

Study of Informational Requirements to Identify Reputational Risks*

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Abstract. Over the recent years one can witness growing influence of stakeholders on business. Structure of involved stakeholders is expanding; informational requirements are becoming more complex. Numerous studies show that in spite of constantly increasing disclosure requirements, stakeholders still do not consider corporate reporting as sufficient source of fulfilling their informational requirements. The greatest uncertainty for stakeholders is associated with risks, forecasts, strategy, social and environmental responsibility sections. In order to maintain sustainable development in global risk context, company requires a sound system of stakeholders' relations. Risks affecting relations sustainability, which occur due to confidence loss, are reputational risks. The survey analyzes ways of increasing reporting transparency in order to maintain stakeholders' trust and minimize reputational risks in the future. Paper addresses systems of information disclosure on sustainability of customer relations, suppliers and community relations of five metals industry leaders (including two Russian companies, two Western and one Chinese). As the result the paper proposes the disclosure approach to the risks of sustainable stakeholders relations and makes a number of recommendations.

Аннотация. Последние годы наблюдается усиление влияния стейкхолдеров на управление бизнесом. Структура заинтересованных вовлеченных пользователей расширяется, информационные потребности усложняются. Многочисленные исследования показывают, что в настоящее время, несмотря на возрастающие требования к раскрытию информации, стейкхолдеры все еще не оценивают корпоративную отчетность как достаточный источник удовлетворения их информационных потребностей. Наибольшую неопределенность для заинтересованных сторон представляют разделы, посвященные рискам, прогнозам и перспективам, описанию стратегии и социальной и экологической ответственности. В условиях глобального риска для обеспечения устойчивости бизнеса необходима стабильная система отношений со всеми стейкхолдерами компании. Риски уменьшения устойчивости отношений, наступающие вследствие снижения доверия, – репутационные риски. В исследовании проанализированы направления повышения прозрачности отчетности в целях укрепления доверия стейкхолдеров и минимизации репутационных рисков в дальнейшем. Для целей исследования проанализированы системы раскрытия информации об устойчивости отношений с клиентами, поставщиками и обществом пяти лидеров металлургической отрасли, среди которых две российские компании, две западные и одна китайская. По результатам исследования предложена методика раскрытия информации о рисках устойчивости отношений со стейкхолдерами, и предложен ряд рекомендаций.

Key words: Reputational risks, sustainable relations, stakeholder involvement, corporate reporting.

INTRODUCTION AND DEFINITION LANDSCAPE

In recent years corporate reporting development has been strongly influenced by increasing stakeholders' involvement and interconnection of their interests. The key stakeholders' requirement can be reasonably defined as the company's ability to maintain sustainable development progress.

As Steurer and Langer (2005) argued, stakeholder relations management (SRM) is one of such ways, through which corporations are confronted with economic, social, and environmental stakeholder claims.

Today global economic conditions deprive the companies of demonstrating previously common high rates of shareholders return. Balanced growth in the new reality involves maintaining the resource

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potential — a significant investment in the preservation of the environment, respect of the rights of employees against discrimination and constant increase of corporate governance transparency.

But in the context of stakeholders relations the distinction between previous and current global economy conditions gets little attention — companies struggling for capitalization and growth maintain face the same challenge as before — to meet stakeholders expectations and exceed them when possible.

If we attempt to summarize stakeholders requirements, they can be formulated in the following way: getting accurate and timely information to assess the risks posed to their relationship with the company. In this context, we are no longer talking about parties' economic interests only; understanding the company's business in the context of global risk is now crucial for stakeholders.

Stakeholders' informational expectations vary from earnings per share indicators to the company's environmental requirements compliance level.

To answer to the broader stakeholders' informational requirements, public companies' annual reports are becoming more complicated — usually they consist of more than 200 pages, and often supported by sustainability report containing approximately 150 more pages of information. Section with risks (including reputational) description portfolio and stakeholders relations also became an integral part of annual report.

Such a complicated structure of stakeholders requirements is based on economic instability when it becomes difficult for parties to estimate which factors in business practice may lead to threat, and even more difficult to understand in which direction it will evolve. Hence the continuously increasing requirements for disclosure in the financial statements, and a number of initiatives to develop standards of social and environmental responsibility, are intended to extend stakeholders comprehension of today's risks tomorrow.

Therefore it is necessary to focus attention on issues of stakeholders' perception and informational needs of stakeholders in terms of economic instability. In terms of corporate reporting these issues can be described as an attempt to consolidate information on implicit risks, in which the hierarchy of reputational risks takes a special place.

Back in the early 2000s, the term "reputational risk" was associated solely with the Enron and Arthur Andersen. Up to 2010–2011 most of the major western and Russian commercial banks and institutions have released internal policies for managing

reputational risk. In 2014 references to this term can be found in the light of socio-political events.

Scholars (Hayward, Zaman) evolved several approaches to the concept of reputational risk, but most accurately the nature of its origin can be characterized as follows:

Reputational risk is a risk of stakeholder confidence reduction, increasing when parties expect that violations in company business practice will affect their own economic interests.

To manage reputational risks, it takes constant increase of reporting transparency, allowing stakeholders to build trust by providing reliable, timely and representative information about the company's business. Besides own interest fulfillment, stakeholders assess the reputation of the company as a whole, which includes sustainability of its relations with other partners.

From the stakeholder perspective the information provided in corporate reporting can be divided into groups in accordance with the scope of risks, such as: what are the risks of the company in relations with customers, suppliers, employees, creditors, shareholders and investors. In other words, to what extent the system of relationships with company stakeholders is effective and sustainable? The effectiveness of this system determines reputation sustainability.

METHODOLOGY

The purpose of research is, on the basis of stakeholder analysis, to identify the major trends and patterns that are typical for corporate reporting from reputational risks perspective and to discover possible ways of reporting development.

To achieve this objective it is necessary to identify what information is to be disclosed in corporate reporting to increase engagement and confidence of stakeholders in order to reduce the reputational risks.

To understand the keys to success in the transfer of initiatives of reputational risk management through the reporting development, we examine the experience of leading metal and mining companies from Russia (Norilsk Nickel, Novolipetsk Steel Company (NLMK)), Western (Vale, Xstrata), and China (Baosteel).

The study is based on critical analysis of corporate reporting including assessment of implementation of sustainable principles and initiatives.

Reputational risk management is based on information disclosure to minimize uncertainty in respect of the events — the causes, actions taken



Figure 1. Scheme of the informational stakeholders requirements concerning the risks of sustainable relations with other counterparts.

and directions for further monitoring. Information for the purposes of analysis, relationships with contractors companies can be divided into 4 blocks (Figure 1).

Stakeholders need this information to assess the extent and probability of company obligations fulfillment and the impact that company partners may produce on company business with own negative reputation.

Furthermore, as it shown before, reputational risk is enhanced by the lack of awareness among stakeholders about the risks of the company in relation to various partners.

In relation to mining and steel companies the following main risks associated with the stakeholders can be found (Table 1):

Significance and complexion of stakeholders relations discovers personal needs in information about the risks in relations with other contractors. For example, problems in relations with suppliers can lead to costs level higher than anticipated, disrupt of production time, violations in supply chain, which will have significant impact on the company's ability to meet its obligations to stakeholders.

ANALYSIS AND FINDINGS

The major call during the recent years has been the implementation of stakeholder involvement principles to manage reputational risk, which determines the trend of relations system development — a partnership. The variety of existing risks requires significant partners' integration, going well beyond the contractual relationship.

The purpose of such integration is compliance with the standards of economic, social and environmental security by all participants in order to reduce their own risks.

Stakeholders need information on results of such cooperation, the analyzed aspects — data on the existence of internal control system in the company, which prevail in importance over the monitoring results itself.

Disclosure on existence and reliability of the internal control system is crucially important for the stakeholders. If it is superficial and uninformative, it cannot serve as a reporting tool for reputational risk management.

Chinese Baosteel and Brazilian Vale are disclosure practice leaders, mostly because they operate in regions associated with high social risks. Over the past three years, the quality of Russian companies' reports has also improved significantly.

Based on the study of how sustainable relations with stakeholders are seen from corporate reporting perspective, the following major results were obtained:

1. Insufficiency of disclosed information obstructs stakeholders from making conclusions about the existence of reliable control systems.

— As the results of the study show, the reputational risk cases are mostly associated with the supply chain; however suppliers relations remain the least analyzed in reporting;

— Information forecast remains the prerogative of management accounting and is disclosed poorly. Analyzed companies for the last three years limit forecast reporting to cautious assumptions about anticipated

Table 1. The main risks of steel and mining companies in stakeholders relations.

Stakeholders group	Potential threats and risks in stakeholders relations
Customers	<ul style="list-style-type: none"> • Sensitivity to industrial production, together with the need for significant long-term capital investments; • Adverse economic developments in customer countries, influence of legal, political and social reforms; • Denials in demand for the products customers produce; • Product price is a subject to volatility; • Inability to adjust production volume in a timely or cost-efficient manner in response to changes in demand; • Involvement in legal proceedings that could have a material adverse effect on business;
Government agencies	<ul style="list-style-type: none"> • Disagreements with local communities where operations are taking place; • Government regulation (including probable changes in tax, ecological law, royalties on mining activities); • Enrichment requirements change risks (changes in processing limitations, export taxes, restrictions, or royalty for the raw ore); • Risks of restrictions implementation (on the activity in regions with major operations, alienation, nationalization risks); • Limitation on renewal of concessions, authorizations and licenses; • Risks of changes in the conditions of concessions, authorizations, licenses (timely renewal on timely basis, technology requirements, fees for renewal); • Inability to pass certification on necessary standards (REACH, CIP, ISO etc.).
Employees	<ul style="list-style-type: none"> • Industry employees health is a subject to risk; • Disputes with employees (influence of collective bargaining or other labor agreements); • Lack of skilled employees in the industry.
Society	<ul style="list-style-type: none"> • Environmental damage associated with the industry activity; • Part of production or processing territory can border to the territories of other owners that can give them the right to influence decisions regarding resources management; • Ownership for separate parts of territory where mining and other operations may be a subject to dispute.
Suppliers	<ul style="list-style-type: none"> • The risk of significant changes in raw material prices could lead to failure of suppliers to perform their contractual obligations on the agreed price for goods; • Risks of price increases for transportation, storage, logistics; • Delays or disruption of transportation.
Joint companies, consortiums, subsidiaries	<ul style="list-style-type: none"> • Inconsistencies of strategies between the companies; • Inability to meet its obligations (including supplying procedures); • Significant difficulties of integration between the company and acquired companies.
Shareholders and investors	<ul style="list-style-type: none"> • Significant changes of political, economical and social conditions in countries where company operates; • Project implementation risks; • Reserve estimates may materially differ from mineral quantities that are possible to recover; • External factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves; • Inability to replenish reserves (exploration programs may fail to result in the expansion or replacement of reserves depleted by current production); • Controlling shareholder possessing certain veto rights; • Investors located in jurisdictions which differ from key assets location may not be able to effect service of process within their home jurisdictions; • Investors' rights relating to shares may differ between jurisdictions.
All groups (risk of inappropriate obligations fulfillment)	<ul style="list-style-type: none"> • Stakeholders' inability to meet their obligations (direct or indirect concerning compliance with standards of ecological and social security); • Related parties influence; • Reputational influence on partner's business.

Chinese economy recovery (as China is the major market) against revenues reduction background;

— Customers demand retention factors, sales strategy in the face of increasing Asian manufacturers influence remain unobvious;

— Companies claim for high standards compliance with the principles of responsibility in the supply chain, existence of associated monitoring system, but the systems themselves are poorly characterized — criteria used for assessing, implemented ap-

proaches, the frequency of inspections and following measures are not described in the statements;

- Reporting provides information only on estimates of individual criteria, does not demonstrate the existence of suppliers evaluation system;

- Percentage of analyzed audited suppliers is not defined, which characterizes control system as indefinite;

- Information about members of the Board of Directors traditionally is not sufficiently covered; performance reward systems, functions of independent directors, the relevance of the experience of certain key managers, as well as the mechanisms of their interaction stay uncertain;

- In terms of ecosystems risk, management must disclose information on high value areas, which are affected through extraction-transportation-processing-production-utilization-storage stages. Users need to understand the risks that assets location involves.

2. Lack of quantitative indicators.

- Insufficient attention is paid to disclosure of quantitative information concerning impact assessment of changes on company performance. For example, all the companies except Chinese manufacturer disclose changes in the metal markets, the prices fluctuation data, the volume of supply and demand, but there is an acute shortage of managerial assessment of the situation – how such changes impact capacity utilization, the amount of reserves and inventories, etc;

- The revenue and accounts receivable structure in dynamics, power of impact of individual consumers also remain undisclosed, except for Chinese Baosteel company, which provides detailed information on the impact of the largest customers in terms of revenue payable, accrued reserves and extent to which the company is related with major debtors;

- Companies refer to significant procurement practices from local suppliers, with the volume of purchases not indicated or representing a small proportion of operating costs; auditing and monitoring system for such suppliers is not disclosed;

- Stakeholders need quantitative assessment of ecosystems impacts to understand the current state of the problem. Since the industry involves strikes risks, claims by environmentalists, local authorities and international community claims, stakeholders need to understand how critical and deep is the impact on the company's ecosystem.

3. Risk minimization measures.

- Since a significant portion of the assets of mining companies is located in regions with high levels of social risks, adverse climatic conditions, the

need to disclose information about the directions of maintaining social security provided to employees increases. The study shows that the structure of these costs is disclosed poorly in reporting and measures taken to minimize the social risks are not described. Inadequate disclosure of risk management policy identifies weaknesses of internal control system, which reduces the confidence of stakeholders and enhances the reputation risk;

- The general level of education of employees in the industry is also quite weak due to the peculiarities of the regions where companies operate and industry where significant part of employees are workers. Therefore, to assess risks the users require more extensive information about the sources of new hired employees, as well as on educational programs for staff;

- Description of measures to improve achieved progress, such as increase in the proportion of products produced with advanced ecological safety technologies, supplied by quantitative indicators that allow interested parties to evaluate the company risk management.

4. Characteristics of stakeholders relations with the description of conflicts.

- Cases of significant conflicts with employees are poorly represented in corporate reporting. Analyzed companies provide information on significant number of strikes that lasted more than 10 days, but do not disclose details of the damage, the measures taken, the risk of recurrence, monitoring employee satisfaction measures, and evaluation of the risk of recurrence of similar uprisings, which also leads to increase of reputational risk;

- Best disclosure practice includes information about the number of lawsuits in connection with disputes concerning the influence of companies on the territory of the presence, but the causes of conflict, economic costs of litigation and outcome of cases are not stated;

- In the statements of Russian companies there appears a section relating to the assessment of customer satisfaction, but the percentage of customers covered by monitoring, cases of conflict in relations with clients during the period, causes and methods of settlement are undefined;

- Information on the study of the degree of satisfaction of suppliers does not appear in the system of relationships with contractors.

FURTHER RECOMMENDATIONS

Based on the existing standards review, stakeholders expectations, requirements analysis, and best

Table 2. Stakeholders informational requirements on sustainability of clients relations.

Informational requirements	Indicators and results
Market share (compared with competitors)	<ul style="list-style-type: none"> • Characteristic of competitive environment in major markets with identification of company's own share and the shares of major competitors; • Competitive advantages of products that ensure the segment stability;
Consumer portfolio	Revenue recognized history (in dynamics): <ul style="list-style-type: none"> • upon industries; • upon geographical areas; • intergroup/external revenue; • received from new/constant partners • received from major clients (with reference if the parties are related); • received from products with higher added value; • received from brand value clients; • received from new and non-core products; • received from selling products which posses "green" characteristics.
Specific character of products application	<ul style="list-style-type: none"> • Products application specific features; • History of revenue recognized from products; • Description of new applications of existing products;
Segment analysis results	<ul style="list-style-type: none"> • Revenue, EBITDA, EBIT data by products and geographical assets; • Intersegment transfers.
Settlement transactions practice	Accounts receivables data: <ul style="list-style-type: none"> • ageing data; • major customers data; • related parties data; • bad debts data; • management comments on the causes and taken measures in respect of debts with past due balances, information on the accrual of reserves.

reporting practice analysis we propose disclosure of following indicators in order to manage reputational risks.

Consumer relations

Regarding clients relations sustainability we highlighted the following areas of stakeholders interest: market share (compared with competitors), consumer portfolio, the specific character of products application, segment analysis results, and settlement transactions practice (Table 2).

To identify customers relations sustainability risks it is necessary to evaluate the impact of changes in industry supply and consumption volume and structure changes. These factors can determine the market changes in a long term. The consequences of these changes are: changes in the market participants' positions, changes in prices of basic products.

Consumer satisfaction data not only provides stakeholders with information about consumer loyalty, but also acts as a proof of monitoring system existence. The next essential element is products safety and quality risk assessment, in particular, at which production stages the monitoring takes place, how measures are documented and how clients are consulted to comply with security measures.

Stakeholders informational requirements concerning the ways of risk minimization applied in

customers relations can be divided into the following groups: factors that ensure a stable part of the demand (hedging arrangements), measures to correct supply under demand changes, changes in pricing policy, services, optimizing assets structure measures, plans for reconstruction and development.

To evaluate the effectiveness of the measures taken to minimize risks the stakeholders require information on results achieved for the period: corrective measures included in the production process, products released with the use of advanced technology and with improved competitive characteristics, significant changes in contractual practice.

Stakeholders need to understand the company's market share to make forecasts, which is crucial for markets having high prices volatility and undergoing significant changes.

Disclosure of information about the competitive environment and the description of the advantages ensuring the company position help users to deepen the understanding of company sustainability factors.

Information about the main consumers gives users the ability to assess the risks associated with changes in the economy of the company's customers.

To assess the stability of demand stakeholders particularly need to analyze the sources of revenue received.

Table 3. Stakeholders' informational requirements concerning the risks of sustainable clients relations and measures taken.

Informational requirements	Indicators and results
Current and planned anticipated changes in legislation, geopolitical and macroeconomic trends that may have an impact on market performance	<ul style="list-style-type: none"> • Main factors determining the economics of industries and countries, customers and competitors; • Quantitative impact assessment, where possible
Changes in consumption structure / consumer preferences in the industry during the period	<ul style="list-style-type: none"> • Prospective evaluation of structural changes impact on production and sales volume.
Assessment of main reasons which bring to prices fluctuation	<ul style="list-style-type: none"> • Quantitative impact assessment, where possible.
Significant changes in competitors positions	<ul style="list-style-type: none"> • Significant mergers / acquisitions in the industry with a description of the consequences;
Monitoring data of customer satisfaction	<ul style="list-style-type: none"> • Description of customer satisfaction monitoring: <ul style="list-style-type: none"> – frequency – number of participants – applied criteria – results (in dynamics) – analysis of customer satisfaction failure cases – statistics of claims received (including discussed, agreed, rejected, lawsuits), broken down by customer (new, existing, standing), stating reasons.
Monitoring of the risks associated with product safety (stages when implemented)	<ul style="list-style-type: none"> • Percentage of production undergoing safety assessment (broken down by stages); • Share of products, concerning which consumers are informed about the properties, conditions of storage, transportation and security measures.
Examination of products quality	<ul style="list-style-type: none"> • Standards applied; • Certification received.
Factors that ensure the stability of the demand (hedging arrangements)	<ul style="list-style-type: none"> • Share of products manufactured against contracts with a predetermined price; • Share of the products manufactured against hedged contracts.
Measures to correct the supply in respond to demand changes	<ul style="list-style-type: none"> • Information on new products development, new technologies designed to improve the quality / safety of products, and the quality control system; • Measures to optimize the structure of assets; • Description of capital investments structure, the current significant projects for reconstruction, development, technical armament, the alleged period of implementation, adaptation and payback period.

If the customer structure is diversified and includes partners from different industries and geographic regions, the classification of the revenue received from them also makes a significant contribution to the understanding company's risks. If a substantial portion of revenue comes from consumers whose industry or region is undergoing significant changes, or such consumers provide major markets for certain products, information about their interdependence with company will help users to adjust their expectations.

Stakeholders often require extensive information about the specific application of the individual products. The data allows better understanding of markets, and also describes the possibility of new

product applications. Dynamics of change of recognized revenue, broken down by type of product and the stage of completion of the production of the product provides information on trends, and helps to adjust the expectations. Description of new applications of existing products, if any, allows users to assess emerging risks and opportunities.

Information on revenue received by products, production stage, from the sale of non-core products, new and higher added value products demonstrate optimization measures in terms of price instability. Information about the revenue received from products produced with innovative resource-saving technologies demonstrates the steps towards reduction of sustainable development risks.

Table 4. Stakeholders' informational requirements on sustainability of suppliers relations.

Informational requirements	Indicators and results
Information on requirements to suppliers quality (analyzed factors, the selection criteria)	<ul style="list-style-type: none"> • Suppliers analysis factors, the frequency of inspections and the approaches applied; • Share of analyzed suppliers (in total procurement costs).
Information on suppliers diversity	<ul style="list-style-type: none"> • Percentage of purchases from local suppliers at significant regions of operations; • Percentage of costs on suppliers, which have signed long-term contracts; • Percentage of costs on new suppliers; • The number of denials of suppliers offers; • The number of denials due to results of full-scale tests.
Settlement practice	<ul style="list-style-type: none"> • Information about outstanding prepayments to suppliers; • Accounts payable broken down by ageing; • Number of claims. • Number of canceled contracts.

To identify what are the risks of sustainable client relations in respect of corporate reporting information and what measures have been taken to minimize the risk, stakeholders need the following information (Table 3):

Characteristics of significant changes in the external environment – related legislation, market trends, general economic and political trends that may affect company business is necessary for stakeholders not only to assess risk of changes of which they may not be aware, but also to understand of the company's management strategy in relation to such changes. To identify the risk of the users also require quantitative assessment of the impact where possible.

Changes in consumption structure / consumer preferences are also risks of sustainability; information about the projected impact of these changes helps to adjust users' expectations with regard to the company's business segments, which are exposed to such changes.

Information about significant mergers / acquisitions and other industrial events, which lead to formation of new competitors or current positions changes, enables users to understand how the company's management considers the increasing risks.

Data on monitoring system of customer satisfaction allows users to analyze the company's existing evaluation model of customer loyalty – frequency, number of participants, criteria applied, the results (in dynamics), analysis of customer satisfaction failure cases. Analysis of statistics of claims received in context of reasons and response helps to assess customer relations.

Because product quality and safety are the main product attributes to support the demand, stakeholders need more information about conflicts with clients that have arisen in relation to the lack of

satisfaction with the products, control measures to be taken.

Stakeholders also require information about how the company optimizes structure of its assets to provide cost-effectiveness, as well as hedge the exposure on manufactured products (which share is made against the contracts with predetermined price, which share is hedged using futures and options).

Information about actions the company has taken in response to demand changes includes data on new product development and introduction of new technologies to improve the quality / safety of products, quality control system, measures to optimize the structure of assets, description of the structure of capital investments, current significant reconstruction projects for.

Suppliers relations

Importance for contractors' sustainability of suppliers relations stands along with the stability of customers relations. If economic relations with suppliers are stable, it is expressed in controlled procurement costs, uninterrupted supply chain with no significant violation of economic, social and environmental security requirements.

The proposed system of informational disclosure concerning sustainability in suppliers relations may be considered as follows (Table 4).

Sustainability of suppliers relations is characterized by the company's approach to the selection of suppliers, their structure, and settlement practices.

To assess sustainability threats stakeholders need information about the regions of operations, the supply chain stages associated with the highest risk, and information about any violations, as well as data on new risks that may arise in response to macro-economic, political and market changes and the results of suppliers satisfaction monitoring.

Table 5. Stakeholders' informational requirements concerning the risks of sustainable suppliers relations and measures taken.

Informational requirements	Indicators and results
Information concerning stages and regions of the supply chain associated with highest risks	<ul style="list-style-type: none"> • Description of supply chain risks associated with the region; • Risks identification throughout the supply chain (extraction- processing/production -package-transportation-sale).
Information about identified suppliers' violations	<ul style="list-style-type: none"> • Statistics of violations divided by region and supply chain stage; • Number of identified suppliers who do not meet the criteria of efficiency and safety.
Information about the emergence of new risks in suppliers relations due to macroeconomic, political, market changes	<ul style="list-style-type: none"> • Anticipated price increases; • Change in payment / delivery terms; • Factors that lead to the inability of suppliers to fulfill obligations; • Description of the key changes in the structure of the necessary raw materials and services.
Monitoring results of suppliers satisfaction	<ul style="list-style-type: none"> • Percentage of analyzed suppliers; • Number of suppliers whose satisfaction result stands out of the normal distribution.
Directions of suppliers analysis	<ul style="list-style-type: none"> • The frequency of the audits of all suppliers, the most risky and those whose practice faced the violations; • Plans to expand the list of analyzed factors and stages of analysis; • Plans to expand the proportion of analyzed suppliers.
Information about cooperation measures to improve suppliers safety practice	<ul style="list-style-type: none"> • Information on the implementation of joint projects (including training activities, joint development, advancing of risk assessment and control system) aimed at improving management of supply chain security.
Data on the results achieved during the period	<ul style="list-style-type: none"> • Percentage of analyzed suppliers; • Percentage of suppliers with violations that have agreed to implement advancing measures; • Percentage of suppliers excluded after analysis.

Minimizing risk measures involve improving the practice of suppliers analysis, as well as the development of cooperation and control. As information on the achieved results, stakeholders need data about identified violations and responses (Table 4).

Supplier approval policy and its transparency shape the basis for assessing the stability of relations system. Applied evaluation criteria of economic efficiency, environmental, and social security, independence and availability of resources for cooperation, relations with other counterparts demonstrate the depth of implemented analysis.

Description of suppliers' diversity is crucial for users in order to assess company's transparency and involved risks. However, this aspect is very poorly represented in corporate reporting of surveyed companies.

Existing social initiatives concerning disclosure improvement, and first of all, GRI4 standards, pay great attention to the practice of procurement from local suppliers. Such practice reduces transportation period, contributes to the development of regional economy, employment, but also carries a high risk for regions with unstable social environment.

Beyond the issue of procurement from local suppliers, information on shares of new and regular sup-

pliers in the overall structure, and corresponding percentage of expenses for them are of great value. Such data demonstrates whether the company optimizes the structure of partners, and identifies the need for enhanced disclosure in case of significant volumes of purchases from individual counterparts. The number of denials due to non-compliance with suppliers approval policy, or due to results of full-scale tests demonstrates the existence and efficiency of selection of counterparts system in company.

Information about settlement practice assists stakeholders in assessing the degree of company's fulfillment of obligations.

To identify such risks stakeholders need information concerning stages and regions of the supply chain associated with highest risks.

As the survey results show, the reporting of the risks in relation to suppliers is very poorly represented in reporting; analyzed companies are no exception. General information describing that companies face the risk of unexpected failure of supply due to the fault of suppliers, as well as the lack of fulfillment of obligations, is not representative for the purposes of risk assessment.

Information about identified suppliers' violations — poor performance of contractual obligations, failure to

Table 6. Stakeholders' informational requirements concerning the risks of sustainable society relations and measures taken.

Informational requirements	Indicators and results
Electricity consumption practice	The volume of direct and indirect energy consumption of primary sources in dynamics
Waste management practice	Description of the ways of utilization and assessment of damage to ecosystems
Air emissions practice	Characteristics of substances emission, with indicated volume and percentage by type
Biodiversity practice	Characteristics and impact on ecosystems: <ul style="list-style-type: none"> • Percentage of the area with high biodiversity value; • Characteristics of zones under influence.
Water withdrawal practice	Characterization of influence on water withdrawal sources: <ul style="list-style-type: none"> • Ground and surface volume; • Primary used and reused water.
The practice of electricity saving	<ul style="list-style-type: none"> • Savings from increasing energy efficiency; • Characterization of sources of energy savings, due to implementation of more efficient technologies or conservation facilities; • Initiatives for the development of products with energy efficiency or using alternative energy sources.
Waste management control	<ul style="list-style-type: none"> • Change in emissions in dynamics with management comments; • Number of spill cases, estimated volume and damage to ecosystems, the measures taken.
Air emissions management	<ul style="list-style-type: none"> • Description of research carried out to minimize impact on ecosystems and to improve the efficiency of production; • Description of control procedures.
Biodiversity management	Description: <ul style="list-style-type: none"> • Percentage of land under recovery; • Precious fauna and endangered species, for which conservation measures are taken; • Percentage of restored areas; • Plans to strengthen the sanctions for ecosystems damage.
Water withdrawal management	<ul style="list-style-type: none"> • Increase of reused water usage; • Directions of advanced technologies for water re-use
Output of production, possessing high performance economic and environmental security characteristics	The share of output with outstanding economic and environmental efficiency

meet additional requirements — is the first evidence of existence of the organization's internal control system. It also seems reasonable to disclose information on the number of identified suppliers who do not meet the criteria of efficiency and security, so that users can assess internal control over suppliers.

After identification of existing threats, stakeholders need information about the methods applied to minimize them. It seems reasonable to divide these methods into two categories — information on improving the system of analysis, and auditing of suppliers, as well as the development of cooperation.

In relation to companies for which meeting the safety standards in all areas is crucial, development of cooperation with suppliers becomes a very important method of risk minimization. Such cooperation may take the whole complex of activities — from holding

informational meetings for new suppliers to explain the customer requirements to crediting counterparts in order to improve business practice.

The resulting indicators of suppliers monitoring is data on analyzed suppliers percentage, percentage of suppliers with violations that have agreed to implement advancing measures and percentage of suppliers excluded after analysis.

Information on monitoring results allows users to assess reliability of internal control system of the company.

In relation to the improvement of the production process, users also require data on the proposed period of implementation and adaptation to assess the conformity of measures changes in the market.

Society relations

In respect to environmental responsibility stakeholders are interested in the most relevant informa-

tion disclosure, which entails increased risks for the company. Disclosure of such information is the most critical for extracting, processing and producing companies, whose activity is characterized by large volumes of water consumption, depletion of natural resources, polluting emissions.

Stakeholders are interested in information regarding the company's policy in the area of monitoring, analysis and control of environmental impact, investment in cleaner production (Table 6).

Disclosure of the amount of direct and indirect energy consumption of primary sources in dynamics, description of waste management system and assessment of damage to ecosystems, characteristics of substances emission, description of the impact on biodiversity, and volume of water abstraction by source (primary and reused) – are included in ecosystems impact report.

To assess the implementation of electricity saving measures, stakeholders need information on energy savings sources to realize if the result is achieved through the introduction of more efficient technologies or conservation of assets. Information about the company's initiatives in energy efficiency and alternative energy is a proof of company's commitment to sustainable development.

To assess waste management system stakeholders require information on emissions of substances in dynamics, supplemented by management's comments. Data on the number of environmental violations in respect of the waste management system, estimated damage and measures taken, as well as the characteristics of ongoing researches to minimize the impact on ecosystems and improve the efficiency of production, description of procedures for monitoring the implementation of such measures demonstrate the reliability of the internal control system.

When impact on biodiversity areas is significant it is necessary to disclose information about the territories under recovery, rare fauna and endangered species, percentage of restored areas, as well as the company's further plans to strengthen the protection measures.

In relation water use reduction it is necessary to disclose information about proportion of reused water, and further use of recycling technologies.

CONCLUSION

Public company's reputation is mainly determined by the information contained in corporate reporting. This study is based on a critical analysis of the composition and content of key reporting indicators that influence the reputational risk.

The survey demonstrates that in order to fulfill stakeholders informational requirements corporate reporting still has a long way to go. Major uncertainties are coming from insufficient evidence of internal control systems of relations monitoring – the practice of analyzing and auditing suppliers, identification of significant market risks, customer satisfaction, etc. Even when stakeholders are aware of risky events the company's strategy remains uncertain, which disables the risk assessment.

In order to improve stakeholders risks reporting we highlight the following areas:

- The disclosure should be based on the informational requirements of stakeholders, so they must be clearly identified;
- Disclosure of the most relevant information about the business (including quantitative indicators) will assist stakeholders to assess the risks;
- Information from different reporting sections should correlate;
- Disclosure of information about the key risks and less likely risks in stakeholders relations may be presented separately; the second group can be identified as strategic risks;
- Disclosure on major existing risks should be done on periodical basis.

Significant changes in markets and company performance indicators are mostly anticipated by stakeholders; their informational requirements are associated with the responsive strategy of the company. Therefore it seems reasonable to argue that further development of corporate reporting in order to manage reputational risks should demonstrate internal control soundness.

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