

Case study:

Corporate Social Responsibility (CSR) data / Non Financial Management Information (NFMI)

Background

Externally, CSR data informs stakeholders on the performance of a company and it adds substance to strategy. In a world where billion dollar profits are now common place, public leaders are now focusing on companies' non-financial performance.

With external regulations tightening, there is a risk of uncontrolled CSR data being viewed as poor management, disproportionately impacting a company's reputation. Our client was concerned with the consistency, integrity and effort being expended in producing a range of CSR data for their external disclosures and internal performance management. There were also concerns around the costs associated with the external assurance / audit fee.

Approach

Prior to engaging with Harlaw Consulting, the client had no standard approach to the quality and control of their CSR data. Initially, we defined the key external and internal documents where CSR data was published, and extracted the associated metric inventory. The metric inventory was far reaching and touched all aspects of the business from greenhouse gas emissions through to safety-related incidents and sales volumes.

We analysed the metrics against a quality framework and developed a toolset to document their processes and controls. All metrics were challenged, to ascertain why the metric was being collected. Once the metric was defined as being in scope, it was assigned an owner and the definitions and boundaries of the metric were identified. This allowed the appropriate data quality to be assessed, allowing the right alignment between controls and quality to be delivered, thus minimising the impact on the client.

At year end, individuals provided assertions for their CSR processes, underpinning the basis for their CSR due diligence, prior to publication of the external and internal reports.

We reviewed the client's approach to verification of their CSR report and also how the external auditors reviewed the external disclosures. A risk-based verification

methodology was developed to minimise the verification of minor CSR (i.e. number of people attending certain training courses), compared to a robust process for significant CSR such as injury rates.

Outcome

The project's key objectives were:-

- Delivering a sustainable control framework for CSR data to ensure the integrity of external and internal reports.
- Reducing the costs associated with producing the CSR metric inventory.
- Reducing the costs associated with external assurance / audit of the various reports.
- Decreasing the risk associated with the disclosure of uncontrolled data adversely affecting the company's reputation.

As a result of the project, the external and internal customers now have quality and controlled CSR data, which has significantly reduced the client's reputational risk associated with the disclosure of these metrics.

Where previously nothing existed, we have delivered a sustainable, pragmatic and easily-applied process and toolset to allow the integrity of metrics to be assessed. This framework can be implemented in a standard fashion, and will deliver metric integrity to the required standard.

Additionally, we have delivered a risk-based verification methodology that has reduced the burden on the client, and also significantly reduced the external audit fees associated with verification of their NFMI.

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