

SOCIAL COMPLIANCE AS AN ESSENTIAL COMPONENT OF INTEGRATED REPORTING

Corporate reporting is going through a fundamental change. It has been a common practice for responsible market participants to publish a sustainability report or corporate responsibility report in addition to the annual report in order to provide stakeholders with potentially relevant information. But trends from politics, economics, and society are currently leading to a changing in the reporting landscape.

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The European Union passed a directive binding all capital market participants within the EU with more than 500 employees and total assets of more than €20 million or a net turnover of more than €40 million – which equals approximately 6,000 companies – to report their non-financial issues, targets, and performance indicators in addition to their annual reports. Starting in 2017,

these companies are committed to report details about their strategies, risks, and results regarding environmental issues and social aspects. The revision aims to strengthen the competitiveness of European companies and the entire economic area in Europe by furnishing effective, credible, and comparable reports. This endeavor represents a great challenge to all companies without sustainability

reporting, especially the requirement to establish a reporting system regarding social compliance issues. They will have to develop several processes to collect these indicators immediately.

Regardless of the European decision, there are a number of globally acting companies that are pioneers when it comes to integrated reporting which have been promoting the issue for several years. Integrated reporting combines aspects of financial and sustainability reporting. It emphasizes transparent reporting that complies with comprehensive legal requirements in order to provide an overview of a company's performance. The reports should illustrate the developments at the company in a clear and comprehensible manner and focus on the most important internal and external stakeholder issues. In connection with integrated thinking, this kind of corporate reporting is the main concern of the International Integrated Reporting Council (IIRC), founded with the support of HRH Prince Charles in August 2010. Three years later, the IIRC framework was

released following extensive consultation and testing by businesses and investors from all over the world, including the 140 businesses and investors from 26 countries that participated in the IIRC Pilot Programme. The purpose of the framework is to establish guiding principles as well as generate content for an integrated report in order to explain the fundamental concepts that underpin these principles. The framework is available in nine languages and seems to be anchored within discussions about a new kind of corporate reporting.

GRI leading reporting standard

As a societal actor, the Global Reporting Initiative (GRI) is a nonprofit organization based on a global multi-stakeholder network that promotes economic sustainability. Since 2006, GRI has produced a comprehensive sustainability reporting framework that is widely used to enable greater organizational transparency. Today, more than 4,000 organizations from 60 countries use the guidelines to generate their sustainability reports. It can be said that GRI provides the de facto standard for reporting. In May 2013, GRI launched the fourth generation of its sustainability reporting guidelines – G4 with significant changes in materiality assessment. Due to the extended boundaries of the report, it is a greater challenge for companies with complex supply chains to remain compliant with G4.

The landscape of corporate reporting is changing. Global companies in particular need to enhance their reporting systems with regard to reporting on non-financial issues and satisfy stakeholders such as investors, rating agencies, customers, and business partners who also expect transparent and clear reporting. The report should include the implementation of sustainable procurement methods or a working supply chain management approach and be compliant with the law and relevant guidelines such as the code of conduct. A major challenge is not only to be legally compliant across the globe but also to be socially compliant

and to consider cultural characteristics (“zero tolerance”). It is equally necessary to collect and prepare the relevant (key performance) indicators with regard to social compliance issues and to embed them in the corresponding reporting framework.

Today's whistleblowing systems

There have been many cases of human rights abuses in the past, but companies are trying to address these issues actively by implementing processes and tools like whistleblowing systems in order to create awareness of such violations. Today's whistleblowing systems often take into account that whistleblowers are able to report more than legal compliance topics, such as corruption and money laundering, and offer categories like criminal offenses in the areas of occupational safety, protection of health, corporate security, and environmental protection.

Collecting such information worldwide and transforming it into an adequate report is difficult. In 2012, Transparency International Germany evaluated the corporate reporting of German companies regarding the GRI G3.1 indicators SO2-SO6 within a study to check whether the status “entirely fulfilled” could be applied. In the estimation of TI Germany, only half of the audited reports complied with the status “entirely fulfilled.” This clarifies the difficulties in reporting these topics, for example, “actions taken in response to incidents of corruption” or “monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.” Reasons for this are the absence of a reporting system, the wrong reporting approach, and the lack of clear procedures to gather the required information and indicators worldwide. The refresher study in 2014 shows much better results, but globally acting companies need support and adequate tools for measuring, collecting, and transforming this information into credible reporting. ■



BUSINESS KEEPER AG

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Today, the BKMS® System is used in 197 countries and regions worldwide and is available in more than 50 languages.

Customers of Business Keeper AG appreciate the certified security of the application as well as the fact that only authorized examiners have access to the data. The postbox functionality, which the whistleblower can use while remaining anonymous, bridges the gap between anonymity and the dialogue between the examiner and the whistleblower.