reporting by upstream oil and gas companies remains patchy at best

Mark Brownlie

Often that which is not said is more telling than that which is said. Despite an explosion in sustainability reporting by oil and gas companies during the past five years, there are still patches of opacity clouding the increased transparency.

Make no mistake: oil and gas companies in Canada lead the way in sustainability reporting. They have published more reports from 1992 to 2006 than in any other country. Shell Canada is often credited with producing the first corporate sustainable development report. Nexen and Suncor have won Canadian and North American awards for their reports.

But when you read a sustainability report, including one from a recognized leader, you are not getting the whole picture. Notwithstanding years of corporate progress in this arena, and even development of the generally accepted Global Reporting Initiative's sustainability reporting guidelines, companies still choose to tell readers an incomplete story.

Unlike financial reports, which are required to include certain data, sustainability reports are unregulated. Companies can decide what to exclude from a sustainability report without fear of reprisal from regulators. How other stakeholders respond to selective disclosure is another matter.

Many decision makers look to non-financial reports to understand the rest of the story on corporate performance. Investors appreciate transparency on issues that might pose financial risk, like greenhouse gas emissions. Prospective employees can learn about progressive labour practices before they make a career decision. Environmental activists can conduct extensive benchmarking without numerous information requests.

Almost all oil and gas companies issuing reports include information on greenhouse gas emissions, spills, injury rates, and other indicators that are already required as part of the Canadian Association of Petroleum Producers Stewardship Program. Many provide additional performance data on waste, charitable contributions, taxes and royalties, and fines and penalties. The leaders lead with information on their public policy positions, local purchases, and biodiversity.

Take a closer look at the issues and indicators (see table below) that the 10 largest publicly traded Canadian oil and gas companies chose not to disclose in their most recent sustainability reports, and you will see issues that are either difficult to measure or cause discomfort to disclose. ▶

Company	Economic Benefits from Government	Employee Development	Ethical Conduct Cases	Water Use (total)	Workforce Gender Diversity
CNRL (2006)					
EnCana (2006)			✓		
Husky[1]					
Imperial (2005)		✓			✓
Nexen (2005)			✓		✓
Petro-Canada (2005)					
Shell Canada (2006)		✓		✓	✓
Suncor (2006)	✓	✓	✓	✓	✓
Syncrude[2] (2006)		✓		✓	✓
Talisman[3] (2006)		✓	✓		

[1] No report; website was reviewed.
[2] Syncrude is included as the operating equivalent of Canadian Oil Sands Trust, which ranked among the 10 largest oil and gas companies in Canada.
[3] On board of directors and executive committee.

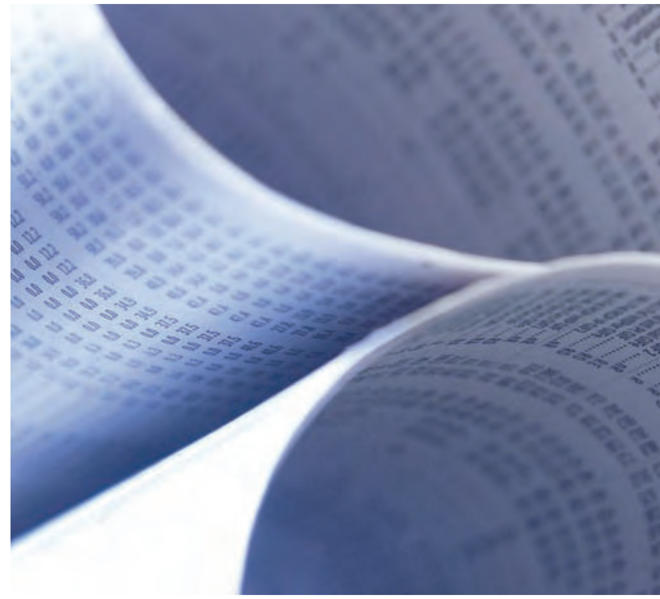
▮ The oil industry has been criticized for receiving generous subsidies and special tax treatment. Companies could dull some of that criticism by disclosing the value of actual financial benefits from government. The numbers will likely pale in comparison to taxes and royalties paid. Only Suncor reports on tax credits and royalty holidays.

▮ Reporting a measure on employee development tells prospective employees about possible career enhancement and tells investors about investment in the company's future. Unfortunately, there is no comparable measure in general use yet. One company reports in hours, another in dollars spent, and another in percentage of work time in training.

▮ Companies describe their code of business conduct, but few explain how they perform against it with a statement of the number of cases of alleged breaches of the code brought before a review committee.

▮ Water is an emerging focal point for stakeholders watching oil and gas companies, but only three of the 10 companies were able to tally their total water use. Nexen and Talisman reported totals for Canada. Both companies have significant operations overseas, especially Nexen in water-starved Yemen.

▮ With females representing roughly 30 per cent or less of the oil patch workforce, it is encouraging to see companies acknowledge the workforce gender diversity issue in their reports. Companies might further consider the value of asking employees to self-identify in other population groups to help achieve proportional representation in their workforces.



Although the companies listed above do not address all of the tough issues, they are predominantly reporting leaders. They are blazing trails in a young discipline. Perhaps a greater concern than what appears in their reports is that beyond the top 10 companies or so, very few other Canadian oil and gas companies publish sustainability reports. Quality in reporting is important, but so is quantity.

— Mark Brownlie

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