

# Transparency in corporate reporting

**Over the last few years there have been increasing calls – from the financial community and wider stakeholder groups – for levels of ‘transparency’ in corporate reporting to be improved.**

**Roger Adams** considers meaningful applications for the term

‘Transparency’ has become like mothers and apple pie. Who could possibly be against it? But what does transparency mean in practice? Put simply, it is the same for corporations as for individuals. Transparency enables us to feel we can discount surface level words and actions and read through to the real meaning and motivations, while the opposite behaviour leaves us struggling to see beyond the ‘spin’.

## Corporate reporting

Undue complexity and use of arcane technical language are two reasons why corporate reports fail. Enron collapsed six years ago, because, in part, once the alarms were raised, it was realised that its financial statements were opaque and possibly meaningless.

Financial reporting has moved on since the “annus horribilis” of 2002, with the introduction of narrative financial reporting which puts results into greater context. But calls for greater transparency are increasingly coming from consumers, customers, suppliers and pressure groups. They are arguing, not only for more information, but for information which is understandable, relevant and verifiable.

Each industry sector has a particular set of stakeholders and a specific set of issues to address, with organisations now questioned about anything from carbon emissions to the potential use of child or forced labour.

## Awards


In the early 1990s ACCA realised there was a major shift in disclosure demands and

began recommending that companies should issue environmental performance reports, later suggesting those reports should also incorporate wider social and economic impact issues. Our Environmental (now Sustainability) Reporting Awards were established in the UK in 1991 and in Ireland in 2000 and now run around the world.

Experience shows that the demand for improved corporate transparency is not limited to financial reporting. In an age of rapidly improved communications and risk consciousness, incidents which 20 years ago would have gone unnoticed now have the capacity to rock shares prices and anger various stakeholder groups.

In 1990 scarcely any companies issued an environmental report or social report. Today, almost all the FTSE 100 companies now issue stand alone sustainability or corporate responsibility reports.

The trend is spreading in Ireland as well. ACCA Ireland is pleased to announce that CRH and Irish Life and Permanent are joint winners of the 2008 ACCA Sustainability Reporting Awards. Tullow Oil plc was commended for the quality of its reporting. Download the report of the judges at: <http://www.accaglobal.com/documents/2008judgereport.pdf>

In the modern world silence is no longer golden – transparency on sustainability/CSR issues, even partial or experimental, is better than no disclosure at all. 

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