Industry Survey

Transparency of Annual Sustainability Reports

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ABSTRACT
What is transparency, how can it be measured and what is the relationship between transparency and corporate reputation? One important feature of socially responsible entrepreneurship is the transparent dialogue with stakeholders about the policies and activities the company proposes to pursue in that respect. During such dialogue, it is important to cultivate mutual understanding and appreciation. A high level of appreciation increases stakeholders’ confidence in the enterprise and this in turn reinforces its positive reputation. An instrument, which can be of assistance in this process, is an Annual Sustainability Report. The primary function of such a report, in communication terms, is to account for the company’s actions. On the basis of the above rationale, the central question for this paper is: What indicators can be used to measure the transparency value of Annual Sustainability Reports and to what extent does this value correlate to the reputation (expressed as the RQ score) of an enterprise?

WHAT IS TRANSPARENCY?
It is on the basis of the expectations which the stakeholders nourish in relation to the company (Fombrun and Rindova, 2000) that they form an impression of the company. But listening carefully to what stakeholders think and want demands conscious interaction. If there is any discrepancy between the expectations of those stakeholders that the company considers to be important and the company’s own perceived identity, the company will find itself compelled to modify those deviant elements in its identity. Questions such as: ‘who are we?’ and ‘what do we stand for?’ will need to be answered anew, so as to bring such issues in line with the relevant expectations of the stakeholders.

By modifying its identity, and consequently its day-to-day business practices, the company will be able to align itself once again with the expectations and interests of the stakeholders. This will be accomplished through communication in the form of an intensive interaction. The interaction will be a positive reflection of the expectations of stakeholders on the basis of the original and renewed principles and the tangible and intangible values on which the company is based and — at the same time — the opinions of the stakeholders will be reflected in the identity of the company. The company will, of course, engage in other activities, which will reflect or manifest its identity. Such activities or conduct validate the content of the communications and the interaction of the company. Subsequently, this reflection and validation confirms to stakeholders that what they are observing is actually so. This entire process describes the transparency in communications between the company and its stakeholders.

Transparency is the vehicle by which to build confidence. Stakeholders acquire such confidence on the basis of positive experiences. Their emotional involvement
increases and the company’s reputation is strengthened. In turn, they give the company the social legitimacy it needs to be able to operate. This entire process ultimately leads to a higher market value, more profit and a stronger competitive position for the company.

On the basis of the aforementioned principles and criteria and the accompanying considerations on the issue of transparency, the following definition results (Figure 1):

‘Transparency is the interaction of an enterprise with its internal and primary external stakeholders in respect of verifiable events, issues and expectations about its services and operations so as to create sufficient mutual confidence, so that stakeholders are able to judge the ambitions of the enterprise on the most appropriate merits; transparency adds an extra dimension to the reputation of an enterprise.’

**Figure 1:** Transparency is a process of interaction, values and expectations with the possibility for verification

**Transparency Indicators and Transparency Score Card**

The functional context within which Annual Sustainability Reports are compiled is the institutional context of enterprises. For the editors of an Annual Sustainability Report, this context brings with it the task of accounting to the primary stakeholders for the company’s policies in terms of ‘corporate social responsibility’. Such accounting for corporate social responsibility policies in a transparent way is further dependent on a number of task-defining factors. This research has led to the following list of task-defining factors that must be evident in any Annual Sustainability Report:

1. Clear structure and style in the text
2. Explicit definition of basic parameters for data on components of the organization
3. Guidelines for issues to be addressed in the report