

(Translation from the Italian original which remains the definitive version)

GBS

Study group for the social report

**SOCIAL REPORTING
STANDARDS**

INTRODUCTION

G.B.S.'s social reporting initiative started in 1997 during an international seminar on corporate social responsibility in Taormina, organized by the *Istituto di Economia Aziendale* of the University of Messina and Fondazione Bonino-Pulejo, in which participants were representatives from several European countries (Spain, France, Portugal, United Kingdom and Belgium) professionals and famous academics.

Mapping the state of affairs highlighted the need to create ongoing dialogue amongst those interested in the social report and the notion of establishing the "social report club" was put forward.

The first meeting of the G.B.S. steering committee took place in October 1998 with a considerable attendance by 32 members: 13 as representatives of Italian Universities, the others as researchers and professionals involved in social reporting activities (Ordine professionale dei Dottori Commercialisti, Ordine professionale dei Ragionieri, several research institutes, audit firms like KPMG, PricewaterhouseCoopers, Arthur Andersen and Ernst & Young, etc.). After a three-year research period G.B.S. has issued the Social Reporting Standard as an important contribution on accountability practices with a publication in Rome on May 3 2001.

Social Reporting Standard are the only nationally recognized and shared accountability standards by academics and experts and are applied as scientific reference by a large number of national and multinational organization, institutions, professionals and audit firms.

In particular the Italian Financial Institution Association (ABI – Associazione Bancaria Italiana) recognized all G.B.S.'s standards in publishing a specific communication for associated members concerning the Social Report Model for Financial Institutions ("*Modello di redazione del Bilancio Sociale per il settore del credito*").

On October 2001 officially G.B.S. became a legal entity as a non-profit research association. The G.B.S. association has decided to maintain the original name and provided a well organized governance structure with a large number of new members and the cooperation with Universities and research institutions.

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SOCIAL REPORTING STANDARD

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PRESENTATION

THE OBJECTIVES: SOCIAL REPORTING AWARENESS AND REGULATION

BACKGROUND MOTIVATIONS

The recent evolution in the role of business has introduced a social aspect which flanks and integrates the financial, economic and competitive operating parameters.

The general public increasingly vocalizes needs and expectations which impact the growth of the corporate system, the concept of development itself, and its sustainability. Such aspects must coincide with the community's needs and expectations. Social approval and acceptance nurture the attainment and deployment of profit and competitive advantages.

The growing awareness of the social role of business has renewed interest in social communication culture and approaches.

Until some decades ago, it was considered sufficient to communicate only the financial data and results of operations, this being the main information desired by those with a stake in the business. Today the general interest is not merely a sum of the expectations of the individuals with a direct interest in the business, but also that of the community as a whole at large.

Businesses must therefore implement a communications policy which is wide-ranging, far-reaching and transparent and which satisfies the growing demand for information about profit and competitive results of operations on the one hand, as well as the related social impact.

Reporting models on the social impact of the company's activity have recently received much attention, enabling the identification of new reporting models for communicating results and improving the communicative ability of existing models.

The social report initially generated general practices which, however, produced only modest results and extremely inconsistent testing. Despite the various boosts the social report has received over the past few years, it is still not clearly defined. Areas of uncertainty remain in terms of how the data and information should be presented, the informational content and the very functions of the social report. There are also differences in the terminology used to call the social report.

In order to address the community's growing need for information, the "Study group for the social report" decided to establish the characteristics of a social reporting instrument which, together with conventional information tools, enables companies to create a far-reaching and transparent communication strategy with a view to obtaining the community's approval and social acceptance, thus improving the success rate for the achievement of all goals, including those of profitability and competitiveness.

A social report provides additional information to that given in the more traditional reports, providing stakeholders with details about the social impact of the company's decisions.

Information about the company's performance to be made public simultaneously expands investors' window of choice and increases the approval and the involvement of the general public, enabling companies to strengthen their reputation. This report also provides management with the necessary information to assess and verify the results obtained, useful for identifying strategies with which to approach the social field.

GENERAL CHARACTERISTICS

The document is entitled the “**social report**”.

This title should not be construed as an annual report or financial statements in the accounting sense of the word but, rather, is intended to highlight its nature as a document prepared on a regular basis, following established rules and procedures which must be adhered to.

It is a *stand-alone* document providing qualitative and quantitative information on impacts of operations.

The stand-alone nature of the social report is relative in that it refers to the document itself and not the information it contains, which must be closely linked to reliable and verifiable sources using established procedures, in order to avoid the risk that the information appears to be mere statements of intentions and, as such, beyond verification and comparison over time and in different situations.

The social report should be prepared by all *companies*, including those that produce for internal consumption (azienda di consumo), those that produce for the market (for profit), and those whose production is earmarked for third parties other than in exchange (azienda di erogazione).

The following criteria may be modified in order to be applied to any type of business, regardless of the legal form, business object or size.

It must be approved by top management which is responsible for the information it contains.

The social report must be drawn-up on a *regular basis*, usually at the end of the year.

It therefore includes actual data and an outline of future plans. Accordingly, it usually contains details and information about the goals, thus enabling the results achieved to be compared with the objectives, as well as promoting awareness of future plans. The regular preparation of the document also enables the comparison of results over time.

By social report we also mean a *public* report addressing social stakeholders who are either directly or indirectly involved in the company's activities: on the one hand, those investing resources in terms of assets, employment, goods and services supply, etc.; on the other, those using the company's output and are indirectly impacted by the company's activity.

Hence, the social report addresses all stakeholders¹ as well as the general public. Information on social results, as well as the results of operations, obviously carries varying weight for different people in relation to their input and related expectations. Broadly speaking, the social report serves to create and broadcast a company reputation able to promote dialogue with the stakeholders.

WORK GROUP CRITERIA

Before analysing the individual sections, certain of the Study Group's assumptions are described below.

Firstly, the criteria governing the social report will evolve in step with its increasing acceptance which will see the entrance of new players, both businesses and experts on the subject.

Secondly, despite the proven international links between those involved in social reporting, there are still differences between how the social report is conceived and prepared from country to country. Nevertheless, they tend to become more consistent in line with the development of increasingly international financial and policy approaches. In fact, the attempt to harmonize the methods and criteria used for responsible and transparent accounting at a European level will probably not be long in coming ("accountability").

Finally, the members of the Study Group have different ideas about and approaches to the social report. Nevertheless, not only has this not hindered dialogue, it has actually enabled clarification of important conceptual and procedural similarities and the identification of recurrence which – although sometimes originating from different disciplinary and conceptual backgrounds – reflect the wide experience of the members of the Study Group.

As a result, the contents of this document have the joint purposes of establishing guidelines and providing a summary of the concepts drafted individually and as a group by the Study Group members.

Hence, this document contains general information and guidelines which cannot be likened to any specific process used by individual group members, but which are consistently found in their approach, general practice and beliefs.

Providing only general rules also means that the social reporting procedure is not inflexible or binding, particularly considering the expansion or adaptation of such principles in view of the previously mentioned growing number of companies preparing such reports and the entrance of new players.

¹ Stakeholders are players (individuals, groups and organisations) having significant relations with the business and involved to varying extents in company operations through exchange relations or because they are considerably impacted.

The Study Group thus considers the following indications to be “fundamental criteria” and, as such, all the more mandatory. Any waivers to such criteria should therefore be appropriately justified.

THE DOCUMENT

The document presents and describes the procedural standards and information which the Study Group considers essential in preparing the social report.

They derive partly from experience and general practice and partly from analysis and comparison with the most highly regarded accountability models at an international level.²

The basic assumption is the need to identify criteria which standardize the social report. This means not only ensuring that reports relating to different periods and different companies are comparable with each other, but ensuring reliability, transparency and disclosure, to enable the reader to understand the contents and develop well-informed opinions.

The document has two main parts and an annex.

The first part outlines the principles which must underlie the implementation and preparation of the social report. The second is broken down into the following sections, corresponding to the three distinct sections into which the Study Group has divided the report:

- “company identity”;
- “creation and allocation of added value”;
- “social relationship”.

Establishing a social reporting system can occupy top management for several years. It can necessitate a progressive involvement of human and technical resources, and may involve a series of steps.

Social reporting initiatives are thus welcome, even when only partial or imperfectly structured. However, the Study Group does not believe that these pilot or introductory forms can be attributed the role and title of the social report. The Group believes that only those containing the fundamental contents described in this document and which have been prepared in accordance with the principles and process described in the following can be called social reports.

² The most influential standards at an international level include:

- Accountability 1000 – 1999 – ISEA (Institute for Social & Ethical Accountability);
- The Copenhagen Charter, a Management Guide to Stakeholder Reporting – 1999 – Ernst & Young, PricewaterhouseCoopers, KPMG; Huset Mandag Morgen;
- Sustainability Reporting Guidelines – 2000 – GRI (Global Reporting Initiative);
- Voluntary Guidelines for CSR Reporting & Communication – 2000 – CSR Europe.

PART I
SCOPE AND STANDARDS

1.1 SCOPE OF THE SOCIAL REPORT

The social report has the following objectives:

- to provide all stakeholders with a comprehensive picture of the company's performance, establishing an interactive social communication process;
- to provide relevant information on the company's operations in order to broaden and improve stakeholder's awareness and ability to evaluate and make choices, including from an ethical-social standpoint;

This means:

- describing the company's identity and the basic criteria which the company has chosen to apply in preparing the report, as well as its orientation in corporate decision-making, management approach, and their outcomes and impacts;
- illustrating the goals for continuous improvement which the company means intends to follow;
- providing details on interactions between the company and its surrounding environment;
- showing added value and how it is allocated.

1.2 SOCIAL REPORTING STANDARDS

The social report is based on the assumption that, in different ways and to varying extents, each business has an ethical orientation which guides its strategic choices and day-to-day actions.

As a result, it is generally held that the social report must include top management's description of the objectives it lays down for the business and the regulations governing the conduct of managers and employees.

The social reporting standards make reference to the realm of ethics, legal doctrine and general accounting practice. Reference is made to the Constitution and relevant national and EU law for common public and economic ethics and values and human rights (the UNO Charter of Rights). Finally, reference is made to national and international accounting practices (the accounting principles of the *Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*, those of IFAC and IASC, etc.) for the more professional and procedural aspects.

Nevertheless, this approach assumes that individual companies operate in more specific ethical, legislative and professional frameworks. Given the need to comply with such regulations, further description of the company's inherent values is useful and necessary.

Nevertheless, they must be described consistently with clear, common and recurrent criteria.

Compliance with the following principles ensure the quality of the social reporting process and the information it contains.

Responsibility : it must identify the stakeholders to which the business must report in relation to the effects of its activity, or be prepared in such a way that they can be identified.

Identification: it is necessary to provide detailed information on the business' property and management in order to enable third parties to clearly identify the related accountability. The relevant ethical paradigm must be identified as a series of values, principles, rules and general objectives (mission).

Transparency: all stakeholders should be able to understand the identification, reclassification and reporting methodologies, procedures and techniques, and the related variations applied.

Involvement: all stakeholders should have the right to express their opinion, either directly or indirectly, and to gain a clear understanding of the review and reporting methodology. Reasons should be provided for any limitations or exclusions.

Consistency: it is necessary to provide a detailed description of the consistency of management policies and the decision-making process to the declared corporate values.

Neutrality: social reports must be fair and free of any third party interests or alliances.

Accruals basis: social impacts must be reported when they occur (extent of the social impact), not in the period in which the financial movement of the transactions which caused them occurs.

Prudence: social impacts, both positive and negative, must be presented so that they do not overly affect the overall picture of the business. Impacts on accounting records must be presented according to costs.

Comparability: the comparison of social reports relating to different periods of the same business or of different companies operating in the same industry should be possible.

Meaningfulness, clarity and intelligibility: social reports must contain clear and understandable information. Hence, it is necessary to find the correct balance between style and content. Social reports' structure and content must clearly explain the business' decisions and the procedures followed

Regularity and timeliness: social reports, being complementary to statutory financial statements, must cover the same period as the latter.

Uniformity: all currency values must be indicated in the reporting currency.

Relevance: social reports must include only figures and information which contribute to satisfy the public's expectations in terms of reliability and completeness.

Materiality and significance: the impact of economic and non-economic events on the surrounding environment must also be considered. Subjective estimates or valuations must be based on clear and consistent assumptions.

Verifiability of the information: social reports' additional information should be verifiable by tracing back the gathering and reporting processes of data and information.

Reliability and true presentation: all information included in social reports must be free from misstatements or personal opinions so that stakeholders may consider them as a true presentation. In order to be considered as reliable, information must give a true and thorough representation of the business, stressing substance rather than formal issues.

Third party independence: should third parties be engaged in preparing specific sections of a social report, ie., ensuring a high quality process or formulating assessments, opinions or comments, these are required to be totally independent³.

³ Reports of third parties engaged to give assessments, opinions and comments will be included as annexes.

PART II
STRUCTURE AND CONTENTS
OF THE SOCIAL REPORT

INTRODUCTION

The sections of the social report are as follows:

The *corporate identity*, which entails a description of the shareholding structure, the mission, the framework of ethical values, and the strategy.

The *creation and allocation of added value*, representing the main connection with the statutory financial statements and which highlights the company's economic (or economically quantifiable) impact on the main categories of stakeholders.

The part entitled the *social relationship*, summarizing the results achieved in relation to the commitments, plans and impacts on the individual stakeholders.

CORPORATE IDENTITY

For the stakeholders and general public to be in a position to form an opinion and evaluate a company's performance, the values and strategies underlying operations and the results of such activities must be comparable.

The description of such value code must therefore include:

- a description of the principles and values enabling the interpretation of their significance and the way in which they have been applied;
- the consequent possibility for readers to assess the consistency between the value system and performance.

This means that the company must describe its identity thoroughly, including its shareholding structure, value system, mission, strategies and policies.

CORPORATE STRUCTURE

The description of the value system must include information facilitating the company's "objective" identification: the shareholding structure and the evolution of governance, the key elements of the company's history and development, its size, market positioning and organizational structure.

VALUES

The company's value system, code of ethics and ethical orientation brought to bear on strategic decisions of the company must be described, as well as the policies and conduct codes of company employees.

As corporate culture and style are variable and subjective, and considering the pluralism of values and moral orientations, some formal guidelines are necessary to ensure that the guiding values are meaningful for and accessible by the reader. These are as follows:

- Mandatory: the guiding values must be considered a code of conduct and for company activities;
- Compliance: the guiding values must be complied with and observed within the company;
- Stability: the values must be in force for a significant period of time;
- Generality: the values must apply to all activities and relations between the company and its stakeholders;
- Impartiality: if generally applicable, the guiding values must be universally and impartially applied for all stakeholder categories. If they relate only to a

specific group of stakeholders, they must be applied impartially to all members of such category.

Universally applicable: the values must not be considered a one-off within the company, but rather as being valid in all similar cases (ie, when the same characteristics exist).

Nevertheless, companies should pilot the intelligibility of the selected approach and describe it in summary form.

MISSION

The company's key financial and social goals must be described. The latter include stakeholder value in the form of specific advantages or contribution to the general community in terms of improved well-being, quality of life, innovation, social integration, mutuality and solidarity.

STRATEGIES

The company's medium-long term goals must be illustrated, as well as the approaches to be implemented for their realization (programs, initiatives, actions and resources).

POLICIES

The short-term goals must be described as well as the selected orientation and actions, for the purposes of managing the allocated resources⁴.

⁴ The first two points (*values* and *mission*) are held to be stable over the medium term and as such fulfil the assumption of consistency from one social report to the next. On the other hand, the remaining points (*strategies* and *policies*) are the result of adaptations and planning policies which prevail from roughly one to five years.

2.2 CREATION AND ALLOCATION OF ADDED VALUE

ALGEBRAIC EQUIVALENCE AND RECONCILIATION WITH THE ACCOUNTING RECORDS

Added value measures the wealth generated by the company during the year for the stakeholders to which such added value is allocated.

The profit and loss account figures are reclassified to show the creation of added value and its allocation to the stakeholders. The allocation process also considers the actual distribution of the net result for the year.

Added value can be either net or gross of amortization/depreciation. Including amortization/depreciation represents the gradual reintegration of long-term production costs with the new wealth created. When this dimension is considered, the amortization/depreciation is allocated to the company's *remuneration* at the time of distribution.

Additional analyses and information required by the nature of the company or the reporting process must be included in a specific section of the social report and the reasons for such further information must also be provided.

TABLE FOR THE CALCULATION OF ADDED VALUE

Added value is represented in two different tables:

- the table for the calculation of Added Value, identified by comparing interim revenues and costs;
- the table showing the allocation of Added Value being the summation of the *remuneration* received by stakeholders within the company and the donations.

The two tables balance each other.

Added value may take different forms according to the extent to which profit components are combined:

- a) Added value from core activities - C.A.V.
- b) Added value from ordinary activities - O.A.V.
- c) Total added value - T.A.V.

The preferred approach for the social report is gross total added value which may be considered either gross or net of amortization/depreciation.

The annex includes further details on the calculation of the added value created.

TABLE FOR THE CALCULATION OF ADDED VALUE

	YEARS (val./arr.)		
TOTAL ADDED VALUE	(n)	(n-1)	(n-2)
A) Production revenues			
1. Turnover – goods and services revenue adjustments			
2. Variation in work in progress, semi-finished products and finished goods (and merchandise) ⁵			
3. Variation in contract work in progress			
4. Other revenues and income			
Revenues from core business			
5. Revenues from atypical business (internal production)			
B) Production cost			
6. Raw materials, consumables and supplies (or cost of merchandise sold)			
7. Services			
8. Use of third party assets			
9. Provisions for contingencies			
10. Other provisions			
11. Other operating costs			
GROSS ADDED VALUE FROM CORE BUSINESS			
C) Ancillary and extraordinary items			
12. +/- Ancillary items			
Ancillary revenues			
- Ancillary costs			
13. +/- Extraordinary items			
Extraordinary income			
Extraordinary expense			
GROSS TOTAL ADDED VALUE			
Operating amortization/depreciation by similar categories of assets			
NET TOTAL ADDED VALUE			

⁵ The income components of merchandise production may also be included according to the sales cost policy, following the statutory financial statements preparation criteria.

2.2.3. TABLE OF THE ALLOCATION OF ADDED VALUE TO STAKEHOLDERS

A – REMUNERATION OF PERSONNEL

“Personnel” refers to the players having working relations with the company and whose personal financial situation mainly depends on the company for an extended period of time.

They can be subdivided into the following broad subsets:

- employees (with open-ended or term contracts);
- other.

The medium term trend of the proportional weight of these two subsets should be analysed and described in the social report.

Personnel remuneration is divided into three classes:

- direct remuneration;
- indirect remuneration;
- profit-sharing schemes.

Direct remuneration includes all cash and non-cash items representing the economic benefit – current or deferred – that the employee draws from his/her relationship with the business.

The following items make up direct remuneration:

- direct salary/wages;
- employees’ leaving entitlement;
- benefits.

Those non-cash benefits which are classified as *direct remuneration* relate to the direct supply of goods and services (food, accommodation, heating, etc.) representing both items from the company’s core business and items purchased externally. They are valued at production cost and average market prices, respectively. The reimbursement of expenses does not represent a salary/wage component.

Benefits group those advantages – canteen, crèche, scholarships, etc. – provided by the company to its employees.

Indirect remuneration refers to the social security contributions paid by the company. These costs incurred by a business for its personnel are not directly received by the stakeholder as remuneration, as they represent indirectly acquired benefits provided by the relevant social security institution.

B – REMUNERATION OF THE PUBLIC ADMINISTRATION

This amount represents the total amounts received by the Public Administration for the company's activity (on the basis of the net results for the year).

It may be detailed by public body.

The overall amount (or the total of its various parts) may be positive or negative. The amounts making up the overall amounts payable to the Public Administration and the classes into which it may be divided are:

- direct taxation;
- indirect taxation;
- (-) grants for operating expenses.

Withholding taxes that the company pays and those that are not shown in the profit and loss account as they do not represent a cost pertaining to year must be shown in the section of the social report dealing with stakeholders (public administration).

C – REMUNERATION OF BORROWED CAPITAL

The stakeholders of this caption are the suppliers of capital for definite interests: for operations or as financing, short or long-term. The classes are as follows:

- financial charges on short-term borrowings;
- financial charges on long-term borrowings, grouped by supplier class.

D – REMUNERATION OF VENTURE CAPITAL

The remuneration of venture capital is the total dividends or net profits distributed to stakeholders. It may be higher or lower than net profit for the year.

It may be further detailed on the basis of the shareholding structure.

E – REMUNERATION OF THE COMPANY

The business is considered an independent stakeholder in this context. As this relates to the amounts shown in the financial statements of the year, the total amount includes only those accruals to reserves if looking at Net Added Value, or includes also provisions if looking at Gross Added Value.

In the case of net added value, the accumulation process – $ACCUM > 0$ – is a condition for development, in the medium term. Similarly, $ACCUM < 0$ indicates a condition of decline, as a rule.

$ACCUM = 0$ indicates a state of survival. In the case of gross added value, for the purposes of identifying the state of survival, the remuneration of the company must be at least equal to amortization/depreciation⁶.

⁶ Accum = Accumulation of the total remuneration of the company (group E in the table of the allocation of Added Value).

TABLE OF THE ALLOCATION OF ADDED VALUE

ALLOCATION OF ADDED VALUE

	YEARS (val./arr.)		
TOTAL ADDED VALUE	(n)	(n-1)	(n-2)
A – Remuneration of personnel:			
Consultants			
Employees			
direct remuneration;			
indirect remuneration;			
profit-sharing schemes.			
B – Remuneration of the Public Administration:			
Direct taxation			
Indirect taxation			
- grants for operating expenses			
C – Remuneration of Borrowed Capital:			
Financial charges for short-term borrowings			
Financial charges for long-term borrowings			
D – Remuneration of Venture Capital			
Dividends (net profit distributed to shareholders)			
E – Remuneration of the Company			
+/- variations in reserves			
(Amortization/depreciation ⁷)			
F – Donations			
TOTAL NET ADDED VALUE			

⁷ Only when looking at Gross Added Value.

2.3 THE SOCIAL ACCOUNT

FUNDAMENTAL SECTIONS

2.3.1. Contents

The part of the social report entitled the *social relationship* contains the qualitative and quantitative description of the company's results in relation to its commitments, the deployment of plans and the impact on the individual stakeholders.

In addition to the financial results – as per the statutory financial statements and previously shown in the table of added value – the company generates other benefits for its stakeholders which we will now identify and analyse using measurements and comparisons, description, illustrative tables, evidence and reports, and any other means enabling the construction of an comprehensive picture.

In addition to those effects the company can accurately pinpoint, there are other directly and indirectly generated impacts, of which the company may be aware to various degrees. These relate to various groups of stakeholders. The *relationship* should enable the various subgroups of the general public to become aware of what the company has generated and to establish more solid and satisfying relations therewith.

The *social relationship* must be presented as structured information which makes reference to the framework of the identity statement (values, mission, strategies and policies) and to the other stakeholders, giving the reader the opportunity to assess the extent to which the statement has been implemented and observed and thus enabling an overall evaluation of corporate conduct.

The fundamental elements of the *social relationship* are:

- the description of the commitments or objectives, and the rules of conduct (eg. code of conduct, corporate policies, operating procedures, quality manuals, etc.) which derive from the business identity;
- an identification of the stakeholders at which the social report is aimed;
- the description of the policies in relation to each stakeholder category, the forecast results and consistency of the stated values;
- the social reporting process , which enables the identification of the relationship between objectives and outcomes related to company activity;
- the organized and complete description of events, quantitative and qualitative information, comparisons, reports and, more generally, information usefully in describing the relationship between commitments and outcomes;
- the opinions and feedback of stakeholders which are included in the social report in compliance with the involvement principle;
- any comparisons (benchmark) which enable the reader to better evaluate the company's performance. Benchmarks are only used if they come from official and public sources;
- the future improvement objectives, for both operations and substance;

-
- the opinions and reports of any third parties engaged to assess the quality of operations or their compliance with the established methodological commitments.

2.3.2. Stakeholder identification

The company must identify the stakeholder categories to which its social report addresses to specifying which of these are of particular relevance if applicable.

As a general rule, production companies which carry out exchanges on the market with a view to earning a profit should report the actions and relations with the following stakeholders⁸:

Personnel

Shareholders

Financial backers

Clients/users

Suppliers

Public Administration

General public

The company may segment, subdivide and classify the categories as necessary for the best presentation of the information.

The policies adopted with respect to each stakeholder category must be described with the aim or achieving consistency with the stated aims, by reviewing the commitments expressed in the identity section .

Any ratios used by those drawing up the social report to organize the information (quantitative and qualitative) that do not come directly from the general ledger must be described and made transparent.

The report's orientation between commitments and outcomes, related to the various stakeholders, must concurrently enable:

- judgment on the stated values;
- judgment on performance: the outcome roughly corresponds to the stated values;
- the reporting of the negative impacts of the company's activity where these can be identified and/or measured.

A general outline follows of the main aspects which must be described for each stakeholder category.

⁸ This list may be supplemented and modified in relation to company classes and/or legal forms. The group will provide the necessary documentation in the course of time.

2.3.3. Key assumptions by stakeholder category

Common report contents for all stakeholders:

- Policy orientation and expected results consistent with the framework of values and the mission;
- Reporting process: reasonable expectations and degree of satisfaction/approval;
- Information and communication;
- Disputes and litigation.

In addition to these common elements for all stakeholders, the recommended contents for each stakeholder category are listed below:

- PERSONNEL

Breakdown of personnel (employees, other and volunteers)

Breakdown by age, sex, education level, employee grade, duty, length of service with the company, place of birth, nationality and contract type.

Work organization.

Turnover (by sex, employee grade, age, nationality and reason).

Social activities.

Recruitment policy.

Equal opportunity policies.

Training and enhancement.

Remuneration and incentive structure.

Health and work safety activities.

Industrial relations.

- SHAREHOLDERS

Percentage breakdown of the share capital among shareholders, grouped by legal status and nationality.⁹

Benefits reserved to shareholders.

Return on the invested capital.

Shareholders' contribution to company's management and protection of minority interests.

⁹ Shareholder breakdown, nature, and characteristics (particularly if natural persons) and investment percentages

Investor relations.

- FINANCIAL BACKERS

Breakdown, type and characteristics of financial backers and financings.¹⁰

Relations with banks.

Investor relations.

- CUSTOMERS/USERS

Characteristics and analysis of the clientele and markets served.¹¹

Quality systems.

Evaluation of customer satisfaction.

Contractual terms.¹²

- SUPPLIERS

Characteristics and analysis of suppliers.¹³

Quality systems.

Contractual terms.

Location.

Compliance with the same standards along the entire supply chain.¹⁴

¹⁰ Interest rates, facilitated rates, duration, guarantees and other information.

¹¹ Describe any situations of unilateral/bilateral dependence, and/or the monopoly or oligopoly structure.

¹² eg. the contract nature, form, duration and renewability; degree of completeness and extent of information; bargaining power of the parties; distinction between public and private contractor.

¹³ Describe any situations of unilateral/bilateral dependence, and/or the monopoly or oligopoly structure.

¹⁴ eg. SA 8000

- PUBLIC ADMINISTRATION¹⁵

Income taxes, duties and contributions paid.

Grants, tax relief and/or facilitated financings received grouped by area of allocation.

Breakdown of rates (facilitated).

Contractual relations with the Public Administration.

Internal regulations and control systems aimed at ensuring compliance with the law.

- COLLECTIVITY

SOCIAL CONCERNS

Description of direct relations with society in terms of enrichment of the quality of life in the various areas of operations:

Education

Sport

Health

Culture

Research

Social solidarity

Relations with associations and institutions.

ENVIRONMENTAL CONCERN

Environmental management and risk management systems.

Training and education.

Environmental performance indicators.

Use and consumption of energy and non-recyclable materials.

¹⁵ All the above mentioned activities with reference to the various levels:

- Relations with International Organisms
- Relations with the European Union
- Relations with the government
- Relations with the Region
- Relations with local bodies

SUPPLEMENTARY SECTIONS¹⁶

2.3.4. STAKEHOLDER FEEDBACK AND OPINIONS

One of the cornerstones of the social report making it important as a tool promoting dialogue is stakeholder involvement. The company must describe this involvement from the very first time the social report is prepared. In particular:

- the gradual involvement of at least those members of the general public that the company considers necessary must be considered;
- there are no established criteria for the stakeholders engagement, but those adopted must be clearly described in the social report;
- the stakeholders may be consulted directly, either through sampling or representatives. Certain information must be given about the chosen approach;
- stakeholders' opinion may relate to the initial value assumptions and, particularly, management results and corporate performance.

2.3.5. COMMENTS AND STATEMENTS

A crucial component of the social report is the comments, evaluations and judgments on the company's social results and the identification of the objectives for the following year based on the results described in the social report.

This may occur in different ways, but always in such a way to enable the unequivocal identification of the responsibility for the outcomes and the company's judgment thereof.

In particular, in closing the social report, the company must – in summary form – assess the relationship between the outcomes described, the stated underlying values and stakeholder feedback.

2.3.6. IMPROVEMENTS TO THE SOCIAL REPORT

The company must also describe the improvements it plans to introduce for the preparation of the social report itself.

Particularly for those companies preparing its first few social reports, the stakeholders must be informed about how it will be possible to increase the document's completeness, transparency, stakeholder inclusion and proactiveness in future editions.

¹⁶ This may constitute a separate section if of particular significance.

PART III
APPENDIX

INFORMATION FOR THE CALCULATION OF ADDED VALUE

A – THE DETERMINATION OF TOTAL PRODUCTION REVENUES

Total production revenues are calculated by adding together the following revenues:

1. Revenues from typical core business activities:

- a) sold: revenues from goods and services;
 - b) stocked: Variation in inventory of finished goods; Variation in inventory of semi-finished products; Variations in work-in-progress;
 - c) distributed: revenues from goods and services distributed;
- re-employed: revenues from goods and services re-employed.

2. Revenues from atypical core business activities:

Increase in fixed assets for internal production (internal work);

Value of internally produced services.

3. Revenues from core-related business activities (revenues from merchandise management or services provided to manufacturing companies).

Revenues from atypical business activities and those from re-employed typical core business activities (points 2a + 2b + 1d) make up the category Production for internal use. They are valued at production cost.

B – INTERMEDIATE COSTS-CONSUMPTION

Intermediate costs-consumption pertaining to the period are considered in the calculation of added value.

They are those which do not represent remuneration for internal stakeholders.

The selection of costs-remuneration is closely related to the identification of internal stakeholders.

C – ANCILLARY AND EXTRAORDINARY ITEMS

Ancillary revenue items from financial management are grouped by type of ancillary management. The types of ancillary production for those companies whose typical core business is manufacturing or commercial may be summarized as follows:

- real estate management;
- securities management;
- investment management;
- financial management;
- other special management.

Financial management is intended in this document as the management of investments generating dividends and interest income. The concept of financial management is in line with the Civil Code, which includes the management of

investments. Financial management is therefore a sub-sector of ancillary management.

The other side of the coin – non-financial ancillary management – generates revenues related to the management of non-financial assets (investments), being rental income, royalties, return on participation in investment pools, etc..

The extraordinary income items are grouped separately so as not to impair comparability of profit from operations over time, as these are unrelated.

The events giving rise to extraordinary items are generally:

random events;

cost adjustments and previous years' revenues;

non-recurring events.

**TABLES FOR THE TRANSLATION FROM THE PROFIT AND LOSS
ACCOUNT FOR THE YEAR TO THE VALUE ADDED TABLES**

Legend:

R.CB	revenues from core business activities
AR	ancillary revenues
P/(L)man.AI	profit (loss) from management of ancillary items
TPR	total production revenues
EX.I	extraordinary items
P&L	profits and losses
Int.cost	interim cost
W-D	write-down
Bal.	balance
Rem.	remuneration

COMPONENT	CONTENTS in accordance with Accounting Principle 12 ¹⁷	NATURE	RELEVANCE FOR ADDED VALUE
CIVIL CODE GROUP A)			
A. 1 – Turnover – goods and services	Sales revenues		
	- products	R.CB – fundamental typical business	TPR
	- merchandise	R.CB – core-related typical business	TPR
	- semi-finished products (spare parts)	R.CB – fundamental typical business	TPR
	- work in progress	non-recurring events: give rise to extraordinary income	EX.I – P&L on sales
	- materials		
	Services	R.CB – core-related typical business	TPR
A.2 - Variation in work in progress, semi-finished products and finished goods	Variations in quantities under A.1	core business items (+/-) from fundamental typical or core-related business	TPR
	Excluding materials	contributes to the consumption of materials	Materials consumption
	And merchandise.	(+/-) core-related typical business or, included under costs, contributes to the cost of goods sold	
A.3 – Variation in contract work in progress			

¹⁷ The contents of the statutory financial statements refers to the following accounting principles:

Acc. Prin. 12 – Issued by the Italian Accounting Profession

Acc. Prin. II – Explanatory document for Acc. Prin. 12, explanatory series – document II of the Italian Accounting Profession (May 1998)

A.4 – Increase on internal work capitalized under fixed assets	Costs capitalized with a balancing entry under B.I Intangible fixed assets and B.II Tangible fixed assets	R.CB: - Typical business, products used (re-employed for internal consumption) - Atypical business activities for internal use	TPR TPR
A.5 – Other revenues	- Revenues from ancillary activities - Gain on the sale of operating assets - Prior year and inexistent items related to estimated values not deriving from errors (normal updating) - Other revenues and income not of a financial nature	AR from non-financial management Extraordinary items Extraordinary items Typical (or core-related) business production distributed or used in working capital (with a balancing entry under cost)	P/(L)man.AR EX.I EX.I TPR
	: reimbursement of expenses : penalties : insurance compensation, etc.	Adjustment of the specific cost reimbursed Extraordinary item, except for regular exceptions to be verified Extraordinary item	Cost adjustment EX.I EX.I
	- Grants for operating expenses (not of an extraordinary nature) due under the law or contractual terms	Public or private grants related to core or ancillary activities which represent an integration of revenues or cost adjustment	- Public grants – Remuneration of P.A. (recovery of cost adjustment amounts) - Private grants P/(L)man.NCI or TPR
	- Time-barred payables	- Previous year cost adjustment or an inexistent liability	EX.I
CIVIL CODE GROUP B)			
B.6 – Raw materials, consumables and supplies	- Net amounts, including related purchase costs (instead of B7). <i>Manufacturing tax and non-recoverable VAT are incorporated in the cost of the goods.</i>	Certain, similar and presumed purchase costs for: - fundamental core business activities - core-related business activities	+(+/-var)=Consumption of materials=Int.cost Int.cost or +(+/-var)=Cost of sales=Int.cost

- atypical core business production of goods or services (canteen, crêches, etc.)

B.7 – Services	<p>The following items are an example of those items significant for Added Value</p> <ul style="list-style-type: none"> - Agent commissions - Directors, statutory auditor’s and auditors’ fees - Personnel expense for personnel seconded from other companies - Outsourcing - Costs for canteens operated by third parties (net of costs charged to employees) - Cost of employee luncheon vouchers - Cost of professional updating - Employee travel costs - Accruals to the following provisions: agents’ termination indemnity, provision for consultants’ termination entitlement 	<p>Financial and other costs of the year</p> <ul style="list-style-type: none"> a) residual costs relating to B.8, B.9, B.10, B.11, B.12, B.13, clearly interpretable b) but not defined for the same remaining period of caption B.14, Other operating costs. 	<p>Int.cost, except for:</p> <ul style="list-style-type: none"> Remuneration for consultants Remuneration for consultants Remuneration for consultants Remuneration for consultants Remuneration for employees¹⁸ Remuneration for employees Int.cost/Rem. Remuneration for consultants
B.8 – Use of third party assets	<p>Costs for using tangible or intangible assets owned by third parties</p>	<p>Financial and other costs of the year</p>	<p>Int.cost</p>
B.9 – Personnel expenses	<p>Employees only</p> <ul style="list-style-type: none"> a) wages and salaries including overtime, risk indemnity, lunch indemnity, travel, etc.) b) Social security and insurance contributions net of the taxable amounts c) Employees’ leaving entitlement 	<p>The term “personnel” does not necessarily identify only those resources employed with an employment contract.</p> <p>The identification of Acc. Prin. 12</p> <ul style="list-style-type: none"> b) The choice offsets subsidies with costs. 	<ul style="list-style-type: none"> a) Direct remuneration for employees Indirect remuneration for employees/ Remuneration of the Public Administration:

¹⁸ The proposed recording is not fully correct, but its amount corresponds.

	<p>d) Pension and similar costs</p> <p>e) other costs (employees)</p> <ul style="list-style-type: none"> - early retirement incentives - Insurance premiums paid in the interest of employees - Scholarships for employees or family members - Payments made on behalf of employees 	<p>e) The contents can conceal donations in favour of employees. Although tax-deductible, donations are not costs, but voluntary profit allocations to employees.</p>	<p>subsidies</p> <p>c) + d) Employees remuneration: direct remuneration or portion of profit allocation</p>
B.10 – Amortization/ depreciation and write-downs	<ul style="list-style-type: none"> - Ordinary amortization/depreciation and write-downs of non-financial assets - Write-downs of receivables and liquid funds included under assets forming part of working capital 	<p>Core and ancillary costs depending on the investment (asset). Write-downs are as a rule always extraordinary.</p> <p>Accruals are made to the provision using prior year historical data and are therefore foreseeable and comparable. Incomparable items are extraordinary.</p>	<p>a) CB/W-D: Ex.I</p> <p>b) AI/W-D: result of management of ancillary items¹⁹. Am./dep.: difference between gross and net A.V.</p> <p>c) write-down of receivables: deducted from R.V.</p> <p>D) EX.I</p>
B.11			See B.6
B.12 – Provisions for contingencies	Accruals to the provisions under section B of the balance sheet liabilities (excluding accruals to the provisions for taxation and pension) and, therefore, “Other”.	Costs for the year to cover uncertain events which are uncertain or the amount or which is unknown	Int.cost
B.13 – Other provisions	Accruals to the provisions under section B of liabilities as per Document 19 of the accounting principles and list of examples	Costs for the year to cover certain events, the amount of which is unknown	

¹⁹ Includes the option of accumulated related costs.

B.14 – Other operating costs	<p>Costs of core and ancillary operations (<i>other than financial</i>). Tax costs which are not purchase-related charges. In particular:</p> <p>a) Costs related to ancillary operations</p> <p>b) Loss on the sale of operating assets used in normal production activities</p> <p>c) Prior year or inexistent liabilities not deriving from errors (update of forecasts made in previous years, losses on receivables following transactions, etc.)</p> <p>d) Indirect taxation, duties and contributions not representing ancillary purchase costs + accruals for litigation</p> <p>e) Sundry non-financial costs and charges. The following are examples:</p> <ul style="list-style-type: none"> - Contributions to trade union and employers associations - Gifts and promotional articles - Socially-relevant charges which cannot be recorded under B.9 - Donations - Newspaper and journal subscriptions - Purchase costs for newspapers, journals and sundry publications - Expenses for the filing and publication of financial statements, minutes, etc. 	<p>B/7 is more specifically identified, this caption could be residual. As both are only examples, the general structure is not definitive</p> <p>a) Direct costs of managing ancillary investments</p> <p>b) Extraordinary items</p> <p>c) Extraordinary items</p> <p>d) Certain or similar costs pertaining to the year not included in the purchase cost...</p> <p>e) Confusion between costs and donations, representing profit allocation</p>	<p>a) P/(L)man.AI</p> <p>b) EX.I</p> <p>c) EX.I</p> <p>d) Rem.:P.A. (the costs included are recovered)</p> <p>e) Int.cost/Rem./Socially-relevant-distributions/external donations</p>
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CIVIL CODE GROUP C)

C.15 – income from investments	<ul style="list-style-type: none"> - Dividends - Gain on the sale of investments recorded under working capital - Revenues from the sale of options - Profits from joint ventures and consortia 	<p>Recurring revenue item generated by the management of investments</p> <p>non-recurring event, unless otherwise indicated - extraordinary item</p> <p>Non-recurring revenues</p> <p>Recurring item</p>	<p>Man.AI-investments</p> <p>(The option to accumulate the ancillary items means that the recurring and extraordinary distinction is irrelevant)</p>
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	- Non-cash dividends distributed to associated companies		
C.16 – Other income	a) From receivables classified as fixed assets (interest and premiums on loans)	Recurring income from financial management	Man.AI - Financing
	b) From securities included as fixed assets which are not investments	b) Recurring income from securities management	Man.AI - Securities
	c) From securities included under assets forming part of working capital which are not investments	c) Recurring revenue from securities management	Man.AI - Securities
	d) Other income	With some exceptions, these are recurring income from sundry ancillary management	Man.AI - Sundry
	- profits from investments and joint ventures in associations		
	- interest income on bank accounts and deposits		
	- interest from customers		
	- interest from receivables recorded under working capital (from employees, tax authorities, social security institutions, etc.)		
	- off-invoice cash discounts	- may be of an extraordinary nature or small reductions in purchase costs or increases in revenues	EX.I/cost or revenue adjustment
	- exchange rate gains (linked to foreign currency receivables and payables)	Recurring or non-recurring revenues from securities management	Man.AI - Securities
	- gains on the sale of securities recorded under working capital		
C.17 – Interest and other financial charges	Financial charges of the year. The following are some examples	Period costs pertaining to the year for financing obtained, with some exceptions	Rem. of borrowed capital
	- interest payable and discounts (commissions, bank expenses, etc) on financing		
	- losses on loan indexing		
	- interest on delayed supply payables and interest in arrears		
	- cash discounts	- may be of an extraordinary nature or small reductions in purchase costs or	EX.I/cost or revenue adjustments
	- Exchange rate losses		

	- Losses on the sale of securities and investments recorded under working capital	increases in revenues - Recurring or non-recurring costs from real estate or investment management	Man.AI – Securities management
CIVIL CODE GROUP D)			
D.18 – Revaluations	Write-backs within the limits of write-downs previously made of - investments - financial assets other than investments - securities included under assets forming part of working capital which are not investments	Cost adjustments of previous years, related to - Investment management - Real estate and financing management - Real estate management	Man.AI (The option to accumulate the related items means that the recurring and extraordinary distinction is irrelevant)
D.19 – Write-downs	Write-downs of - investments - financial fixed assets other than investments - securities included under assets forming part of working capital which are not investments	Write-downs (or unrealised losses) - Investment management - Securities and financing management - Securities management	EX.I
D.22 – Taxation on profit for the year	Direct taxes such as IRPEG, IRAP, IRPEF and substitutes of such taxes, a) pertaining to the year, paid or to be paid or accrued to the provision for taxation b) deferred (any decrease in the provision for deferred taxation is recorded as a direct reduction in caption 22b)	Direct taxation is not a cost, but allocation of profit. It also includes taxation on profit pertaining to previous years	Rem. of the P.A.
CIVIL CODE GROUP E)			
E.20 – Extraordinary income	a) Expense, gains and losses arising from transactions significantly impacting the corporate structure	Income items related to structural changes	EX.I

E.21 – Extraordinary expense	- Corporate restructuring costs		
	- Gains or losses on the sale of business and business lines, mergers, etc.		
	- General gains or losses arising from extraordinary transactions or productive reconversion, restructuring, etc.		
	- gains or losses from the expropriation or nationalisation of goods		
	b) gains or losses arising from the sale of civil assets and other non-operating goods, not related to financial activities	Profits and losses on the sale of non-financial ancillary assets	EX.I
	c) gains or losses on the extraordinary write-downs or revaluations	Revaluations and write-downs	EX.I
	d) prior year gains and losses from natural or non-financial events		EX.I
	- theft and shortfalls (insurance compensation costs is recorded as a prior year gain)	- costs and revenues from random events	
	- losses and damage following natural disasters	costs and revenues from random events	
	- cash and non-cash donations received which do not represent grants for operating expenses	revenues from random event	
	- charges for fines, sanctions, penalties	- cost of random event	
	- charges from litigation and disputes not related to the company's core business	- costs and revenues from random events	
	- definitive loss or acquisition of guarantee deposits	- costs and revenues from random events	
	- sundry compensation for breach of contracts	- costs and revenues from random events	
	e) income items related to previous years	- Cost and revenue adjustments pertaining to previous years	EX.I
	f) Extraordinary items, following changes in the accounting policies adopted	- Disclosed in the notes to the financial statements	
	g) Taxes pertaining to prior years		Rem.P.A.
	- all taxes, with related charges, pertaining to previous years.		
	- direct	- portion of profit allocation	
	- indirect	- costs and revenue adjustments pertaining to previous years	

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