



## **Sustainability Reporting in the Outdoor Industry**

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## EXECUTIVE SUMMARY

KEEN would like to implement an effective cause-related marketing strategy to communicate its dedication to responsible business practices, community investment, and caring for the environment. Prior to developing this marketing strategy, KEEN must identify and measure the aggregate impact of its operations. One way to accomplish this is through sustainability reporting, which covers a company's economic, environmental and social performance and allows stakeholders to evaluate and understand the true scope of a company's impact.

While there is no required standard for sustainability reporting, the framework developed by the Global Reporting Initiative (GRI), an independent, international body with a multi-stakeholder governance structure, has become the de facto standard since its introduction in 1997. The GRI framework is used across various industries by more than 850 companies worldwide. Some industry giants using GRI include Coca-Cola Company, Dow Corning Corporation, Hewlett-Packard, Exxon Mobil, Johnson & Johnson, Nike, McDonald's, Starbucks, and Weyerhaeuser.

Since GRI has been identified as the most widely followed framework, this report is centered around the elements of the GRI framework, best practices using GRI across industries, and current sustainability reporting efforts of competitors. By evaluating the characteristics of award-winning reports, we have developed recommendations for KEEN to follow in creating its initial sustainability report. Profiled reports include the following:

- Green Mountain Coffee Roasters
- Nike, Inc.
- YSI Incorporated
- Mountain Equipment Co-op
- Seventh Generation
- Adidas
- Gap, Inc.
- H & M
- Nike, Inc.
- Timberland
- REI

### Recommendations

- Use the GRI framework given that it is the de facto international standard. Set reasonable, achievable timeline in order to submit a first report for 2008 award judging.
- Establish systems for measuring and reporting results.
- Set a baseline in the initial report to compare future results against.
- Identify goals which include an overall sustainability plan for the company along with short term and long term goals.
- Describe costs and savings from sustainability initiatives.
- Solicit feedback from stakeholders to improve future reporting and to create a more effective cause-marketing strategy.



# Table of Contents

**EXECUTIVE SUMMARY..... i**

**CURRENT SITUATION ..... 1**

PROBLEM STATEMENT ..... 1

ACCEPTED GUIDELINES OF CORPORATE RESPONSIBILITY REPORTING ..... 1

ELEMENTS OF GRI GUIDELINES ..... 2

FAIR LABOR REPORTING STANDARDS ..... 5

**BEST PRACTICES IN RESPONSIBILITY REPORTING..... 7**

MOUNTAIN EQUIPMENT CO-OP ..... 8

SEVENTH GENERATION ..... 9

ADDITIONAL BEST PRACTICES ..... 10

**COMPETITOR ANALYSIS..... 11**

ADIDAS..... 11

GAP, INC. .... 12

H&M ..... 12

NIKE..... 13

REI..... 13

TIMBERLAND..... 13

**RECOMMENDATIONS..... 14**

**APPENDICES**

A. Annual Sustainability Reporting Awards.....15

B. Performance Indicators Reported on by Competitors..... 16

C. Non-Reporting Competitors..... 17

**ATTACHMENTS**

1. GRI Sustainability Reporting Guidelines, Version 3.0

2. GRI Performance Indicator Protocol Set and Guidance

3. GRI Application Levels

4. FLA Workplace Code of Conduct and Monitoring Guidance

5. GRI Apparel and Footwear Sector Supplement, Draft for Public Comment

6. Ceres-ACCA Sustainability Reporting Award Criteria

7. Mountain Equipment Co-op 2005 Accountability Report

8. Seventh Generation 2004 Corporate Responsibility Report

## CURRENT SITUATION

### Problem Statement

KEEN, Inc., is a footwear company with the goal of being “as responsible as we are profitable, and committed to doing good with the resources we have.”<sup>1</sup> Through its Foundation, KEEN has partnered with non-profit organizations to support the causes of resource conservation, natural preservation, and global health initiatives. In addition to the social and environmental benefits, this philanthropy can also have a marketing impact if KEEN is able to build and communicate an appropriate cause-related marketing message.

However, in order to clearly communicate KEEN’s social and environmental impact as a corporate citizen, the company must first measure and understand the total effect of its operations and its philanthropic initiatives. Therefore, before the company can build a strong cause-related marketing strategy, it must apply an objective, commonly accepted framework to issues of resource use and labor practices in order to evaluate its social and environmental performance. Only then can KEEN create a compelling marketing message based on its social and environmental footprint.

### Accepted Guidelines of Corporate Responsibility Reporting

The term “sustainability reporting” is synonymous with corporate responsibility reporting, citizenship reporting, and accountability reporting. There is no official standard for sustainability reports like the Generally Accepted Accounting Principles used for financial reporting. However, the de facto standard has been developed by the Global Reporting Initiative (GRI), an independent, global partner of the UN Environment Program (UNEP).

The GRI was first developed in 1997 as a project of the UNEP and Ceres, a non-profit in Boston. As of May 2007, the GRI is followed by more than 1,000 companies around the world.<sup>2</sup> In 2002, GRI incorporated as an independent non-profit in the Netherlands. GRI also works with the UN Global Compact to promote the ten UNGC Principles, which address human rights, labor standards, environment, and corruption.<sup>3</sup>

The core Guidelines are in their third generation, known as “G3,” and were released in October 2006. A full set of the Guidelines is included as Attachment 1 to this report. The G3 Guidelines were developed during a three year period that involved more than 3,000 individuals from industry, government, and nongovernmental organizations around the world. According to the G3 guidelines, a “sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions.”<sup>4</sup> This should be the goal of KEEN as it begins sustainability reporting.

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<sup>1</sup> <http://www.keenfootwear.com/>

<sup>2</sup> <http://www.ceres.org/ceres/>. In 2006, Ceres received both the Skoll Award for Social Entrepreneurship and the Fast Company Social Capitalist Award.

<sup>3</sup> The Ten Principles, as well as information about the UNGC’s suggested Communication on Progress, can be found here: <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>. The Communication on Progress can be produced by following the G3 guidelines.

<sup>4</sup> GRI Sustainability Reporting Guidelines, Version 3.0

## Elements of GRI Guidelines<sup>5</sup>

The G3 Guidelines provide extensive instruction on structuring a report and scoping the type and amount of information to include. This information is included as Part 1 of the Guidelines, as follows:

- Reporting principles for defining content
- Reporting principles for defining quality
- Guidelines on report boundary

After applying these principles and guidelines to identify the desired content and scope of the report, the actual substance is described under Part 2 of the Guidelines, as follows:

- Standard disclosures
- Performance indicators

### *Reporting Principles for Defining Content*

Principles for defining report content “describe the outcomes a report should achieve and guide decisions throughout the reporting process.” These guidelines include the following:

- **Materiality.** The report should include “topics and Indicators that reflect the organization’s significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.” Forty-nine of the 79 Indicators are considered Core Indicators: widely applicable and generally assumed to be material to most reporting organizations. The 30 Additional Indicators may also be material to a particular report.
- **Stakeholder inclusiveness.** The reporting organization should “identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests” and “document its approach for defining which stakeholders it engaged with [employees, shareholders, suppliers, local communities], how and when it engaged with them, and how engagement has influenced the report content and the organization’s sustainability activities.”
- **Sustainability context.** Beyond identifying trends and improvement in a company’s performance, reports should also address “how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level.” This may require “distinguishing between topics or factors that drive global impacts (such as climate change) and those that have more regional or local impacts (such as community development).”
- **Completeness.** Once material topics have been identified, they should be used to “reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization’s performance” in each area.

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<sup>5</sup> All quotations in this section are from GRI Sustainability Reporting Guidelines, Version 3.0

### *Reporting Principles for Defining Quality*

Quality principles are “fundamental for effective transparency” and ensure that stakeholders can “make sound and reasonable assessments of performance, and take appropriate action.”

These principles are as follows:

- **Balance.** Reporting organizations should address both “positive and negative aspects of the organization’s performance to enable a reasoned assessment of overall performance.”
- **Comparability.** Information should be gathered and reported consistently so that shareholders can identify changes in performance over time and can make comparisons with other organizations’ reports.
- **Accuracy.** Reported information should be “sufficiently accurate and detailed for stakeholders to assess the reporting organization’s performance.”
- **Timeliness.** Reporting should take place on a regular basis and should report performance as soon as possible after particular events described in the report, such that stakeholders can make informed decisions at all times.
- **Reliability.** Reports should include documentation and internal controls that could be reviewed by stakeholders to determine “the veracity of its contents and the extent to which it has appropriately applied Reporting Principles.”
- **Clarity.** Information should be presented in a way that is “understandable, accessible and usable” to all stakeholders using the report.

### *Guidelines on Report Boundary*

A sustainability report should include all entities that “generate significant sustainability impacts (actual and potential) and/or all entities over which the reporting organization exercises control or significant influence with regard to financial and operating policies and practices.” To determine the appropriate boundaries and the level of reporting required for various related organizations, the following guidelines should be used:

- Entities over which the organization exercises control should be covered by Indicators of Operational Performance.
- Entities over which the organization exercises significant influence should be covered by Disclosures on Management Approach.
- Entities over which the organization does not exercise control/significant influence, but which are associated with key challenges for the organization because their impacts are significant, should be covered by narrative disclosures.

## *Standard Disclosures*

This section describes the information and measurements that should be included, as follows:

- **Strategy and Profile:** Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.
  - 1.1-1.2. The Strategy and Analysis section gives a “high-level, strategic view of the organization’s relationship to sustainability,” including trends, challenges, goals, vision, and governance mechanisms.
  - 2.1-2.10. The Company Profile includes size, location, organizational structure and primary operations.
  - 3.1-3.13. Report Parameters include reporting period, scope and boundary, data measurement techniques, and assurance.
  - 4.1-4.17. Governance, Commitments and Engagement describes management and board structure, compensation, mission statement, and initiatives of stakeholder engagement.
- **Management Approach:** Disclosures that cover how an organization addresses each Performance Indicator category (below). This information provides context for understanding both a company’s performance in a specific area and how the company approaches the risks and opportunities related to its social and environmental performance.
- **Performance Indicators:** Indicators that elicit comparable information on the economic, environmental, and social performance of the organization. Attachment 2 includes a full set of the 79 Core and Additional Performance Indicators, as well as the specific guidance on measuring and reporting each protocol. The indicators cover the following areas, with protocol numbers in parentheses:
  - Economic (EC 1-9)
  - Environment (EN 1-30)
  - Labor Practices & Decent Work (LA 1-14)
  - Human Rights (HR 1-9)
  - Society (SO 1-8)
  - Product Responsibility (PR 1-9)

## *Other Considerations*

After a company has applied the principles described above and reported on the appropriate disclosures and performance indicators, it self-declares a reporting level based on its own assessment of how closely the report follows G3 guidelines. The full guidelines for GRI Application Levels are included as Attachment 3 to this report. The primary criteria for the three different GRI Application Levels are as follows:<sup>6</sup>

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<sup>6</sup> GRI Application Levels, Version 3.0

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

\*Sector supplement in final version

In addition to the self declaration, reporting organizations can choose to either have a third-party assurance provider offer an opinion on the self-declaration, or request that the GRI check the self-declaration, or both. Organizations that have used the Guidelines and/or other elements of the GRI Reporting Framework as the basis for their report are requested to notify the GRI upon publications, using any or all of the following means:

- Notify the GRI of the report and provide a copy
- Register their report in GRI's online database of reports
- Request GRI to verify their self-declared Application Level.

### Fair Labor Reporting Standards

In addition to the "Labor Practices & Decent Work" indicators of the GRI, additional guidance on labor reporting is provided by the Fair Labor Association (FLA; [www.fairlabor.org](http://www.fairlabor.org)). By affiliating with the FLA, companies agree to comply with a Code of Conduct that includes independent, unannounced auditing of the company's contract facilities. FLA affiliation requires companies to correct any problems identified in their facilities; FLA then verifies companies' compliance. The FLA Code of Conduct and Monitoring Guidance are included as Attachment 4.

Each year, the FLA aggregates audit results and issues a public report. In 2005, 99 factory audits yielded 1,587 instances of noncompliance.<sup>7</sup> As of June 2007, the only fully participating companies are adidas-Salomon, Eddie Bauer, Gear for Sports, Liz Claiborne, New Era, Nike, Nordstrom, Patagonia, Phillips-Van Heusen, Reebok, and Zephyr Graf-X.

While affiliating with the FLA may be an appropriate goal for KEEN in the next two to three years, we believe that the company should first report on its labor practices according to the G3

<sup>7</sup> FLA 2006 Public Report, <http://fairlabor.org/all/2006PublicReport.pdf>



Guidelines. To that end, GRI has issued a number of Sector Supplements to address the specific issues faced by companies in a particular industry. The Apparel and Footwear Sector Supplement, included as Attachment 5, was drafted in 2005 and 2006 by a group of international agencies and companies including Timberland, Gap, Nike, and H&M. Indicators in the Supplement are meant to capture information about both the reporting company and other companies in the supply chain over which it has “significant influence or leverage.”<sup>8</sup> These indicators primarily address the environmental and labor factors that are unique to apparel and footwear companies, and should be used in addition to, not in lieu of, the G3 guidelines.

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<sup>8</sup> GRI Apparel and Footwear Sector Supplement, Draft for Public Comment, May 29, 2006

## BEST PRACTICES IN RESPONSIBILITY REPORTING

Starting in 2002, Ceres and the Association of Chartered Certified Accountants (ACCA) have given out awards for the best sustainability reports in North America. In 2006, a record number of reports were submitted for review. Appendix A shows annual submissions and awards. Each of the submitted reports is as different as the reporting companies themselves. This section of “best practices” will provide an overview of qualities common to the award-winning reports as well as a more in-depth look at two particularly relevant reports prepared by Mountain Equipment Co-op and Seventh Generation, Inc.

The Judges’ Criteria for awards are included as Attachment 6. The main criteria of the Ceres-ACCA awards are completeness, credibility, and communication. Once these areas are deemed satisfactory, the judges may take other factors into consideration. The following remarks from the judges’ report provide a sample of the characteristics of award-winning reports.

### **Green Mountain Coffee Roasters – 2005 Corporate Social Responsibility Report<sup>9</sup>**

- 2006 Co-Winner, Best First-Time Sustainability Report
- Is written in an engaging tone and discusses the complexities of the company’s coffee sourcing activities in a clear and understandable manner.
- Was prepared in accordance with the GRI guidelines, a significant feat for a first-time reporter.

### **Nike, Inc. - 2004 Corporate Responsibility Report<sup>10</sup>**

- 2005 Co-Winner, Best Sustainability Report
- Discloses the names and locations of all its contract factories, which is groundbreaking within its sector.
- Has limited performance data in some areas, but notes where improvements would be made, allowing for future accountability.

### **YSI Incorporated – 2003 Sustainability Report<sup>11</sup>**

- 2004 Winner, Best Small and Medium Enterprise Report
- Contains thorough coverage of issues and indicators for a smaller company.
- Is a pioneering effort in transparency for a private, employee-owned company.
- Achieves candid and open tone throughout and includes some external stakeholder voices.

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<sup>9</sup> 2006 Ceres ACCA Sustainability Reporting Awards Judges Report

<sup>10</sup> 2005 Ceres ACCA Sustainability Reporting Awards Judges Report

<sup>11</sup> 2004 Ceres ACCA Sustainability Reporting Awards Judges Report



## Mountain Equipment Co-op

Mountain Equipment Co-op (MEC) was the 2006 co-winner of the Best First-Time Sustainability Report. Having a strong brand and being a retailer of outdoor gear and equipment, MEC provides an excellent reporting example for KEEN. A full copy of the report is included as Attachment 7 to this report.

Like KEEN, MEC uses overseas production facilities. These facilities oftentimes have issues with labor practices and human rights, which MEC has discussed in its report. The company has presented it in an easy to read matrix with an explanation of the non-compliance categories.

The company published a report in 2004 on its Sourcing Policy compliance. The first full accountability report covers 2005 operations; the next report is planned for 2008, to include fiscal years 2006-2007. The first report was not independently reviewed or audited, although MEC had an internal process which included input and critiques.

The 2005 report describes what the company has done and what they're currently doing "to mitigate the social, environmental, and economic impacts of the business."<sup>12</sup> The report is broken out into ten primary sections, each having its own benchmarks and future goals. For example, the "Supporting Our Community" section's benchmark was to have total cash contributions over \$4 million, and the future goal was to contribute 1% of sales to Canadian conservation issues in 2007.<sup>13</sup>

The Ceres-ACCA judges noted the following about MEC's 2005 Accountability Report<sup>14</sup>:

- Clearly conveys the company's commitment to transparency through full disclosure of non-compliance in its supply chain.
- Gives clear articulation of the material issues for the organization in straightforward language that communicates well to the intended audience.
- Discusses frankly the dilemmas the company faces with environmental stewardship and how these challenges can lead to business opportunities.
- Includes a noteworthy discussion of employee satisfaction, turnover rates and fair compensation, for example using CEO salary to minimum wage as a metric for assessing compensation.
- Incorporates feedback from a stakeholder accountability panel made up of members, supply chain representatives and outdoor recreation advocates.

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<sup>12</sup> "Marking Our Route," MEC 2005 Accountability Report

<sup>13</sup> *Ibid*

<sup>14</sup> 2006 Ceres ACCA Sustainability Reporting Awards Judges Report

## Seventh Generation

Another good reporting example is Seventh Generation, creator of non-toxic, environmentally safe household cleaning products. Their 2004 report was awarded Best Sustainability Report by a Small or Medium Enterprise. A full copy is included as Attachment 8 to this report. Seventh Generation is a privately held company which brings unique issues to creating a report. KEEN may face these same issues as a privately held company in the Small to Medium Enterprise category.

The GRI guidelines are a “one size fits all” framework. This makes it more difficult for small to medium size companies and especially those that are privately held. The 2003 judge’s report cited several barriers for small to medium size companies. Those barriers included a lack of resources, finances, and demand. The main difficulty for privately held companies is the disclosure of financial information which is included in the GRI guidelines as well as in the judging criteria.

Seventh Generation approached the disclosure of their financial information in a unique way. They give the reader a sense of the company’s position without revealing proprietary information. For example, the growth of the company is expressed in percentages rather than dollar amounts and they state that their net sales were “less than \$100 million.” The report also discloses categories in which they face rising costs and ways that they are trying to mitigate those costs. In the GRI Index, for obvious reasons balance sheet and income statement figures are not given and are noted as proprietary information.

The first corporate responsibility report produced by Seventh Generation was for 2003. In 2004, Seventh Generation began using the GRI framework. One of the company’s goals is to have independent audits beginning with the 2006 report.

The Ceres-ACCA judges noted the following about Seventh Generation’s 2004 Corporate Responsibility Report:

- Contains thorough coverage of issues and indicators for a smaller company.
- Is a pioneering effort in transparency for a privately-owned company.
- Achieves an open tone throughout and includes candid employee testimonials.
- Incorporates effective coverage of how life-cycle analysis affects product design.
- Includes an index of GRI indicators covered and a convenient detachable feedback for in the inside back cover.
- Describes extensive stakeholder engagement efforts, including involvement in report development and feedback.

The following two quotations from the 2004 and 2005 reports, respectively, reveal some of Seventh Generation’s concerns regarding sustainability reports in general and the GRI Guidelines specifically. More importantly, Seventh Generation has shown that small private companies can use the GRI Guidelines to issue successful, quality reports.

“These reports omit the bad news, the bits that failed, or the shortfall between where things are and where they ought to be. The simplistic picture spun from this sort of incomplete honesty reduces corporate responsibility reporting to a series of checkboxes to be ticked. More tragically, it prevents companies from holding themselves to a higher standard the future demands because we can’t own up to the truth – which is that no company on the planet comes close to what an ideal corporate citizen would look like.”<sup>15</sup>

“This report adopts a style I like to call Global Reporting Initiative (GRI) Light. It doesn’t meet all the guidelines of the Global Reporting Initiative, a relatively new framework that seeks to standardize [Corporate Responsibility] reports, because we’ve decided to tell you everything *we* think you need to know rather than everything the GRI has told us to say. Don’t get me wrong. The GRI is great. It just wasn’t designed for a small private company like ours, which explains why there are almost no a small private companies following it.”<sup>16</sup>

### Additional Best Practices

Based on both judges’ reports and our own observations, the following characteristics should be observed as KEEN begins its own sustainability reporting.

- Using language and tone in a non-typical corporate style engages readers and make reports readable for all stakeholders.
- Goals and targets are presented first in a summary format and then further detailed within each respective section.
- Baselines are identified in relationship to the goals in addition to setting an overall course for the company’s future including both the short and long term.
- Reports are easy to locate on company web site.
- Survey on the company website for readers to provide feedback on the reports.
- Website asks users to minimize printing and print on recycled paper.
- Questionnaires done on employee satisfaction and other employee feedback.
- Extensive stakeholder review panels are used when an independent external audit is not practical – typically the first company report.

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<sup>15</sup> Seventh Generation, President’s Statement, 2004 Corporate Responsibility Report

<sup>16</sup> Seventh Generation, CEO Letter, 2005 Corporate Responsibility Report

## COMPETITOR ANALYSIS

To get a well-rounded view of current sustainability reporting practices within the industry, we have reviewed and analyzed direct and indirect competitors to KEEN and their current sustainability efforts. In-depth analyses of each company's practices are given below. Appendix B lists additional competitors and similar companies that we explored and that do not issue significant sustainability reports.

### Adidas

Adidas has created Social and Environmental Reports in 1998 and 2000-2005.<sup>17</sup> They did not issue a 2006 report, since they wanted to establish a new set of standards and practices to gather consistent data for reporting in the future. Among these standards was including a single Key Performance Indicator (KPI) rating tool for all factories.<sup>18</sup> Since Adidas acquired Reebok at the end of January 2006, they first had to build a Group-wide framework to generate reliable data about the newly combined supply chain and other corporate responsibility areas, such as the environment and human resources. Since consolidated data does not exist for 2006, they will continue with regular reporting practices by issuing a full report for 2007.<sup>19</sup>

The main sections of Adidas' non-GRI 2005 Social & Environmental Report are as follows<sup>20</sup>:

- Company Profile
- Sustainability Mission
- Strategy and Tactics – Improving the Way We Work with Suppliers
- Performing Responsibly:
  - Environment
  - Employees
  - Community
- Are We Improving? Progress Against Last Year's Targets
- Targets for 2006 (target areas: Management, Suppliers, Environment)

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<sup>17</sup> [http://www.adidas-group.com/en/sustainability/reporting/reports\\_to\\_download/default.asp](http://www.adidas-group.com/en/sustainability/reporting/reports_to_download/default.asp)

<sup>18</sup> [http://www.adidas-group.com/en/sustainability/\\_downloads/social\\_and\\_environmental\\_reports/Questions\\_and\\_Answers\\_booklet\\_2006\\_English.pdf](http://www.adidas-group.com/en/sustainability/_downloads/social_and_environmental_reports/Questions_and_Answers_booklet_2006_English.pdf)

<sup>19</sup> [http://www.adidas-group.com/en/sustainability/reporting/reports\\_to\\_download/default.asp](http://www.adidas-group.com/en/sustainability/reporting/reports_to_download/default.asp)

<sup>20</sup> [http://www.adidas-group.com/en/sustainability/\\_downloads/social\\_and\\_environmental\\_reports/connected\\_by\\_football\\_social\\_and\\_environmental\\_report\\_2005.pdf](http://www.adidas-group.com/en/sustainability/_downloads/social_and_environmental_reports/connected_by_football_social_and_environmental_report_2005.pdf)



## Gap, Inc.

Gap issued their first social responsibility report in 2004 and openly discussed their challenges in improving conditions in their garment factories. In their 2005 report, they provided information in the following areas: 1) steps taken to improve conditions in garment factories, 2) commitment to their communities, 3) efforts to reduce impact on the environment, and 4) efforts to create an inspiring place for their employees to work.<sup>21</sup>

Their 2005 social responsibility report acknowledges that they were not in full accordance with the GRI guidelines, although they do view its principles and indicators as tools that will help them evolve their programs. They referred to all GRI indicators and applied the metrics when applicable.<sup>22</sup> Highlights of their 2005 social responsibility report included the following<sup>23</sup>:

- Inspecting Factories (factory approval, ongoing factory inspections, factory terminations)
- Business Practices (examining factory operations, building factory relationships)
- Partnerships (working with stakeholders, external evaluations, country-specific partnerships)
- Our Team (social responsibility department expansion)
- Environment (energy use data, sustainable products, supply chain impacts)

## H&M

A multinational firm, H&M sells clothes and cosmetics in over 1,400 stores in 28 countries.<sup>24</sup> They have created corporate social responsibility reports every year since 2002. Their 2006 CSR Report contained the following key areas<sup>25</sup>:

- Requirements of Supplier Production
- Supply Chain Monitoring (includes results for past year's audits)
- Sustainable Improvements (overtime study, training efforts, joint initiatives)
- Environmental Issues (eco-labeling expansion, carbon dioxide emissions 2006)
- Objectives (2006 environmental and social targets follow-up, environmental and social targets for 2007)
- GRI Content Index

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<sup>21</sup> [http://www.gapinc.com/public/SocialResponsibility/sr\\_report.shtml](http://www.gapinc.com/public/SocialResponsibility/sr_report.shtml)

<sup>22</sup> [http://www.gapinc.com/public/documents/CSR\\_Report\\_04.pdf](http://www.gapinc.com/public/documents/CSR_Report_04.pdf)

<sup>23</sup> [http://www.gapinc.com/public/documents/CSR\\_highlights\\_05.pdf](http://www.gapinc.com/public/documents/CSR_highlights_05.pdf)

<sup>24</sup> [http://www.hm.com/us/abouthm/factsaboutm/hminbrief\\_hminbreif.nhtml](http://www.hm.com/us/abouthm/factsaboutm/hminbrief_hminbreif.nhtml)

<sup>25</sup> [http://www.hm.com/us/corporateresponsibility/csreporting/socialtargets2007\\_\\_csrsocialtargets2007.nhtml#](http://www.hm.com/us/corporateresponsibility/csreporting/socialtargets2007__csrsocialtargets2007.nhtml#)



## Nike

As mentioned previously, Nike created an award-winning 2004 CR report. This report included “unprecedented disclosure about the names and locations of the more than 700 active contract factories that currently make Nike-branded products worldwide.”<sup>26</sup> Of special note, their 2007 CR report for fiscal years 2005-06 contained a full disclosure of all contract factories. Reports for both years contained GRI indexes. The main sections of the 2007 CR report are as follows<sup>27</sup>:

- Corporate Responsibility Strategy
- Workers in Contract Factories
- Considered Design & the Environment
- Nike Foundation
- Diversity and Inclusion
- Public Policy
- Nike Business Overview
- Governance, Accountability and Reporting

## REI

REI has taken a non-GRI approach to its CR reporting by creating a Stewardship Report. This 2006 report was broken down into four main sections. The first detailed REI’s values and general cooperative information. The second section described REI’s growing participation in responsible outdoor recreation, with a particular focus on engaging youth. The third examined business operations and product innovations that reduced impact on the environment. The last section outlined the corporate culture, and factory compliance efforts around the world.

## Timberland

Timberland has produced GRI-based CSR reports in 2004 and 2005. Their 2005 report was specifically created to detail baseline performance information in the areas of global human rights, environmental stewardship and community involvement.<sup>28</sup> Further, they provide a short survey on their Responsibility Reporting website to allow stakeholders to give instant feedback on their reporting. And like Nike, they also provide a complete listing of their contract factories around the world.

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<sup>26</sup> 2006 Ceres ACCA Sustainability Reporting Awards Judges Report

<sup>27</sup> [http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike\\_FY05\\_06\\_CR\\_Report\\_C.pdf](http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike_FY05_06_CR_Report_C.pdf)

<sup>28</sup> <http://www.timberland.com/investorRelations/index.jsp?to=csrreport>



## RECOMMENDATIONS

As a first step in planning its sustainability reporting, KEEN should set reasonable, achievable goals for producing its first full GRI report. We recommend the following:

- By September 2007, determine which GRI indicators to report on and who will be responsible for gathering the necessary information.
- By December 2007, prepare draft of report and detailed plan for compiling necessary information for completion.
- By June 2008, or fiscal year end, issue first report; aim for at least Level C Application of GRI Guidelines.
- By October 2008, submit first report to Ceres-ACCA for judging.

Another option, if KEEN is not yet prepared for or committed to a full-scale report, is to create a non-GRI report similar to REI's while gathering the information necessary for a full GRI report. This will allow the company to report on the information that's currently available ("low-hanging fruit") while making the required investment for full-scale reports in the future. This preliminary report should include a timeline for issuing the first GRI report.

Regardless of the format of the report, KEEN should include clear goals and timelines for improvement of its environmental and labor performance (for example, "next year we will have an external audit of our report," or "by 2010 we will have 80% of our factory partners audited"). This discussion is typically included in Section 1, Strategy and Analysis, as discussed above. It is especially critical for a first-time report to be transparent and forthright in explaining where the company currently is (baseline), where it started (progress), and where it wants to be (target).

This report is also a great opportunity for KEEN to explain the financial impact of its social and environmental performance. The company should include itemize the amounts it donates to partner organizations and what that money supports. This information falls under the Strategy & Analysis section of G3 (1.1-1.2), and also can be included under the economic indicator protocols (EC 1). If possible, KEEN should also try to establish the costs and savings from its sustainability initiatives. For example, the company could describe the materials reused in making its new line of bags, as well as the resulting income, savings or cost avoidance.

After publishing at least one GRI-based report, KEEN might consider joining the FLA and participating in their factory audits and transparency reports. While this is an important step that is arguably aligned with KEEN's corporate values, we believe it is important for the company to independently assess and report on its factory conditions before affiliating with this group.

Finally, any report should invite stakeholders to respond to the information presented and suggest changes for future reports. For example, REI has a survey to solicit feedback on issues such as readability and relevance (<http://www.rei.com/aboutrei/csr/2006/stewardship.html>). In addition to helping KEEN produce sustainability reports that are meaningful and accessible to its stakeholders, this feedback can also be useful in creating a cause-based marketing strategy. While sustainability reporting is a valuable tool in and of itself, it also puts the company in a strong position when communicating its mission and values to stakeholders.

## APPENDIX A – Annual Sustainability Reporting Awards

### CERES-ACCA Sustainability Reporting Awards, Annual Entrants

	2003	2004	2005	2006
<b>Total Reports Filed with GRI/Ceres</b>	380	603	750	952
<b>Number Submitted for Judging</b>	52	66	87	102
<b>Number Shortlisted for Awards</b>	21	18	29	19

### Awards for Sustainability Reporting

#### 2006

- Best Sustainability Report: **VanCity Group**
- First Runner-Up – Best Sustainability Report: **Bristol-Myers Squibb**
- Co-Winner – Best First-Time Sustainability Report: **Green Mountain Coffee Roasters**
- Co-Winner – Best First-Time Sustainability Report: **Mountain Equipment Co-op**

#### 2005

- Co-Winner Best Sustainability Report: **Hewlett-Packard**
- Co-Winner Best Sustainability Report: **Nike Inc.**
- Best Sustainability Report by a Small or Medium Enterprise: **Seventh Generation, Inc.**
- Commendation for Continued Excellence in Integrated Reporting: **Dofasco Inc.**
- Commendation for Continued Excellence in Social Reporting: **Gap Inc.**

#### 2004

- Best Sustainability Report: **Hewlett-Packard**
- Best Small and Medium Enterprise Report: **YSI Incorporated**
- Commendation for Sustainability Reporting: **VanCity Credit Union**
- Commendation for Social Reporting: **Gap Inc.**

#### 2003

- Best Sustainability Report: **Suncor Energy, Inc.**
- Best Environmental Report: **Dell Inc.**
- Best First-Time Report: **Kinko's, Inc.**
- Commendation for Sustainability Reporting: **Ford Motor Company**
- Commendation for Innovative Reporting: **Dofasco Inc.**



## APPENDIX B – Non-Reporting Competitors

The following companies do not issue significant sustainability reports; however, most of these companies do have corporate social responsibility policies and initiatives, as indicated.

ASICS	Statement of compliance
Chaco	Social and environmental philanthropy
Columbia Sportswear	Statement of compliance
Dansko	Employee volunteerism
Kenneth Cole	NA
Liz Claiborne	Corporate philanthropy
Marmot	NA
Mephisto	NA
Merrell	Corporate philanthropy
New Balance	Corporate philanthropy; code of conduct
North Face	NA
Patagonia	Corporate and employee activism
Teva	Corporate philanthropy
Timbuk2	Ethical manufacturing policy
Vans	NA

