Volume 5
Issue 1

The Reporting of Corporate Responsibility

Corporate responsibility is the responsibility of an organization for the impacts of its decisions and activities on the stakeholders.

Corporate responsibility includes the following issues:

1) Product responsibility
2) Environmental responsibility
3) Social responsibility
4) Human responsibility
5) Legal responsibility
6) Governance responsibility
7) Supplier responsibility
8) Financial responsibility

Financial and non-financial information provides shareholders and other stakeholders with a meaningful, comprehensive view of the position and performance of a company.

Besides financial reporting, most of the non-financial reporting are voluntary reporting. The types of non-financial reporting are as follows:

a) Sustainability reporting
b) Environmental reporting
c) Corporate social responsibility (CSR) reporting
d) Social reporting
e) Corporate citizenship reporting
f) ESG reporting
g) Intellectual capital reporting

h) Health and safety reporting

Compulsory reporting is the provision of information by a company through mandatory requirements rather than a voluntary basis.

In the capital market, investors may wish to better understand how environmental, social and governance (ESG) factors could affect the long-term performance of the companies they invest. ESG factors are increasingly regarded by investors as relevant to the risk-adjusted returns of portfolio.

ESG reporting is the main non-financial information for decision-making. Increasingly, increasing regulations for ESG reporting are due to the poor provisions of voluntary reporting. The stock exchanges, governments and regulators all over the world are demanding ESG reporting based on mandatory or semi-mandatory requirements.

Most countries with policies for ESG reporting adopt a combination of laws, listing rules, "Comply or Explain" and/or voluntary guidelines to regulate the disclose of ESG information.

"Comply or Explain" is a semi-mandatory approach used in the UK, Germany, the Netherlands, Hong Kong and other countries for ESG reporting. Rather than setting out mandatory requirements, the regulators set out the operating standards which listed companies may either comply with, or if they do not comply, explain publicly why they do not. The purpose of "Comply or Explain" approach is to let the market shareholders decide whether a set of ESG aspects is appropriate for the companies.

With an increasing global trend of sustainable development, ESG reporting has become a common practice for businesses all over the world. In Hong Kong, 85% of Hang Seng Index companies are reporting ESG issues in 2015.

ACCA recent survey shows that 90% of investors would like to see financial and non-financial elements of a company combined in an integrated reporting format (ACCA, 2013).

Reasons for integrated reporting are as follows:

a) It solves the dilemma of ESG information being presented separately and not being included in financial analysis and decision-making.

b) It provides a holistic view of corporate performance to investors.

c) It is demanded by some regulators.

d) It is the commitment to the UN Principles for Responsible Investment (UN PRI) or Socially Responsible Investment (SRI).

e) It makes different stakeholders to understand the long-term, value and consequences of companies' efforts toward sustainability.