ICA CONGRESS, BRISBANE, AUGUST 2012

Topic: RECORDKEEPING: THE EVIDENCE BASE FOR CORPORATE SOCIAL RESPONSIBILITY?

ABSTRACT:

Multinational companies publish sustainability reports[1] to provide information on their activities and decisions that impact societies, the economy, and the environment in which they operate. Since records are evidence of corporate activities and decisions, recordkeeping principles and programmes should, logically, be a critical element in sustainability reporting activities. However, critics contend that these reports lack credibility and quality information[2] and that the information reported does not provide tangible evidence for corporate activities. Furthermore, critics argue that some indicators in the reports are not always measurable and that they are not thoroughly verified by independent monitoring institutions. This paper will show that companies at this point in time are not leveraging recordkeeping programmes to support sustainability activities, and that, moreover, the records profession is not sufficiently involved in these activities. This paper will discuss the role of recordkeeping in corporate social responsibility and question whether records - as evidence of business activities and decisions - contribute to sustainability reporting.

PAPER

In an ever changing business and technology environment, companies around the world are subject to greater public scrutiny by stakeholders and by those impacted by their

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[1] Sustainability reports are also known as corporate social responsibility reports and ESG reports. For ease of reading, the remainder of the paper will use the term "sustainability report" to refer to multinational companies' reports on the impact of corporate past and present decisions and activities on society and the environment.

[2] "Just good business. A special report on corporate social responsibility". *The Economist,* volume 386, number 8563 (January 2008) and Henriques, A., (2007). *Corporate truth. The limits to transparency*, London: Earthscan, p.78.

activities. Companies are becoming aware of the need for socially responsible conduct, accountability and transparency. It is precisely the nexus between recordkeeping and corporate transparency that is the theme of this PhD study undertaken by the author at Monash University, School of Information Technology. This research shows the relevance of recordkeeping for corporate transparency, in particular for the disclosure of information on multinational companies' activities and decisions impacting society and the environment. The researcher began with a survey of corporate websites to identify public statements of corporate transparency strategies and practices. The research proceeded with a case study of the sustainability process by interviewing three relevant groups: (1) regulators, i.e. organizations that establish sustainability reporting guidelines; (2) consultants, i.e. firms who help companies prepare the reports; and (3) auditors, i.e. professional auditing associations who conduct and establish rules for external assurance reviews of the reports[3]. Subsequently, the author interviewed corporate records managers to gain an understanding of recordkeeping within a multinational company and to explore records managers' perspectives on corporate transparency and sustainability reporting. The author continued with a literary warrant analysis of the sustainability reporting standards[4] to identify recordkeeping requirements. The author is currently comparing the research findings with existing recordkeeping standards in order to determine whether they meet the recordkeeping needs for sustainability reporting. Additionally, the author is in the process of specifying which elements of the recordkeeping framework are of most relevance to sustainability reporting as well as identifying the gaps that may need to be addressed to better meet business needs. This paper will present an overview of the research findings to date.

Analyses of corporate websites show that sustainability reports are largely used to communicate a company's social and environmental performance to the public as well as form an essential element of a company's corporate transparency activities. Out of the 50 companies under study, 49 published sustainability reports. All 49 companies posted complementary information on the corporate responsibility or sustainability sections of their public website. Most reports contained quantitative and qualitative

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[3] For confidentiality purposes, the names of individuals and organizations will remain anonymous when writing up the findings of the case study.

[4] Reporting standards are also known as the review of the reporting framework.

reporting on environmental and social information. Some companies acknowledged issues concerning the reliability of sustainability information: Statements or disclaimers included in the report on the website stated that social and environmental information (also referenced as "non-financial data") could never have the same level of accuracy as financial data, and that, therefore, additional measures were required to verify the accuracy of this data. These companies recognised the need for more internal control measurements to improve the accuracy and reliability of the information used for reporting. For example, Shell included the following statement in its 2006 report: "*We recognize that social data obtained from an internal survey of senior Shell representatives in each country has a significantly lower degree of accuracy than data from our financial systems So we carried out additional checks on these figures for 2006, to provide us with more confidence in their reliability*"[5]. These websites reviews showed the importance of external assurance or audit in sustainability reports. Some companies use these external assurance providers to ensure the credibility, completeness and relevance of their reports on performance. In its 2006 report on external assurance, Vodafone included the following statement "*being complete, transparent and meaningful can only be achieved if reported data is traceable and supported by evidence. Any initial gain in reputation will be easily lost if there is no credible measurement of performance*". However, a website analysis conducted in 2007 (with a follow up in 2010) showed that assurance reviews focused on verifying the reporting process rather than the performance data. Only 30% of the companies under study looked at specific data such as data on emissions or employment records. The surveys also highlighted the challenges concerning the collection and publication of social and environmental performance data. The studies indicated that some of these challenges are linked to the significance of the volume and meaning of corporate information relevant for sustainability reporting which is created and maintained at the operational site level or subsidiary level of multinational companies[6]. External assurance provider Deloitte included the following statement in its auditor's report of France Telecom's sustainability report for 2007: "*Regarding the environmental indicators reported by the United Kingdom and by Jordan, our testing noted potentially significant anomalies regarding the*

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[5]http://reports.shell.com/sustainability-report/2011/servicepages/previous/files/shell_sustain_report_2006.pdf

[6] For example information related to local labour practices and procedures, records on CO2 submissions of plants and/or waste management.

reporting scope and the availability of evidence supporting the underlying data, which prevent us from concluding on the indicators reported by these countries" [7].

The case study also found significant challenges involved in the collection process of sustainability performance information from subsidiaries. It demonstrated the complexity of reporting within multinational companies, particularly the challenges faced in the relation between the global headquarters and the subsidiaries around the world. The case study equally showed the complexities of reporting on social and environmental performance for multinational companies. According to interviewees, work processes in multinational companies are not only complex because of the multitude of steps and actions taken across different business units, but also because they involve many different actors and locations. Interviewees said that there was insufficient knowledge within multinational companies about the global operations their company undertakes and a small understanding of what was going on within the different locations worldwide. According to interviewees, in particular consultants and auditors, the global scope of reporting challenges data gathering and subsequent analysis from subsidiaries. They indicated that there were different working procedures, interpretation of the definitions, procedures and cultural differences between the subsidiaries. These variations could lead to a different understanding about which information to collect and where to retrieve it. Interviewees mentioned that those preparing the report experienced difficulties when formalizing inputs from different locations into a consolidated report. They pointed out that the quality of the information that comes in at corporate headquarters depends on the quality of the corporate guidelines. One interviewee added that unless guidelines are thoroughly detailed, then subsidiary employees will be tempted to do their own thing and local offices will interpret them as they see fit. The interviewees therefore emphasized the need for more control and oversight of the data collection process by the office that prepares the report. Overall, there is a high risk of obtaining inconsistent and erroneous data sets which are particularly difficult to verify and consolidate in one report. In this light, one interviewee mentioned that: *"Talking to people who do this stuff, you get all the war stories. Each different factory or sub-location often has a different way of collecting, recording, analysing, identifying and categorizing source information."*

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[7] http://www.orange.com/en/responsibility/documentation/documentation

Furthermore, consultants pointed out that this risk was not only the results of lose internal guidelines and instructions but that it was also important to verify compliance with these corporate reporting guidelines, especially when a conflict occurs between corporate and local regulations on reporting. For example, when the corporate guidelines differed from what the subsidiaries had to report to the authorities in their own country. According to one interviewee, *"most companies have some sort of corporate reporting guidelines internally. This sets down the definitions that we, as auditors, are supposed to use. The question is compliance with corporate reporting guidelines, especially when there is conflict between corporate and local legislation and regulations on reporting…This can be a real problem for recordkeeping and evidence; most locations are not very happy when the corporate guidelines differ from what they have to report to the authorities in their own country. The quality that comes in at head office depends on the quality of the corporate guidelines; if these guidelines are not detailed enough then people do their own thing – the local office will interpret them as they want to"*.

The case study sought to gain an understanding of the role of documentary evidence in sustainability reporting, as well as the challenges and issues related to it. Some of the challenges identified included access and/or availability of evidence, accuracy, reliability, and management of the performance data.Interviewees were also asked to identify sources of documentary evidence. The table below specifies the most commonly used sources.

Sources of documentary evidence (in alphabetical order)	Examples
Information systems	Financial, human resources, supply systems
Internal correspondence	Letters, memoranda, emails
Invoices (internal and external)	For example energy bills, hospital bills, waste disposal bills, fines sent from national or international authorities
Logbooks	Registers of incoming and outgoing goods activities, time records
External correspondence	Letters from national or international authorities and third parties
Media	Media reports, articles, stakeholder reports and publications
Policies	Corporate governance policy, Code of Ethics, Code of Conduct, Human Resources policies, but also policies from the host country

The interviews showed that the role of evidence is most significant during the collection and assurance review phase of sustainability reporting. One of the auditors provided the following example on how evidence is used during the assurance review: "*Well again it is still debatable but generally for our multinational clients, we visit a selection of sites and at site level we will look at underlying evidence of site records. So we go back to the actual bills such as electricity or energy bills or a sample of records of a weighbridge for waste leaving the site. It is more to show whether the actual systems are working or not. So we go to the weight bridge person and say when a lorry comes in and goes out on the weight bridge ask how a form is filled out and how these records are then transferred and added up to the month or the year. So you are looking at a sample of records from source up to the numbers that they then report to corporate.*"

The study showed that information management in the reporting process can facilitate the retrieval of information to improve the data collection and recording process, and ultimately enhance the reliability, accuracy and completeness of reported information. Furthermore, the case study clearly demonstrated the need for robust information management systems to manage the collection of data from offices around the world. Interviewees stressed the opportunity for information management and the need to implement it now.

Since records are evidence of corporate activities and decisions, recordkeeping principles and programmes should, logically, be a critical element in sustainability reporting activities. How do the companies leverage corporate recordkeeping programmes to support sustainability reporting? How is the records profession involved in these activities? Case-study interviewees were asked about their thoughts on the role of recordkeeping in sustainability reporting, in particular how recordkeeping would, in their opinion, contribute to reporting. Their replies showed that the interviewees had, at first, little knowledge of recordkeeping and the profession of records manager and consequently had difficulties seeing the nexus with sustainability reporting. One interviewee asked: *"What is the person called, what is their title? A lot of companies would not have such a person, is that correct?"* Once informed about the nature of recordkeeping, interviewees recognised the crucial importance of recordkeeping particularly with regard to overcoming some of the challenges related to sustainability information discussed above. Interviewees indicated that if the information that goes into a system were well

organized, accessible, accurate and reliable, the output of the system and the reports would most likely follow suit.

The interviews with corporate records managers addressed the involvement of recordkeeping programmes and corporate records managers in sustainability reporting. The interviews were conducted in 2009 and follow up questions were sent in 2011. The research analysed the drivesfor a corporate recordkeeping programme. The interviews suggested that companies establish corporate records management programs primarily to support internal objectives, such as cost containment by eliminating redundant and facilitating business and decision-making throughout the company by ensuring that information is easily retrievable. The drives most commonly referenced by the interviewees were: business efficiency; regulatory compliance; litigation; risk mitigation and business support. None of the respondents cited sustainability or transparency as triggers to establish a corporate records program.

The answers to the questions addressing sustainability reporting were short. One respondent simply said this did not fall under the responsibility of the corporate records management office and would have to be addressed by the responsible group within the company. Another one replied that because of the immaturity of the sustainability program, the records department was not yet involved. Yet another interviewee indicated that the responsible business group ran its own sustainability program and was responsible for the any disclosure activity with regard to health, safety and disclosure. As can be interpreted from these replies the corporate records program is not on the forefront when it comes to sustainability. The analysis of the interview responses gave the following explanation for this situation:

- sustainability is an emerging issue for the company and procedures are not yet incorporated into the corporate programs or are still being defined;

- sustainability is carried out by the responsible business units and this includes providing access to business records that document the company social and environmental performance;

- records required as input for a sustainability report are collected by subsidiaries or local business owners, the global records program does not need to be involved; and,

- transparency is identified as a risk and therefore companies take a very cautious approach to disclosing records.

From the responses given to the questions it became apparent that there is uncertainty among the interviewees whether corporate records should be involved in sustainability reporting. Some respondents clearly felt that this was the responsibility of the business units or subsidiaries as the owners of the records and needed no involvement from corporate records. When asked about the records documenting the company's social and environmental performance one respondent indicated that these records are created and managed by the responsible business units or subsidiary. This respondent however saw a need to address the retention of the final version of the corporate sustainability report which is comprised of the different local inputs. There seems to be a common understanding among all interviewees that the management of the sustainability related records happens at the local or business unit level and that this is the responsibility of this business unit or subsidiary. However not all agreed on the level to which the corporate records program needs to be involved. Another respondent indicated that the corporate records program will need to provide guidance on the management and retention of these records and already indicated the likelihood that the corporate records office would provide guidance to business units and offices creating records that are relevant for sustainability reporting. Other respondents also indicated the need to cover these records in the global retention program. Concluding one can say that currently corporate records programs are not involved in sustainability matters throughout the company. Some questioned if they had to be at all involved in this, but about half of the respondents saw a role for the corporate records office in providing retention guidance. Disclosure, however, was felt by the large majority of the respondents to be a matter for the responsible business unit or subsidiary and not an issue for corporate records.

The interviews with corporate records managers showed an uncertainty about the nexus between a corporate records program and sustainability reporting. The next step in the research was then to do a critical analysis of the sustainability reporting framework consisting of sustainability reporting but also external assurance standards or warrants to identify requirements concerning evidence and information[8]. Each warrant was

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[8] The literary warrants determine professional practices for reporting and auditing, and their authority was confirmed in the survey of the public websites of multinational companies and case

reviewed for statements that outline the requirements for the management of information, evidence and/or sources related to reporting and auditing. These requirements were then collected and organized into the three following information categories: information quality[9]; information management; and, information systems. The table below provides an example of an information quality requirement[10], the highlighted text shows key statements that will contribute to forming the recordkeeping requirements.

Information quality	
Requirement	**Meaning**
Accuracy	Content of the report needs to be <u>factually correct</u> and <u>sufficient in detail</u> for stakeholders to assess the reporting organization's performance. This implies that the report is based on and thus has access to information that is without errors, and gives a faithful representation of the business activity or decision to which it relates. Furthermore the content of the report is derived from information which is relevant to a company's performance and the information addresses all significant activities and impacts related to social responsibility. Source documents can serve as evidence of a statement in the report or assist in the verification of the content of the report. Source documents are accurate. It should be possible to identify and access the source document. The performance information and/or source document should relate to a decision or activity directly relevant to the statement in the report.

Although all warrants clearly showed requirements that have recordkeeping implications, none of these warrants explicitly referenced recordkeeping as a necessary professional activity nor was a recordkeeping standard cited in one of the standards. This indicates that there is little awareness within the reporting and assurance providers' professional community about the recordkeeping profession and the recordkeeping standards. This

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study. These included among others: ISO 26000 Guidance on social responsibility; G3.1 Global Reporting Initiative Sustainability Reporting Guidelines; AA1000 Accountability Principles Standard (APS); and, International Standard on Assurance Engagements of the International Federation of Accountants (IFAC).

[9] Quality of information, evidence, sources and/or the report itself.

[10] This table is for information purposes only, the complete list of requirements is available in the thesis of the PhD research and forthcoming publications.

finding was also confirmed in the sustainability case study. Although the reporting framework analysis clearly showed the nexus between sustainability reporting and recordkeeping, at this point in time, there is no connection with the professional recordkeeping community.

The research is currently looking into the recordkeeping framework and how this framework responds to business needs. While still in progress, this paper has, nonetheless, already included some preliminary findings. Largely due to the success of the first international standard on records management, ISO 15489, and subsequent recognition and implementation of the Standard by public and private organizations around the world, the past ten years have seen a notable increase in international standard developments and initiatives within the recordkeeping community. This has resulted in a number of new ISO standards, such as the ISO 23081, ISO 16175 and ISO 30300. These provide a solid framework but are still isolated and largely unknown to other professional groups despite an attempt being made with the ISO 30300 standards to remedy this[11], The route of ISO 30300 seems to be an appropriate approach to connecting the business community. However, in order to effectively reach out to a business and to ensure a profound impact of its professional principles, the records community should seek to integrate recordkeeping requirements directly into business standards, for example the ISO 26000 Guidance on Social Responsibility and the ISAE 3000 International Standard on Assurance Engagements of the International Federation of Accountants (IFAC). This will not only raise awareness among the business community but also introduce essential elements into business standards which will contribute, in the case of sustainability reporting, to more reliable and credible reports. Considering the high uptake of these business standards, there is a real possibility of effectively reaching out to businesses.

Records and recordkeeping principles will reach out to a larger community and give the records profession the opportunity to raise awareness of its other standards of relevance to the business community. Records professionals should now use this opportunity to

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[11] The intention of the ISO 30300 initiative is to establish a Management System for Records (MSR) and in alignment with recognized ISO management methodologies known as the "Management System Standards (MSS)". The standard is intended for people who make the decisions in an organization around the establishment of the MSR and who allocate resources.

connect with relevant business communities and make the recordkeeping requirements a core component of the business process. At the same time, records professionals and in particular those working in a business environment should follow the way organizations do business and identify areas that require recordkeeping principles and requirements. This will mean a shift away from the operational day-to-day work and will involve a pro-active outreach to business units. It will also enable risk analysis to identify those areas that present the highest risk when information management or evidence needs are not addressed appropriately. As the regulators, auditors and consultants already indicated in their interviews, it is now time to implement effective recordkeeping for corporate social responsibility.

SPEAKER BIOGRAPHY

Ineke is a PhD candidate at Monash University. She lives and works in Belgium. Since February 2010 she is the North Atlantic Treaty Organization (NATO) Archivist. Ineke has over 18 years of professional experience in international organizations, including UNHCR, IOC and WHO. Ineke holds a masters of the Radboud University in the Netherlands, followed by post graduate education at the School for Archival Studies in the Netherlands. She completed a post-graduate certificate in archives and records management at the University of British Columbia in Canada. She is an active member of the ICA and ARMA International.