

# REPORTING SUSTAINABILITY IN THE OIL SECTOR: TRANSPARENCY OR GREENWASHING?

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**World has changed...**

- Global supply chains with higher sustainability issues
- Shorter product life-cycle
- More difficult demand forecast on global basis
- Need to face new reputational risks

**Managing the uncertainty...**

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## Sustainability as an opportunity for companies

### Porter and Van der Linde (2002)

- 1) They focus on the “**new paradigm of international competitiveness**” defining it as dynamic and focused on innovation: a new sustainable policy could be an innovative factor, because it would encourage companies to improve their products and processes to meet the requirements of a new demand
- 2) They support the idea that a sustainable approach creates an **advantage** for those companies that decide to undertake an innovative path based on sustainable principles more rapidly than the others: this is the “**early mover advantage**”

## Sustainability as an opportunity for companies

### Miles and Covin (2000)

Green marketing has benefits both from a **reputational and a competitive advantage** aspect: most of research shows that companies which have adopted eco-friendly initiatives have improved their financial indicators too.

Financial and environmental performances are positively correlated. Some studies show that a higher environmental performance means a higher Return on Investment (**McGuire *et al.*, 1988; Russo and Fouts, 1997**) but also higher profits and less perceived risks.

## Communication and Marketing

Communication is fundamental in marketing.

**Pinske and Dommissé (2009)**: it is essential for consumers because they need to be informed about the benefits sprung by their responsible choices in terms of purchases

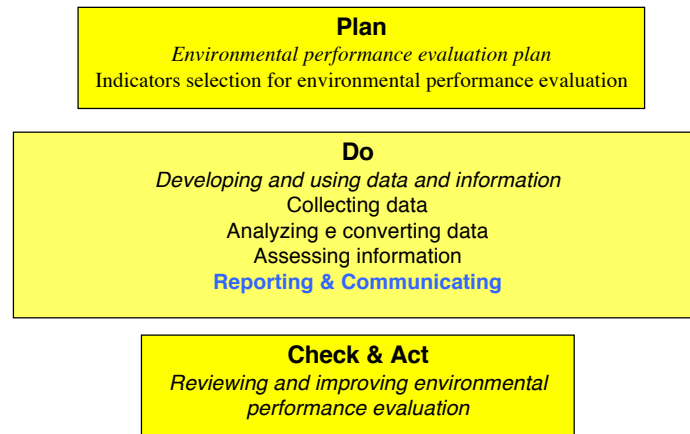
**Bronn and Vrioni, 2011; Mark-Herbert and Von Schantz, 2007**: it is important to improve a company's reputation



**Also in reference to sustainability**

## Communication and ISO 14031

It is focused on the evaluation of an environmental performance in the context of an environmental management system: the evaluation process is presented as a sequence of actions inspired by the **Deming cycle (Plan- Do- Check- Act)**.



## Sustainability Report

**Lozano and Huisingh (2001):** sustainability report “is a voluntary activity with two general purposes: (1) to assess the current state of an organisation’s economic, environmental and social dimensions, and (2) to communicate a company’s efforts and Sustainability progress to their stakeholders.

**Global Reporting Initiative:** “A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization’s values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.”

**Shaltegger et al. (2006) :** “The term sustainability reporting is usually used to refer to the publications of external reports, as either printed brochures or electronic versions on Internet. However, one main of effect of sustainability reporting is the involvement of management and employees in setting sustainability goals for the corporation, collecting data, and creating and communicating sustainability information.”

## Reasons for reporting (Kolk, 2010)

### Reasons for reporting

Enhanced ability to track progress against specific targets  
Facilitating the implementation of the environmental strategy  
Greater awareness of broad environmental issues throughout the organisation  
Ability to clearly convey the corporate message internally and externally  
Improved all-round credibility from greater transparency  
Ability to communicate efforts and standards  
License to operate and campaign  
Reputational benefits, cost savings, identification, increased efficiency, enhanced business development opportunities and enhanced staff morale

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### Reasons for non-reporting

Doubts about the advantages it would bring to the organisation  
Competitors are neither publishing reports  
Customers (and the general public) are not interested in it, it will not increase sales  
The company already has a good reputation for its environmental performance  
There are many other ways of communicating about environmental issues  
It is too expensive  
It is difficult to gather consistent data from all operations and to select correct indicators  
It could damage the reputation of the company, have legal implications or wake up 'sleeping dogs' (such as environmental organisations)

## Communication of sustainability: transparency or greenwashing?

Sometimes some companies are accused of being irresponsible, in spite of what they report: are sustainability reports a limited tool?

**Glazer, Kannianen and Poutvaara, 2010:** A communication based on falseness can contribute to develop a bad reputation, which can cause a drop of costumers or even a boycott

## Communication of sustainability: transparency or greenwashing?

Obviously companies can choose between two ways: transparency, showing real data, or greenwashing, masking their real attitude and relying on appearance, with risks for reputation and boycott actions (Glazer, Kanninen and Poutvaara, 2010).



**COMMUNICATING SOCIAL RESPONSIBILITY DOES NOT MEAN AUTOMATICALLY THAT WHAT IS DECLARED IS TRUE!**

## Controversies in the oil sector

Cases of two of the largest companies in the oil sector



**Why did we choose this sector?**

Because it is one of the most criticized for its impact on environment

## Controversies in the oil sector

### Methodology

A multiple case study approach (Yin, 2009) has been applied. Two of the largest oil company have been chosen, BP and Eni. These companies draft a sustainability report, providing a lot of data and information about their attention to safeguard the environment and to have also a positive impact on society. In this study researchers have compared these two cases, spotlighting the controversies which sometimes are stressed in the public opinion. Researchers have analyzed these two companies reports and then they have compared the information gathered from this document to their image.



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## Eni and its sustainability report

Area	Main indicators
People	Training hours on safety, Safety expenditures, OHSAS 18001 certifications, Health and Hygiene expenditures, Employees (total), Employees (women), Women senior managers, Satisfaction of participants.
Environment	ISO 14001 certifications, ISO 50001 certifications, EMAS registrations, Total systems audit, External certifications bodies, Environmental expenditures, CO2 emissions, Indirect CO2 emissions from sales of products, Net consumption of primary resources, Nitrogen Oxide emissions, Sulphur Oxide emissions, Total water used, Total recycled or reused water, Waste from reclamation activities, Waste management expenditures.
Local development	Total spending for the territory, Interventions on the territories from agreements, conventions and PSA by category.
Stakeholders	Eni customer satisfaction score, Suppliers used, Overall distributed net added value.
Ethics	Presence of women on the Board of Directors of Eni Group companies, Hours of training on human rights, Suppliers subjected to qualification procedures including screening on human rights, SA8000 audits carried out.
Innovation	R & D expenditures net of general and administrative costs, Personnel employed in R & D activities.



## Eni and its sustainability report

This company presents itself highlighting its environmental and social commitment

May 2015: Eni awarded with the Corporate Social Responsibility Award

Some of its objectives to reach: Issue of internal provisions on maternity rights and assessment of other actions in support of the applicable ILO conventions; Consolidation of a management system for the observance of human rights; Plan to develop projects focused on access to energy and creation of 1,000 new connections in Sub-Saharan Africa through innovative solutions



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## Eni and DJSI

“The Eni share has been included in the **Dow Jones Sustainability World** index for the seventh consecutive year.

The DJSI World 2013 includes 319 companies – selected on the basis of economic, social and environmental criteria – from among the top 2,500 companies by market capitalization. The companies in the oil & gas sector in the DJSI World 2013 number 14 out of an eligible 110. Eni has also been confirmed on the **Dow Jones Sustainability Europe** for the seventh consecutive year. The DJSI Europe 2013 numbers 6 companies in the oil & gas sector out of an eligible 19.” ([www.eni.it](http://www.eni.it))

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Sustainability Indices**  
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...but there also controversies...



This company has been accused to produce pollution in Nigeria, causing health problems for the local communities, but also to be irresponsible with workers.

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## Recent controversies linked to BP

In 2010 this company came to the fore because of an enormous environmental disaster. On April of that year there was an explosion on the drilling rig Deepwater Horizon, leased by BP.

The consequences were very serious in terms of human lives (11 men died) and environmental catastrophe: huge quantity of oil were poured into the Gulf of Mexico, with relevant damages on sea life (Perrons, 2013; Forrest Harlow, Brantley and Martin Harlow, 2011): as a matter of fact, as reported by Liu, Liu, Gardner, Shank and Ostrom (2014) 4.9 million barrels of oil and 2 million gallons of chemical dispersants were roughly released in the Gulf from April to July 2010 and, for this reason, this British company was convicted to pay a large fine.

A case of [RENAMING](#)

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## Safety

Five-year data

Safety <sup>a</sup>	2010	2011	2012	2013	2014
Fatalities - employees	0	1	1	4	0
Fatalities - contractors	14	1	3	2	3
Day away from work cases – workforce	408	168	152	130	145
Day away from work case frequency <sup>b</sup> (DAFWCF) – workforce	0.193	0.090	0.076	0.070	0.081
Recordable injuries – workforce	1,284	677	710	578	547
Recordable injury frequency <sup>b</sup> (RIF) – workforce	0.61	0.36	0.35	0.31	0.31
Hours worked – employees (million hours)	168	165	182	170	173
Hours worked – contractors (million hours)	255	209	220	203	184
Losses of primary containment (number)	418	361	292	261	286
Tier 1 process safety events <sup>c</sup> (number)	74	74	43	20	28
Tier 2 process safety events <sup>c</sup> (number)	213	241	154	110	95
Oil spills <sup>d</sup> (> one barrel)	261	228	204	185	156
Volume of oil spilled (million litres)	1.7 <sup>e</sup>	0.6	0.8	0.7	0.4

## Environment

Five-year data

Environment	2010	2011	2012	2013	2014
Oil spills – to land and water <sup>d</sup> (number)	142	102	102	74	63
Volume of oil unrecovered (million litres)	0.8 <sup>e</sup>	0.3	0.3	0.3	0.2
Direct carbon dioxide (CO <sub>2</sub> ) <sup>f</sup> (million tonnes (Mte))	60.2 <sup>k</sup>	57.7	56.4	47.0 <sup>h</sup>	45.5
Direct methane <sup>f</sup> (Mte)	0.22 <sup>k</sup>	0.20	0.17	0.16 <sup>i</sup>	0.15
Direct greenhouse gas (GHG) <sup>g</sup> (Mte CO <sub>2</sub> equivalent (CO <sub>2</sub> e))	64.9 <sup>k</sup>	61.8	59.8	50.3 <sup>j</sup>	48.6
Indirect carbon dioxide (CO <sub>2</sub> ) <sup>l</sup> (Mte)	10.0 <sup>k</sup>	9.0	8.4	6.6	6.6
Customer emissions <sup>m</sup> (MteCO <sub>2</sub> )	573	539	517	422	406
Flaring (Upstream) (thousand tonnes (kte) of hydrocarbons)	1,671 <sup>k</sup>	1,835	1,548	2,028	2,167
Environmental expenditure (\$ million)	18,400	8,521	7,230	4,288	4,024
Environmental and safety fines (\$ million)	52.5	77.4	22.4	2.5	1

## REFERENCES TO OTHER OIL COMPANIES

**Shell.** This company has been accused of horrible actions to the detriment of a population living in the delta of the river Niger, the Ogoni. During the 50's it started to exploit its oilfields with negative consequences for this population, both from a social and an environmental point of view, and this caused a rebellion by the side of this population. Against Shell, specifically in the 90's, there were accusations of tortures and murders with the complicity of the military Nigerian government towards protest movement (MOSOP) . This was a terrible blow for Shell, tarnished by the accusation of human rights violation and environmental destruction: its responsibility has been demonstrated and, as a consequence, it has been convicted to compensate the Ogoni for their shameful conduct.

**ExxonMobil:** Similarly to the disaster caused by BP, Exxon Valdez, an ExxonMobil oil tanker, released a large quantity of oil in the vicinity of Alaska in 1989 after an oil spill. The consequences were terrible for the ecosystem (Peterson, 2001) and also in this case this oil giant has been obliged to pay a large fine.

## Questions or suggestions?



Merci  
French

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Arabic

감사합니다  
Korean

תודה רבה  
Hebrew

धन्यवाद  
Hindi

多謝  
Traditional Chinese

Obrigado  
Brazilian Portuguese

Gracias  
Spanish

go raibh maith agat  
Gaelic

Спасибо  
Russian

Grazie  
Italian

Thank You  
English

多謝  
Simplified Chinese

நன்றி  
Tamil

ありがとうございました  
Japanese

ขอบคุณ  
Thai

Danke  
German



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