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Japan-Europe Symposium on Business Reporting for Sustainability

Panel Discussion (Policy Agenda)

From Sustainability Reporting to the Sustainability of Reporting: The Policy Terms

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What is WICI Europe ?

Founded in May 2009, WICI Europe is the Regional organisation of the WICI Global Network (World Intellectual Capital Initiative – www.worldici.com)

WICI Europe is a legal entity based in Frankfurt at the EFFAS seat.

Founding Members:

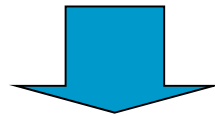
- EFFAS (European Federation of Financial Analysts' Societies)
- University of Ferrara
- Intellectual Assets Center of Glasgow (agency of the Scottish Government)

WICI Europe is aiming at establishing country WICI jurisdictions in Europe (the nearest to completion are France, Luxembourg, Italy)

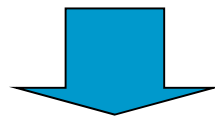
WICI Europe has participated in comments to the European Commission (with ECRA) and the organisation of Conferences and Workshops

THE PROBLEM

Companies need to manage their intangibles in order to manage in a conscious way value creation processes



Information is necessary to manage

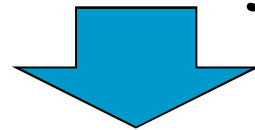


There is a lack of structured, systematic, reliable (audited), & comparable information on company intangibles and value drivers

Economic Consequences

This situation of lack of information on intangibles induces many adverse economic consequences:

- It easily produces short-termism, behavioral myopia, ill-informed allocation decisions, market volatility, information asymmetry, insider information, credit crunch for companies, etc.
- Costs of mismeasurement borne at firm, capital market, industry, and country/regional levels



There is an economic problem and a social damage

Sustainability Reporting: Main Trends of the Debate

1. A larger concept of sustainability (environmental vs. business)
2. CSR goes along with intangibles → business vs. civil society
3. Increasing relevance of non-financial information
4. Systemic vision of company information (interconnected, comprehensive) → better transparency
5. Need for a larger information in scope on risks (e.g. reputation)
6. Need for simplification/improved readability of reporting
7. Several attempts to provide standardisation of non-financial information (WICI, GRI, International Interconnected Reporting Committee, Global Compact, ISO....)
8. Regulation-based vs. voluntary adoption
9. Diffusion amid SMEs
10. Education of/for stakeholders (banks, investors, managers, governments...)

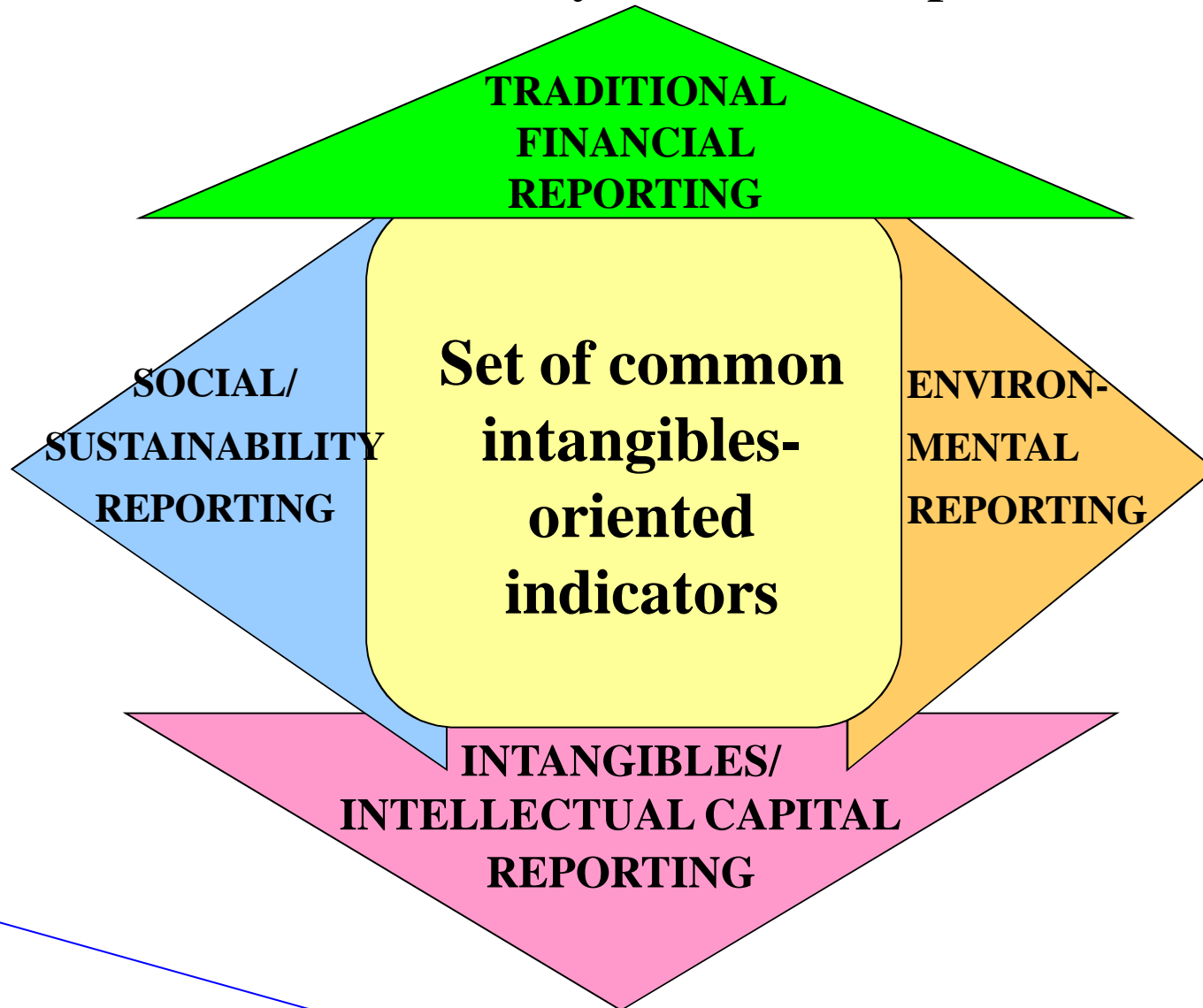
Intellectual Capital and Corporate Social Responsibility (CSR): A Conceptual Affinity

Social and Environmental Issues can be seen as part of the management of Intellectual Capital (image/reputation)

Therefore, social and environmental capital as particular intangibles to be managed by companies for achieving long-term sustainability and preserving income generation capacity

Towards the Integrated Reporting System

(S. Zambon (ed.), 2003, Study for the European Commission)



Sustainability Reporting: Main Policy Indications

1. Show the (systemic) benefits of an integrated reporting
2. Address the conceptual, terminological & implementation issues
3. Avoid the proliferation of overlapping international initiatives and guidelines
4. Role of policy makers:
 - Recognise/endorse the organisations working in the area of standardisation of sustainability reporting
 - Develop/detail the regulatory aspects already in place
 - Foster education and learning in this area
 - Encourage and support the implementation of new company reporting systems
 - Priority: better reporting at company level → better indicators at regional, meso and macro level

Semi-Final Remarks

- § The today's economic environment poses new challenges to managers, investors, policy makers
- § It is important to understand the link between value creation, management and intangibles/CSR through a new information set and reporting system
- § Intangibles are also associated with risk **à** risk management overlaps with intangibles management



Conclusions

- § Work on intangibles and CSR is as exciting and needed today as it was in the past 20 years, but it has to face new and difficult challenges.
- § Rather than preaching the importance of intangibles/CSR - which everyone by now recognizes - we should tell managers, investors, policymakers *how to improve and report* on what they are currently doing.
- § After all, also company Reporting should be Sustainable!