Social Reporting

Companies across Europe are obliged to produce annual reports and annual accounts, which have been verified by third party auditors, to ensure that accurate information concerning the financial running of a business is available to all those it may concern. However there is no widespread legal obligation across Europe for companies to report on their non-financial impacts. Where companies do produce a report on the non-financial impacts of their business, this is called social reporting. Given the increasing influence that business has over our daily lives, a reassessment of what information citizens, consumers, employees and NGOs have the right to access is necessary.

Example: Nike v Kasky

In a case that will be heard by the American Supreme Court in 2003, limits to freedom of speech on business' communications will be examined. In the case, Kasky alleges that Nike published a report inaccurately claiming there were no abuses of labour rights in its subcontractors in south-east Asia. Kasky claims Nike is therefore guilty of false advertising and should repay the profits earned as a result. Kasky argues the statements were intended to encourage people to buy Nike shoes who otherwise would not have done so. Nike claims that the statements it issued should be protected by the US Constitution's first amendment, which protects the freedom of speech, as the statements were in a report and press releases and not adverts.

Some companies undertake social reporting voluntarily. The methods they choose vary widely as do the methods, if any, they employ for social auditing: the system employed to verify the report. Some reports are superficial and do not reflect the real impacts of their business, whilst other reports accurately sum up the extent to which the business has integrated corporate social responsibility's concerns into their main business activities. By integrating the reporting of environmental and social concerns into the everyday business of organisations, alongside financial reporting, regard for the environmental and social impacts can be fully considered during all decisions.

Important Concepts

Independent Auditing: Some businesses subject their reports to a form of independent audit, sometimes by NGOs both northern and southern and through the use of independent auditors such as large accountancy/business services organisations.

Intangible Assets: During the 1990s many companies increasingly became aware and adopted business models that stressed the importance of their intangible assets, especially their brand, reputation and the values that are associated with a brand. This leaves companies open to risk associated with their CSR policies.

Risk: Many companies have viewed and justified the need for CSR on the basis of the risk that revelations of unsound or damaging CSR practices could have on the intangible assets of a business. However some argue that the environmental and social aspects of CSR should not be subsumed to an ulterior financial motive in this way. They also argue that viewing CSR as risk management will only lead to superficial CSR policies and glossy publicity and not to real change in the way business operates as it is only the perception of the business that is the intangible asset.

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Triple Bottom Line Reporting

- TBLR is where a company reports on its performance on financial, environmental and social fields [impact on people]
- Can be integrated throughout all business processes
- Can be adopted to allow all business decisions to be informed by the triple bottom line.
- Encourages the measurement, management and communication of environmental, social and economic results on an equal basis.

Global Reporting Initiative

The GRI is an initiative that develops and disseminates voluntary Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. Although originally started by an NGO, GRI has become accepted as a leading model for how social environmental and economic reporting should take place. It aims to provide a framework that allows comparability between different companies' reports whilst being sufficiently flexible to reflect the different impacts of different business sectors.

Questions:

- What role does information about a company's activities play in improving a business's social and environmental impacts?
- Does voluntary reporting ensure that society has sufficient information about business activities?
- How much information should society be entitled to from business?
- Should the idea of freedom of information, as is currently applied to government be extended to business? To what extent? How does the relationship between government and business affect this?
- What should be the balance between corporate confidentiality and society's right to information?
- How important for society is accuracy in the information that companies produce? For ethical investors, consumers, NGOs, government, trade unions?
- Is all business communication a form of advertising?
- Should false advertising legislation be used to enforce accuracy in Social Reporting?
- Can business communications be protected by the freedom of speech? If so, to what extent?
- What role should independent auditing have in ensuring the accuracy of social reporting?
- Who is best suited to carry out social auditing: large accountancy firms, trade unions, NGOs, consumer groups? Who can oversee social reporting and auditing?
- What role should government play in social reporting?