

REPORTING TODAY

What's the point?

Amid the constant calls for ever-greater disclosure in corporate reports, you may wonder whether all the time, energy, and resources poured into the reporting process are really worth it.

The answer is, quite simply, yes.

Sophisticated reporting drives performance both internally and externally and translates into greater business value, as illustrated by the diagram below.

Several new studies support these conclusions. Two examples follow:

- KPMG's recently released [International Survey of Corporate Responsibility Reporting 2005](#) reveals that 74% of companies surveyed cite economic reasons for pursuing corporate responsibility behavior and reporting. These reasons include increased shareholder value and market share, greater business

opportunities, innovation, enhanced reputation, employee retention, and reduced risk.

- The [Director's Guide to Corporate Responsibility Reporting](#), issued by Business in the Community in July 2005 presents reporting rationales corresponding to Michael Porter's model of competitive advantage. A summary table on page 9 identifies ways in which reporting can counter industry rivalry; protect against new entrants; and address investor, customer, and supplier needs.

And the number of organizations reporting on their nonfinancial performance continues to grow: as of the end of the summer, the number of GRI reporters reached 714.

All evidence points to the conclusion that comprehensive reporting will continue to be a critically important aspect of companies' business and communication strategy.



NEW AND NOTEWORTHY

KPMG International Survey of Corporate Responsibility Reporting 2005

This survey finds that the number of companies issuing corporate responsibility reports is increasing globally. Reporting focus continues to shift from an environmental orientation to comprehensive accounting of social, environmental, and economic performance. Assurance rates, however, have not changed significantly since 2003, and many reports lack descriptions of stakeholder engagement.

SIRAN compares disclosures of S&P 100

The Social Investment Research Analysts Network (SIRAN) has found that 39 companies listed on the S&P 100 Index now issue annual corporate responsibility reports and that 58 of those companies post social and environmental information on their websites. Reporting at these large firms reflects an overall trend toward increased nonfinancial disclosure. SIRAN company profiles are available online at www.siran.org.

Also noted . . .

Reporting as a Process: A Briefing by Business for Social Responsibility for the Global Reporting Initiative

REPORT REVIEWS

Each month, we evaluate a corporate responsibility report for [Ethical Corporation](#) magazine. Click on the following links to read our most recent reviews:

- > [PepsiCo 2004 Annual Report](#)
- > [H&M Corporate Social Responsibility Report 2004](#)
- > [Starbucks 2004 Corporate Social Responsibility Annual Report](#)

National Investor Relations Institute Annual Conference

July 5–8, 2005, Hollywood, Florida

This year's NIRI conference focused on elevating the IRO's office to executive level and putting the IRO in a better position to (1) raise the company profile in the capital markets, (2) protect the company and the IROs from liability, primarily for selective disclosure, and (3) ensure an accurate and complete flow of information to investors.

The regulatory breakouts focused heavily on Reg FD—not surprising as it seems the most fraught with possibilities for liability. Sarbanes-Oxley figured somewhat in the discussions but less than expected. Of the 32 breakout sessions, only one focused on "intangibles".

Following are some key takeaways:

- At least two company representatives, including the IRO, should attend any analyst meeting or call. This practice allows the IRO to know what's being said and to whom; to judge materiality; and to immediately file an 8-K in the event of selective disclosure.
- If you don't already have a disclosure policy, establish one—and make sure you and your executives follow it. Include in the policy an action plan defining immediate steps to be taken following a selective material disclosure.
- Tailor safe-harbor statements to fit your business. Avoid listing "kitchen sink" risk factors. General rule: if you can't identify the company by reading its disclaimer, it is too vague.
- When writing your MD&A, do not regurgitate the 10-K/20-F! Investors, not to mention the SEC, want an intelligent discussion of results in clear,

easy-to-understand language. Use an executive summary, tie segment results to the big picture, make sure investors understand not only where you've been, but where you're going and how you intend to get there.

Melcrum's North American Conference on Corporate Responsibility Communication and Reporting

July 20–21, 2005, Chicago, Illinois

Attendees from the United States and Canada wasted no time delving into reporting challenges at this midsummer conference. Speakers from Intel, Suncor, Newmont, RBC Financial Group, and Nike offered these recommendations:

- Be strategic. A high-level executive council should weigh in on major reporting decisions.
- Build internal support by celebrating successes and linking reporting to core business objectives.
- Avoid gloss. Build your report around hard data, factual descriptions, and frank discussion of challenges.
- Engage your stakeholders. Build and monitor long-term, personal relationships with core groups and individuals. Address concerns that rise to the level of materiality.
- Engage your legal team very early on in report development to identify and assess disclosure-related risks.
- Verify if possible. Engage an assurance firm to verify mature portions of your report, or convene a stakeholder panel to review report drafts.

UN Global Compact checks up on signatories

Under a policy effective June 30, 2005, UN Global Compact (UNGC) participants are required to issue a Communication on Progress (COP) within two years of becoming a signatory to the UNGC. The UNGC office has announced that companies that fail to disclose company actions to support the ten principles will be listed as inactive on the UNGC website. Although [initial COP statistics](#) show that 62% of the 977 affected companies have missed the COP deadline, the UNGC expects that more companies will begin to use the [Practical Guide to Communication on Progress](#) to disclose their progress in support of the UNGC principles.

Briefing sheds light on assurance standards

An [assurance standards briefing](#), jointly published by AccountAbility and KPMG Sustainability B.V. Netherlands, investigates whether two leading standards, the AA1000 Assurance Standard and the International Standard on Assurance Engagements (ISAE3000), conflict with or complement each other. The briefing finds that the application of both standards yields the most comprehensive assurance, as AA1000 focuses on responsiveness to stakeholders' material interests while ISAE3000 provides guidance for assurance processes consistent with standard financial auditing practices.

