The Rise of Corporate Sustainability Reporting: 
A Rapidly-Growing Assurance Opportunity

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EXECUTIVE SUMMARY

Publicly-owned organizations throughout the world have begun to realize that they serve a diverse, well-informed set of stakeholders that have a variety of concerns involving enterprise risk management, financial performance, and preservation of social and physical environments surrounding the organization. To address these concerns, many organizations now issue reports containing quantitative and qualitative information that convey organizations’ abilities to address these stakeholders’ demands. While organizations refer to these reports differently, a commonly used term is corporate sustainability reporting. These reports are most often prepared to conform to varying extent to reporting criteria developed by the Global Reporting Initiative (GRI), an independent organization working in cooperation with the United Nations. Although these reports contain reported information with the GRI criteria in mind, a major concern with such reports is their potential to misrepresent nonfinancial information to stakeholders. As a result, this concern presents a largely untapped auditing opportunity (most reports are not audited) because of the great need to provide attestation for this increasingly popular and large set of publicly disclosed information. While the current set of GRI guidelines presents challenges for auditors, the rate at which they are being adopted by companies worldwide creates an assurance market opportunity that likely will be pursued by organizations willing to provide such assurance. In this article, we discuss this opportunity and its associated challenges, including efforts being undertaken to improve the reporting criteria such that public accounting firms should be in a better position to capitalize on the opportunity.
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"A company’s GRI (corporate sustainability) report should be the first place investors and research institutions consult for information."

Joint statement from social investment firms representing $230 billion in assets. October 2004 (www.globalreporting.org)

A Growing Opportunity for Organizations to Misrepresent Information

For publicly traded companies, the opportunity for misrepresenting information utilizing financial reporting mechanisms is becoming increasingly difficult based on the ever more stringent requirements to have effective controls in place over financial reporting. These requirements, coupled with regulated auditors providing reasonable assurance on the fairness of those financial statements and signed statements by the CEO and CFO, reduce the opportunity and increase the consequences for issuing misleading financial information. Further, there are generally accepted accounting principles guiding the accounting policies and financial reporting practices utilized by these organizations.

However, a fast-growing opportunity for misrepresenting information is available utilizing the practice of releasing reports containing nonfinancial information aimed at informing various stakeholder groups on the effectiveness of the organization in managing various risks that threaten its ability to satisfy these stakeholders. These reports containing nonfinancial information typically are referred to as corporate sustainability reports (CSR) or corporate citizenship reports, etc. These reports are continually being issued by more companies, with General Electric’s Report recently being heralded by Business Week as a CSR best practice for its efforts to represent the
organization in a transparent fashion. While these reports potentially are a very effective reporting tool, the concern with such reports is that there are no generally accepted standards for how these reports should be prepared (although as discussed later in this article, one organization’s standards appear to be emerging as a possibility) and, thus, a lack of auditing associated with many of the reports issued. As a result, there are few barriers to organizations that wish to misrepresent the information contained within CSRs. Further, today’s regulatory financial reporting environment increases the incentives for using CSRs to mislead stakeholders.

For example, consider an organization that is facing regulatory scrutiny associated with cutting too many costs associated with ensuring that its facilities’ production processes are safe for its employees and customers. While the costs paid for employee claims and maintenance expenditures might be fairly presented in its financial statements, the organization might misrepresent such metrics as the change in number of injuries or illnesses leading to missed days at its factories or the number of hours spent training employees to imply that the environment is safer that it might be in reality. Gap, Inc. was cited recently in the Wall Street Journal (July 13, 2005) for reporting in its 2nd annual CSR that it is improving inspections on labor conditions in the factories that make its clothes, but the Company is still struggling to eradicate certain long-standing problems, such as discrimination and excessive overtime. In its 2004 CSR, Gap cited supportive performance measures, such as the percentage of factories it had inspected during 2003 to ensure compliance with its code of vendor conduct (i.e., 99.9% of its contract factories) and the number of inspected factories for which it had revoked approval due to violations (i.e., 70). By no means are we suggesting that Gap, Inc. misrepresented such measures in
its CSR. Instead, we cite Gap’s report as an example of the types of crucial nonfinancial measures reported by companies in their CSR and the ease with which such numbers can be misreported in the absence of effective attestation. This article describes an excellent opportunity for auditors to pursue a new line of assurance services for CSRs that contain mostly nonfinancial information about numerous nontraditional items.

**Corporate Sustainability Reporting**

Corporate sustainability reporting represents a rapidly-growing arena for corporate reporting that involves reporting nonfinancial and financial information to a broader set of stakeholders than only the shareholders. The reports inform various stakeholder groups (see Exhibit 1) on the reporting organization’s ability to manage key risks related to the organization that are of a concern to the stakeholders. Because these interests vary, the type of information varies; however, much of the information surrounds economic, operational, social, philanthropic, and environmental objectives.

Why would organizations report such large quantities of diverse nonfinancial information related to these objectives to stakeholders? One reason relates to the realization that nonfinancial performance measures often present a leading indication for predicting and improving future financial results. For example, numerous companies (e.g., DuPont, Mobil, Allstate, Gap, Inc., British Petroleum-Amoco) recognize the potential comparative advantages that can be created by publicly disclosing goals related to nonfinancial and financial performance measures and then reporting on the achievement of those goals (for more information, see *Counting What Counts: Turning Corporate Accountability into Competitive Advantage* by Marc Epstein and Bill Birchard). Another significant reason for organizations to report information outside of
the traditional financial variety is to demonstrate to external stakeholders the extent to
which their enterprise risk management processes are effective.

Overall, organizations are realizing that meeting stakeholder expectations is a
necessary condition for sustainability in concert with the need to achieve the overall
strategic objectives of the business. While maximizing shareholder value continues to be
the overriding objective of organizations, it will not be maximized over the long term if
other key stakeholder interests are not served. For example, according to

PricewaterhouseCoopers’ The Value Reporting Revolution: Moving Beyond the Earnings
Game (p. 163), “in order to create long-term economic value for society—shareholders
and other stakeholders alike—sustainability says that companies must also create social
and environmental value.” To create transparent reports that provide accurate and
reliable data, as well as a fair picture of overall performance, many companies are
reporting results across the “triple bottom line” of economic, environmental and social
performance.

To illustrate the magnitude of the importance of meeting diverse stakeholders’
expectations, consider the revenues generated by the largest U.S. companies. Many of
these organizations have revenues well in excess of the gross domestic product of many
countries (see Exhibit 2). As a result, large multinational organizations in many respects
are subject to the same public and political expectations as certain countries. Much like
the United Nations was created to help ensure world stability, there is a need for a global
standard setting body to help ensure stability of world organizations in assessing their
reply to these responsibilities.
Established Criteria on Which to Base Corporate Sustainability Reporting Opinions

CSRs generally are prepared based on reporting criteria established by an outside organization or based on internal guidelines. It is not unprecedented for the nonfinancial information reported by organizations to be regulated. For example, in the 1970’s, many companies within the oil and gas industry became notorious for abusing the measurement and reporting of nonfinancial information as it pertained to oil and gas reserves. As a result of this misreporting behavior, accounting regulators issued the so-called “1978 System” containing the principles and standards required for reporting proved reserves. Although this system has received increasing, broad-based criticism in recent years for its poor ability to help interested parties assess business performance, the issuance of standards for nonfinancial oil and gas reporting did succeed in helping bring some integrity to the numbers. Organizations’ propensity to report increasingly large quantities of nonfinancial information represents a similar misreporting, as well as regulatory and assurance, opportunity but on a much larger scale with more severe consequences for all parties involved, including the market in general.

While it appears likely that the SEC or PCAOB will become involved in regulating CSRs, given the SEC’s history of becoming involved in regulating nonfinancial disclosures (e.g., the oil and gas industry), the most dominant reporting regulations for CSRs currently are those of The Global Reporting Initiative (GRI). The GRI was launched in 1997 as a joint initiative between the Coalition for Environmentally Responsible Economies (a U.S. non-government organization) and United Nations Environment Programme with “the goal of enhancing the quality, rigour, and utility of sustainability reporting.” As a result, the GRI began development of established criteria
that could eventually serve as the basis for generally accepted reporting standards for addressing stakeholder needs related to corporate sustainability. Since its inception, the GRI has received active support and input from numerous groups, including businesses, not-for-profit groups, accounting regulatory bodies, investor organizations, and trade unions, to build a consensus around a set of reporting guidelines with the objective of achieving worldwide acceptance. In 2002, the organization became independent and released its first comprehensive set of reporting guidelines. The next release of a comprehensive set of guidelines is scheduled for 2006.

The rapid increase in the number of companies around the world adopting GRI standards and issuing corporate sustainability reports, along with the fact that the GRI works in cooperation with the United Nations, provides it with the needed credibility to have its reporting criteria eventually fall under the category of generally accepted. As of July 2005, there were around 650 international companies registering with GRI that were issuing corporate sustainability reports utilizing some or all of the GRI standards (of which over 70 were U.S. companies—see Exhibit 3 for a complete list of U.S. companies). A total of 650 firms represent a doubling in the number of organizations reporting under GRI guidelines since 2003 (see Exhibit 4 for a depiction of the trend of international GRI registrations).

Companies may elect to employ GRI guidelines in several ways with varying degrees of stringency. For example, an organization may elect simply to use them for informal reference or to apply them in an incremental fashion. On a more stringent level, companies may decide to report their corporate sustainability information based on the more demanding level of in accordance. According to GRI, in accordance reporting
signals that the organization seeks to distinguish itself as a leader in the field. Although CRI does not fully audit in accordance CSR reports, it does ascertain whether (a) a content index appears and (b) whether the CEO or Board representative signature appears, pursuant to in accordance conditions in the GRI guidelines (see “www.globalreporting.org/guidelines/reports/inaccordance.asp” for more information regarding GRI feedback on in accordance CSRs). Exhibit 5 shows how organizations can move from informal to “in accordance” corporate sustainability reporting under GRI standards. As illustrated in the exhibit, this movement occurs through enhancements of transparent reporting, reporting coverage across the company, and reporting structure. As of September of 2004, 40 organizations had issued in accordance CSRs (see “www.globalreporting.org/guidelines/reports/IAclarifications.asp” for further clarification of “in accordance” reporting). The new reporting guidelines—termed G3—due in 2006 are designed to improve the process by which organizations are able to become in accordance.

Opportunities Associated With Providing Assurance for Corporate Sustainability Reporting

Auditors of public companies are facing many challenges associated with providing services for clients beyond the audit of financial statements, management’s assessment of its internal controls over financial reporting, and the auditor’s evaluation of the client’s internal controls over financial reporting. Given the renewed emphasis on financial statements and the new emphasis on internal controls over financial reporting brought about by the Sarbanes-Oxley Act, auditors face a difficult challenge in identifying new service lines that do not interfere with the perception of independence.
Tax and business advisory services create issues that cause audit committees to be reluctant to engage the same firm as the external auditor. However, there should be no such concern regarding an additional assurance service in which independent auditors examine a report to see whether a set of management assertions about nonfinancial quantitative information is materially misstated based on the criteria on which the reporting is based.

Like any reported information by an organization, the lack of an independent assurance report accompanying the corporate sustainability report reduces its information quality—consider the reaction that would ensue should public companies issue unaudited financial statements. Currently, some aspects of corporate sustainability reports are auditable because they are quantitative and verifiable; although, the lack of reliable measures for all stakeholder measures results in many qualitative statements about risk management and performance and quantitative measures that are not reliable enough to audit. Thus, those reports that are audited generally are limited in scope (e.g., auditors’ reports might be accompanied by a legend that indicates which measures are audited).

Exhibit 6 presents the audit opinion for the CSR issued by Royal Dutch/Shell for its 2003 fiscal year, which is jointly audited by two Big Four firms—PricewaterhouseCoopers LLP (London) and KPMG LLP (The Hague). This opinion highlights that only certain measures in the report were audited and describes the type of procedures that were performed. Note the last statement in the scope paragraph that provides negative assurance related to the remainder of the corporate sustainability report (i.e., the firms read the remainder of the report and noted no material inconsistencies).
The majority of the information on which assurance currently is being provided is nonfinancial, quantitative performance measures. For example, PricewaterhouseCoopers LLP and KPMG LLP provided assurance on the following performance measures for the Shell Report:

- Global Warming Potential (million tons CO₂ equivalent)
- Energy Efficiency (energy usage/ton of product and gigajoule/ton production)
- Total Spills (in thousands of tons)
- Flaring in Exploration and Production (in millions of tons)
- Fatal Accident Rate (employees and contractors per 100 million hours)
- Injuries Frequency (per million working hours)
- Carbon Dioxide Release (in millions of tons)
- Methane Release (in millions of tons)
- Regulatory, Health, Safety, and Environmental Fines (in millions of dollars)

While there are many other performance measures presented in the report, the auditability of those measures was not at the level that the firms could audit with a high enough level of assurance in order to provide an opinion.

Another approach for providing assurance is to provide limited assurance based on the policies in place at the organization and results of evidence gathering procedures. For example, Exhibit 7 contains the independent auditors’ report for Starbucks’ 2004 CSR. Moss Adams LLP issued the report without providing an opinion with a reasonable level of assurance; however, the firm’s opinion states that the report was prepared consistent with Starbucks’ internal polices and that report information was reasonable based on supporting documentation, internal processes and activities, and information
provided by external parties. This limited level of assurance, while less valuable than a reasonable level of assurance compared with established criteria (such as GRI Guidelines), should improve the quality of the information contained in the report for external users of the report.

**Challenges Associated with Providing Reasonable Assurance**

While the GRI appears to be the organization likely to evolve as providing generally accepted reporting guidelines for corporate sustainability reporting, it has yet to be recognized in this capacity by a regulatory body. For example, Wal Mart’s corporate sustainability reporting information is presented on its www.walmartfacts.com website, but the information contained therein is not reported in accordance with GRI or any other reporting guidelines—nor is it accompanied by any assurance. This variance in corporate sustainability reporting creates a difficult challenge for auditors when opining on corporate sustainability reporting because of the lack of generally accepted reporting criteria. However, the assurance service opportunity is great enough that other organizations likely will provide such services if the public accounting profession fails to act. Thus, auditors need to be aware of the challenges and work necessary to reduce the risks associated with providing assurance for corporate sustainability reporting before the window of opportunity is lost for the public accounting profession.

The lack of a regulatory body adopting GRI, or other standards by another organization, as generally accepted makes developing a set of generally accepted auditing standards more difficult. One reason for the lack of adoption of GRI standards as generally accepted is the nature of the measures currently included in GRI 2002 reporting guidelines (i.e., issues associated with relevance, reliability, auditability, etc.). The GRI
reports that one of its goals in issuing its next G3 set of guidelines is to improve the relevance and auditability of measures. Further, the organization is moving toward requiring that measures be reported in XBRL format to foster easier comparability across organizations reporting under GRI guidelines.

To help manage this issue, public accounting firms should actively participate in the development of GRI reporting guidelines by monitoring the organization’s progress in developing its new G3 standards including providing comments on any exposure drafts issued by the organization. Further, organizations like the FASB and IASB should form task forces to work with the GRI in an effort to remove barriers preventing recognition of these reporting guidelines as generally accepted. Likewise, the AICPA (and the PCAOB should corporate sustainability reporting be deemed to be within its jurisdiction) and IFAC should form task forces to consider standards for providing assurance for CSRs to reduce the variance of opinions being offered (e.g., as represented by the two reports illustrated in Exhibits 6 and 7).

Another important issue that must be addressed before assurance of corporate sustainability reporting can be widespread concerns litigation exposure. Significant tort reform might be necessary to reduce auditor exposure resulting from the ability of users to sue organizations and auditors based on the wide array of information contained in the reports. For example, Exhibit 8 contains a statement from Nike’s 2001 corporate sustainability report identifying that litigation risk, particularly in California, is a significant barrier to corporate sustainability reporting (further, the report did not contain any assurance by auditors). However, because of the overwhelming demand for this reporting, note that Nike management plans to issue another corporate sustainability
report in 2005. Thus, litigation reform is needed to reduce exposure; however, organizations are continuing to issue reports even in today’s litigious environment. Accordingly, assurance providers also might need to accept some measured level of risk when providing assurance until litigation reform is enacted.

Adding further to the need for audited CSRs is the realization that information conveyed in such reports usually is generated by a diverse set of measurement techniques. In addition, this information often is gathered from various sources, many of which reside outside of the reporting organization because of the expertise required to accurately measure certain items. As a result, the reporting organization must determine how best to interpret and communicate information collected by other specialized organizations for inclusion in their CSR and, likewise, auditors must decide how best to provide the attest function for such reports.

Not only do these factors increase the importance of sustainability report audits, they also increase the complexity of providing such audits. For example, the auditor must become familiar with the measurement procedures, management practices, systems and integrity of the specialist organization(s) that provides the measurements of items included for the sustainability report, in addition to those of the reporting organization. As Shell notes in its 2003 CSR, “environmental and social data and assertions are subject to more inherent limitations than financial data, given both their nature and the methods used for determining, calculating or estimating such data.”

**Failing to Provide Assurance: The Potential for Fraud**

Although audit firms face more demands on their resources now than ever before as they implement components of the Sarbanes-Oxley Act, they cannot afford to ignore
the opportunities associated with providing assurance for CSRs. In particular, investors who are duped by misrepresented CSR information are likely to place scrutiny on the audit profession for not pursuing this line of assurance. Although financial liability for auditors is unlikely to result from failing to pursue CSR assurance opportunities, the negative public relations of such a failure likely would further hurt an industry still trying to win back public support. In other words, if these opportunities are not capitalized upon by auditors in a proactive nature, they might quickly turn into liabilities for investors and other organizational stakeholders due to the high inherent risk of misstating, either intentionally or unintentionally, the type of nonfinancial information contained in sustainability reports. Thomas Golden, a partner with PricewaterhouseCoopers LLP’s forensic accounting practice, foresees the need for assurance of CSRs to manage the heightened risk of misstatement of nonfinancial information contained in such reports (see the interview with Golden in Exhibit 9).

As noted in PricewaterhouseCoopers’ *The Value Reporting Revolution: Moving Beyond the Earnings Game*, in a financial report, companies can reasonably assume that the typical reader possesses a good understanding of the context in which an audit opinion is expressed and the accounting and auditing standards underlying it. It would be incorrect to make this assumption regarding the reader of a nonfinancial, and especially a social, report context. This lack of understanding on the part of the CSR reader opens even wider the door to potential fraud than with a regular financial audit where fraud already is known to be a major challenge for numerous parties.
Summary

Corporate sustainability reporting is a rapidly growing outlet for addressing stakeholder demands for risk management and performance measurement information. The reporting standards issued by GRI appear to be emerging as those most likely to be generally accepted—indeed the United Nations has adopted them for its Global Compact. However, there are several weaknesses associated with the current set of GRI standards that have prevented their adoption by regulatory bodies as generally accepted. The organization is releasing a new set of guidelines in 2006 that should help reduce these weaknesses. Meanwhile, organizations are issuing corporate sustainability reports using GRI guidelines at a very fast rate, which could mean that these reports will be expected by stakeholders for all public companies at some point in the future.

Thus, public accounting firms have a tremendous market opportunity for providing independent assurance for these reports to improve information quality for users. However, auditors face several challenges, such as litigation risks for auditors related to these reports, which need to be addressed to avoid undue exposure. Failure to address these challenges could result in severe negative consequences for auditors, such as lost business assurance opportunities, and for investors, such as substantial fraud by organizations issuing CSRs.
Exhibit 1
Typical Stakeholders for U.S. Publicly Owned Organizations

Financial Stakeholders:
- Shareholders
- Bond Holders
- Banking Institutions
- Employees (including unions)
- Other sources of capital (e.g., venture capitalists)

Supply Chain Stakeholders:
- Customers
- Alliance Partners
- Direct Suppliers
- Upstream Suppliers
- Contractors

Regulatory Stakeholders:
- Securities and Exchange Commission
- Internal Revenue Service
- Occupational Health and Safety Administration
- Food and Drug Administration
- Environmental Protection Agency
- Accounting Standards Setters (FASB, IASB, PCAOB)
- Federal Communications Commission

Political Stakeholders:
- Federal Government (Lawmaking, Court Decisions, etc.)
- State Governments
- International Governments
- United Nations
- European Union
- OPEC
- NATO

Social Stakeholders:
- Local Communities
- General Public
- Academia
- Charitable Organizations Funded by Companies
- Environmental and Social Organizations
### Exhibit 2
Comparison of Revenue of Top 10 U.S. Publicly Held Companies to Gross Domestic Product of Various Countries

<table>
<thead>
<tr>
<th>Company or Country (World GDP Ranking)</th>
<th>Revenues or GDP&lt;sup&gt;a,b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden (20)</td>
<td>$300.4</td>
</tr>
<tr>
<td>Wal-Mart Stores</td>
<td>288.2</td>
</tr>
<tr>
<td>Austria (21)</td>
<td>274.0</td>
</tr>
<tr>
<td>Exxon Mobil</td>
<td>270.8</td>
</tr>
<tr>
<td>Argentina (22)</td>
<td>250.0</td>
</tr>
<tr>
<td>Turkey (25)</td>
<td>203.9</td>
</tr>
<tr>
<td>General Motors</td>
<td>193.5</td>
</tr>
<tr>
<td>Thailand (26)</td>
<td>184.2</td>
</tr>
<tr>
<td>Norway (28)</td>
<td>181.7</td>
</tr>
<tr>
<td>Ford Motor</td>
<td>172.3</td>
</tr>
<tr>
<td>Hong Kong (29)</td>
<td>171.3</td>
</tr>
<tr>
<td>Burma (32)</td>
<td>155.3</td>
</tr>
<tr>
<td>General Electric</td>
<td>152.4</td>
</tr>
<tr>
<td>Greece (33)</td>
<td>150.6</td>
</tr>
<tr>
<td>ChevronTexaco</td>
<td>148.0</td>
</tr>
<tr>
<td>Saudi Arabia (34)</td>
<td>145.5</td>
</tr>
<tr>
<td>Portugal (36)</td>
<td>132.6</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>121.7</td>
</tr>
<tr>
<td>Ireland (37)</td>
<td>119.1</td>
</tr>
<tr>
<td>Nigeria (40)</td>
<td>110.2</td>
</tr>
<tr>
<td>Citigroup</td>
<td>108.3</td>
</tr>
<tr>
<td>Israel (41)</td>
<td>107.3</td>
</tr>
<tr>
<td>American Intl. Group</td>
<td>98.6</td>
</tr>
<tr>
<td>Colombia (42)</td>
<td>99.6</td>
</tr>
<tr>
<td>International Business Machines</td>
<td>96.2</td>
</tr>
<tr>
<td>Philippines (43)</td>
<td>93.6</td>
</tr>
</tbody>
</table>

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<sup>a</sup> $ in billions.

<sup>b</sup> All company revenue data are from fiscal year-end 2004; all country GDP data are from 2002.
### Exhibit 3

U.S. Companies Registered with GRI for Corporate Sustainability Reporting as of July 2005

<table>
<thead>
<tr>
<th>3M</th>
<th>International Paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott Laboratories</td>
<td>Johnson &amp; Johnson</td>
</tr>
<tr>
<td>Advanced Micro Devices (AMD)</td>
<td>Johnson Controls, Inc.</td>
</tr>
<tr>
<td>Agilent Technologies</td>
<td>Lilly</td>
</tr>
<tr>
<td>Alcoa</td>
<td>Masco</td>
</tr>
<tr>
<td>Allergan</td>
<td>Mattel Inc</td>
</tr>
<tr>
<td>Alliant Energy</td>
<td>McDonald’s Corporation</td>
</tr>
<tr>
<td>Amerada Hess Corp.</td>
<td>MeadWestvaco Corporation</td>
</tr>
<tr>
<td>AMR Corp.</td>
<td>Microsoft Corporation</td>
</tr>
<tr>
<td>Anheuser-Busch Companies</td>
<td>Mirant</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>Motorola</td>
</tr>
<tr>
<td>Baxter International Inc.</td>
<td>National Grid U.S.</td>
</tr>
<tr>
<td>Ben &amp; Jerry’s</td>
<td>Newmont Mining Corporation</td>
</tr>
<tr>
<td>Bristol-Myers Squibb</td>
<td>Nike Inc.</td>
</tr>
<tr>
<td>Brown &amp; Williamson Tobacco (BAT)</td>
<td>PepsiCo</td>
</tr>
<tr>
<td>Calvert Group</td>
<td>Pinnacle West Capital Corporation</td>
</tr>
<tr>
<td>Catholic Healthcare West</td>
<td>Polaroid</td>
</tr>
<tr>
<td>Chevron Texaco</td>
<td>Procter &amp; Gamble</td>
</tr>
<tr>
<td>Chiquita Brands</td>
<td>Rio Tinto Borax</td>
</tr>
<tr>
<td>Cinergy Corp.</td>
<td>SC Johnson &amp; Son</td>
</tr>
<tr>
<td>Cisco Systems</td>
<td>Shorebank</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Starbucks Coffee Company</td>
</tr>
<tr>
<td>Coalition for Environmentally Responsible Economies (CERES)</td>
<td>State Street Coffee Holdings</td>
</tr>
<tr>
<td>Cummins</td>
<td>State Street Corporation</td>
</tr>
<tr>
<td>Dell</td>
<td>Sunoco, Inc.</td>
</tr>
<tr>
<td>Dow Chemical Company</td>
<td>Temple Inland</td>
</tr>
<tr>
<td>Dow Corning Corporation</td>
<td>Texas Instruments Incorporated</td>
</tr>
<tr>
<td>DuPont</td>
<td>United Parcel Service of America (UPS)</td>
</tr>
<tr>
<td>FleetBoston Financial</td>
<td>University of Florida</td>
</tr>
<tr>
<td>Ford Motor Company</td>
<td>Visteon</td>
</tr>
<tr>
<td>Genencor International</td>
<td>Weyerhaeuser</td>
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<tr>
<td>General Electric (GE)</td>
<td>Wisconsin Energy Corp.</td>
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<tr>
<td>General Motors Corporation</td>
<td>World Bank Group</td>
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<td>Georgia-Pacific</td>
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<td>Green Mountain Energy</td>
<td>YSI</td>
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<tr>
<td>Hewlett Packard</td>
<td></td>
</tr>
<tr>
<td>Intel Corporation</td>
<td></td>
</tr>
<tr>
<td>International Bus. Machines (IBM)</td>
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</tr>
</tbody>
</table>

Source: globalreporting.org
Exhibit 4
International Registration of Corporate Sustainability Reporting as of March 2005

Exhibit 5
Options for Reporting Corporate Sustainability Reporting with the GRI

Source: www.globalreporting.org
Exhibit 6
Independent Auditors’ Report for Royal Dutch/Shell 2003 Corporate Sustainability Report

Assurance report
To: Royal Dutch Petroleum Company and the “Shell” Transport and Trading Company, p.l.c.

Introduction
We have been asked to provide assurance on selected data, graphs and statements of the Royal Dutch/Shell Group of Companies (the “Group”) contained in The Shell Report 2003. The Shell Report is the responsibility of management. Our responsibility is to express an opinion on the selected data, graphs and statements indicated below based on our assurance work performed.

Assurance work performed
For the safety and environmental parameters identified with the symbol on pages 22 to 26, we obtained an understanding of the systems used to generate, aggregate and report the data for these parameters at Group, Business, Zone and Operating Unit level. We assessed the completeness and accuracy of the data reported in respect of 2003 by visiting Operating Units to test systems and review data. We assessed data trends in discussion with management. We tested the calculations made at Group level. We also completed assurance procedures on the Refinery Energy Index and reported our findings to management.

For the Sakhalin Location Report on pages 16 and 17 we visited the location to inspect documentary evidence and held interviews with Business and in-country management and with three major Russian contracting companies to understand and test the systems, procedures, and evidence in place supporting the assertions and matters discussed within this Location Report. We also performed assurance procedures in relation to China WestEast pipeline project and reported our findings to management.

We read the whole Report to confirm that there are no material inconsistencies based on the work we have performed.

Basis of opinion
There are no generally accepted international environmental, social and economic reporting standards. This engagement was conducted in accordance with the International Standards for Assurance Engagements. Therefore, we planned and carried out our work to provide reasonable, rather than absolute, assurance on the reliability of the selected data, graphs and statements that were subject to assurance. We believe our work provides a reasonable basis for our opinion.

Considerations and limitations
It is important to read the data and statements in the context of the basis of reporting provided by the management as set out below and the notes below the graphs. Environmental and social data and assertions are subject to more inherent limitations than financial data, given both their nature and the methods used for determining, calculating or estimating such data.

Our assurance scope is limited to those specific matters mentioned in our opinion below. We have not provided assurance over the contents of the entire Shell Report 2003, nor have we undertaken work to confirm that all relevant issues are included. In addition, we have not carried out any work on financial and economic performance data and data reported in respect of future projections and targets. Accordingly, no opinion is given in respect of them. Where we have not provided assurance over previous years’ data this is clearly disclosed. We have not performed work on the maintenance and integrity of information from The Shell Report published on the Group’s website.

To obtain a thorough understanding of the financial results and financial position of the Group, the reader should consult the Group’s audited Financial Statements for the year ended 31 December 2003.

In our opinion:
- The safety and environmental historical data and graphs (together with the notes) on pages 22 to 26, marked with the symbol , properly reflect the performance of the reporting entities for each of these parameters;
- The assertions and matters discussed in the Sakhalin Location Report, on pages 16 and 17, are fairly described and supported by underlying documentary or other evidence.

22 May 2004

KPMG Accountants N.V.
The Hague

PriceWaterhouseCoopers LLP
London

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Exhibit 7
Auditors’ Report of Starbucks’ Corporate Sustainability Report

Independent Verifier’s Report

To the Stakeholders of Starbucks Coffee Company:

Starbucks Coffee Company (Starbucks) engaged Moss Adams LLP, a certified public accounting firm, to provide external assurance and verify the contents of its Corporate Social Responsibility Annual Report (Report) for the fiscal year ended October 3, 2004. As the independent verifier, we have maintained objectivity in our review of the Report, in accordance with the Code of Professional Conduct of the American Institute of Certified Public Accountants. Those standards require us to maintain an independent position, one that is not affected by influences and is free from conflicts of interest.

Starbucks management and personnel prepared the Report and compiled the underlying data and are responsible for its content. Our responsibility was to review the Report and obtain reasonable assurance about whether Starbucks corporate social responsibility policies as stated therein have been implemented; and that statements, assertions and the data reported are supported by documentation, internal processes or information provided by third parties.

Currently, there are no statutory requirements or generally accepted verification standards in the United States of America or internationally that relate to the preparation, presentation and verification of corporate social responsibility reports. Therefore, we developed an approach to verify the contents of the Report based on emerging practices, the guidelines of the Global Reporting Initiative, and our own professional expertise and experience. Our approach included conducting interviews with Starbucks executives and managers; performing on-site reviews to determine how the corporate social responsibility policies have been implemented and reported upon; selecting internally prepared documents for review; testing select data to support assertions; and confirming with external parties certain statements, assertions and data disclosed in the Report. We planned and carried out our work to obtain reasonable, rather than absolute, assurance on the reliability of the information stated in the Report. We believe our methodology provides a reasonable basis for our conclusion.

Based on the external verification process performed, we verify the following:

- The corporate social responsibility policies and activities of Starbucks as described in the Report are fairly presented and are consistent with the actual policies implemented and acted upon by Starbucks management and personnel during the fiscal year ended October 3, 2004.
- Statements, assertions and data disclosed in the Report are reasonably supported by documentation, internal processes and activities, and information provided by external parties.

Moss Adams LLP
Seattle, Washington
January 25, 2005

Nike and Reporting

A major challenge facing companies and other stakeholders engaged in corporate responsibility is the need for common standards to which all companies can be held accountable. There should be a level playing field, for companies in the same industry sector, to help consumers and others evaluate companies using the same standards.

We continue to engage in a multi-stakeholder dialogue calling for universal reporting standards on social and environmental issues. We see the Global Reporting Initiative (GRI) as the most credible and widely accepted process and framework for universal corporate responsibility reporting. In 2004, Nike signed on as an Organizational Stakeholder of the GRI. Through the GRI, we are working with other stakeholder groups to help develop a common reporting framework and sector supplement for our industry.

Nike recognizes that reaching our goal of a common reporting framework for our industry will require greater harmonization of standards and tools used by companies in our industry to evaluate our impacts. To this end, Nike is supporting various initiatives to develop a common code and audit protocol for monitoring labor standards.

Our commitment to transparency has been tempered by the California Supreme Court’s broad definition of commercial speech in the Kasky v. Nike case, and the risks it creates under Section 17200 of the California Business and Professions Code for any organization whose communication reaches California. California is unusual in that it is the only state that allows private citizens to bring a lawsuit, without any claim that s/he has suffered any injury or financial loss, as if they were a private attorney general acting on behalf of the general public. We and others support amending California’s code, bringing it more in line with other states’ consumer protection laws that require an injured plaintiff. Amendments to the statute will be considered by voters this fall.

For the time being, we are balancing the need to communicate and be transparent with the risk of litigation. We also recognize that current and credible reports are now available from companies in our industry, and we know that enhancing our own credibility – and enabling our stakeholders – requires us to set a reporting strategy within the framework of Kasky.

We currently are redefining our processes for data collection and are developing the necessary tools to help guide both our internal and external reporting, including data validation and assurance systems.

We expect to issue our third corporate responsibility report in 2005.

Thomas Golden, who is one of the leading forensic accounting partners at PricewaterhouseCoopers, believes that individuals who perpetrate financial reporting fraud generally follow one of two patterns. One pattern is perpetrated by otherwise honest individuals who misrepresent the numbers by rationalizing that what they are doing is best for the company. Another pattern is perpetrated by individuals who are well aware of what they are doing and are attempting to attain goals dishonestly. According to Golden, such individuals exhibit a “rampant disregard for the truth.” With either pattern, the pressure to misrepresent information is not entirely alleviated by the Sarbanes-Oxley Act or any other act by a governmental agency or regulator.

In fact, Golden believes that in the case of financial statement reporting, the rules put in place by the Sarbanes-Oxley Act are analogous to squeezing a balloon. Although these rules make misrepresenting a company’s financial reports more difficult (i.e., it is harder to “cook the books”), the pressure to perform well that is placed on the organizational balloon remains intense and causes misrepresentations to pop out in other areas. One rather obvious area in which this misinformation can pop out is through mostly unaudited reports containing mainly nonfinancial information about the organization, such as the success of its new drug in Southeast Asia or the number of subscribers in its system. While communications such as press releases, letters to the shareholders, and management discussion & analysis sections of annual reports are read by the auditors for consistency with financial statements, nonfinancial information contained in these communications as well as corporate sustainability reports, provide tempting opportunities for misrepresentations because such communications are unaudited.

Another intriguing example used by Golden is that of certain jailhouse prisoners. Instances have been reported where prisoners, even those in solitary confinement, have proven successful at continuing to run their gang’s activities on the outside! Unfortunately, yet amazingly, these prisoners do not cease to communicate the illegal and/or dangerous information to those individuals willing to listen. Instead, they adapt to their situation in solitary confinement, which might be difficult at first but becomes easier with practice. In much the same way, a fraudster might no longer be able to manage earnings or misapply GAAP as easily as before the Sarbanes-Oxley Act, but other ways of misrepresentation can be found to accomplish the same objectives—and these methods will get easier over time with practice. The use of unaudited communications that contain nonfinancial and other operations data in a misrepresentative manner might be challenging at first, but will become easier with practice too.

Golden notes that as long as there is an abundance of investors with too much money chasing too few investment opportunities offering high returns, the temptation to misrepresent a company’s performance or future prospects based on nonfinancial and other information, will be too great to ignore for some. He suggests this is a huge hole in the corporate reporting process and further notes that if the accounting profession fails to take a leadership role in plugging this hole, a new market entrant could emerge to capitalize on providing assurance services for corporate sustainability reports, and the like. “Individuals and firms in our profession need to realize they are in the “assurance”, not simply “auditing” industry, and investors need assurance on nonfinancial as well as financial data.”