3.4 Critically assess the role of transparency and ethical reporting in organisational legitimacy.

Learning Outcome

By the end of this session, learners should be able to critically assess how transparency and ethical reporting contribute to organisational legitimacy, stakeholder trust, regulatory compliance, and long-term sustainability. They should also understand the legal and moral responsibilities associated with accurate OHSES reporting and appreciate the relationship between governance, transparency, and corporate reputation.

Introduction

In today's business environment, organisations are expected to do more than simply comply with legal requirements. They are expected to operate openly, honestly, ethically, and responsibly. Transparency and ethical reporting are fundamental principles of good OHSES governance because they demonstrate an organisation's commitment to protecting people, the environment, and society.

Stakeholders—including employees, regulators, investors, customers, communities, and shareholders—expect organisations to provide accurate and reliable information about their OHSES performance. When reporting is transparent and ethical, organisations build trust, strengthen their reputation, and gain legitimacy. Conversely, misleading or incomplete reporting can result in legal penalties, reputational damage, financial losses, and a loss of stakeholder confidence.

What is Transparency?

Transparency is the practice of openly communicating accurate, complete, and timely information about an organisation's activities, decisions, risks, and performance.
Transparency requires organisations to:

- Be honest about successes and failures.
- Report incidents accurately.
- Disclose significant risks.
- Explain important decisions.
- Share information with stakeholders in a timely manner.

Transparency creates confidence because stakeholders can clearly understand how an organisation operates and manages its responsibilities.

What is Ethical Reporting?

Ethical reporting is the process of presenting organisational information honestly, accurately, objectively, and without misleading stakeholders.
Ethical reporting requires information to be:

- Accurate
- Complete
- Verifiable
- Timely
- Objective
- Transparent
- Free from manipulation

Ethical reporting extends beyond legal compliance by ensuring that information reflects the true performance of the organisation.

Organisational Legitimacy

Organisational legitimacy refers to the extent to which society accepts an organisation as operating responsibly, ethically, and in accordance with social expectations.
Legitimacy is earned when stakeholders believe that an organisation:

- Operates legally.
- Acts ethically.
- Protects workers.
- Protects the environment.
- Is accountable for its actions.
- Demonstrates responsible leadership.

Without legitimacy, organisations may lose:

- Customer confidence
- Investor support
- Employee trust
- Regulatory confidence
- Community acceptance
- Social licence to operate

Why Transparency Matters in OHSES

Transparency strengthens every aspect of OHSES governance.
Benefits include:

- Improved stakeholder trust
- Better decision-making
- Stronger safety culture
- Increased accountability
- Improved legal compliance
- Better organisational learning
- Enhanced corporate reputation
- Greater investor confidence

Organisations that openly discuss risks and incidents are generally better positioned to prevent future failures.

1. Legal and Moral Responsibilities for Accurate OHSES Reporting

Organisations have both legal and ethical responsibilities to report OHSES information accurately.
Legal Responsibilities

Many jurisdictions require organisations to report:

- Workplace fatalities
- Serious injuries
- Dangerous occurrences
- Occupational diseases
- Environmental pollution incidents
- Chemical releases
- Regulatory breaches

1. Legal and Moral Responsibilities for Accurate OHSES Reporting

Failure to report accurately may result in:

- Criminal prosecution
- Financial penalties
- Licence suspension
- Civil liability
- Increased regulatory scrutiny

Legal reporting protects workers, the public, and the environment by ensuring regulators can respond appropriately.

Moral Responsibilities

Ethical obligations often go beyond legal requirements.
Organisations should report honestly because they have a moral duty to:

- Protect human life.
- Prevent future harm.
- Respect affected individuals.
- Learn from failures.
- Promote public trust.
- Demonstrate integrity.

Ethical organisations report incidents even when disclosure may damage short-term profits or reputation.



Example: A company experiences a chemical spill that is quickly contained.
Legally, reporting may only be required if environmental thresholds are exceeded.
Ethically, management may still choose to inform employees, nearby communities, and regulators because transparency strengthens trust and demonstrates responsible leadership.

2. Transparency in Incident Reporting and Performance Disclosure

Incident Reporting

Incident reporting includes documenting:

- Injuries
- Near misses
- Dangerous occurrences
- Occupational illnesses
- Environmental incidents
- Property damage
- Unsafe conditions

Transparent reporting means:

- Reporting promptly.
- Reporting accurately.
- Reporting completely.
- Investigating objectively.
- Sharing lessons learned.



Why Near-Miss Reporting Matters

Near misses provide valuable opportunities to prevent future accidents.
Failure to report near misses may allow hazards to remain uncontrolled until someone is seriously injured.
A positive reporting culture encourages employees to report issues without fear of blame or punishment.

Performance Disclosure
Performance disclosure involves communicating OHSES performance to stakeholders.



Typical disclosures include:

- Lost Time Injury Frequency Rate (LTIFR)
- Total Recordable Incident Rate (TRIR)
- Environmental emissions
- Waste generation
- Carbon footprint
- Training completion rates
- Audit outcomes
- Corrective action status

Accurate disclosure allows stakeholders to evaluate organisational performance objectively.



Ethical Challenges

Organisations may be tempted to:

- Underreport injuries.
- Reclassify incidents.
- Manipulate performance indicators.
- Delay reporting.
- Selectively publish favourable results.

Such practices undermine governance and may constitute fraud or misconduct.



3. Impact of Ethical Reporting on Organisational Legitimacy and Stakeholder Confidence

Building Stakeholder Confidence
Stakeholders expect organisations to communicate honestly.
Transparency reassures stakeholders that management is:

- Competent
- Responsible
- Accountable
- Ethical

When organisations admit mistakes and demonstrate corrective action, trust often increases rather than decreases.



Organisational Legitimacy

Legitimacy develops when stakeholders believe an organisation consistently behaves responsibly.
Ethical reporting contributes by demonstrating:

- Honesty
- Accountability
- Compliance
- Commitment to continual improvement
- Respect for stakeholders

Organisations with strong legitimacy often experience:

- Easier regulatory relationships
- Better investor confidence
- Higher employee engagement
- Improved public reputation
- Greater customer loyalty



Consequences of Poor Reporting

When organisations conceal information, consequences may include:

- Regulatory investigations
- Litigation
- Financial losses
- Reputation damage
- Loss of public trust
- Reduced employee morale
- Declining investor confidence

Rebuilding legitimacy after a reporting scandal may take many years.



4. Relationship Between Governance, Transparency and Corporate Reputation

Governance, transparency, and reputation are closely connected.
Good Governance
Creates systems that encourage:

- Ethical leadership
- Accountability
- Oversight
- Compliance
- Risk management



Transparency
Produces:

- Honest communication
- Reliable reporting
- Open disclosure
- Stakeholder engagement

4. Relationship Between Governance, Transparency and Corporate Reputation

Strong Reputation
Results in:

- Trust
- Credibility
- Competitive advantage
- Sustainable growth
- Organisational legitimacy

Poor governance usually results in poor transparency, which ultimately damages corporate reputation.



Reputation as a Strategic Asset

Corporate reputation is one of an organisation's most valuable intangible assets.
A strong reputation helps organisations:

- Attract investors.
- Recruit talented employees.
- Retain customers.
- Win contracts.
- Strengthen community relationships.
- Improve long-term profitability.

OHSES performance increasingly influences reputation because stakeholders expect responsible business practices.

International Reporting Frameworks Supporting Transparency

Several internationally recognised frameworks encourage transparent and ethical reporting:

ISO 45001

- Incident reporting
- Worker consultation
- Leadership accountability
- Performance evaluation
- Continual improvement

ISO 14001

- Environmental performance reporting
- Compliance evaluation
- Monitoring environmental impacts

International Reporting Frameworks Supporting Transparency

Global Reporting Initiative (GRI)
Provides globally recognised standards for sustainability reporting, including environmental, social, and governance (ESG) disclosures.

International Sustainability Standards Board (ISSB)
Develops globally consistent sustainability disclosure standards to improve transparency for investors and other stakeholders.

ESG Reporting
Environmental, Social, and Governance reporting enables organisations to communicate non-financial performance alongside financial results.

Practical Case Study

A mining company experiences a significant near miss involving a tailings storage facility. Although no injuries occur and environmental damage is avoided, engineers identify weaknesses that require immediate corrective action. Senior executives fear that publicly reporting the incident may reduce investor confidence and negatively affect the company's share price.

Ethical Assessment

Option 1: Do Not Report

Advantages:

- Protects short-term reputation.
- Avoids immediate media attention.

Disadvantages:

- Reduces transparency.
- Undermines stakeholder trust.
- Prevents industry learning.
- Increases legal and ethical risks if the incident later becomes public.

Practical Case Study

Option 2: Report Transparently

Advantages:

- Demonstrates accountability.
- Builds stakeholder confidence.
- Encourages organisational learning.
- Supports continual improvement.
- Strengthens long-term legitimacy.

Disadvantages:

- Possible short-term reputational impact.
- Increased regulatory scrutiny.

Ethical Decision

Transparent reporting is the most ethical and strategically sound option. Although disclosure may create short-term challenges, it reinforces integrity, accountability, and stakeholder trust, thereby strengthening the organisation's long-term legitimacy.

Critical Evaluation

Transparency and ethical reporting are fundamental pillars of effective OHSES governance. While organisations may face pressure to protect profits or reputation by limiting disclosure, such practices often create greater long-term risks than the incidents themselves. Ethical reporting enhances organisational legitimacy by demonstrating integrity, accountability, and respect for stakeholders. It also supports organisational learning, regulatory confidence, and continual improvement. However, transparency must be balanced with legal obligations relating to confidentiality, privacy, and commercially sensitive information. Ultimately, organisations that consistently communicate openly and honestly are more likely to earn stakeholder trust, maintain a strong corporate reputation, and achieve sustainable long-term success.



Reflective Questions

1. Why is transparency considered essential for effective OHSES governance rather than simply a communication practice?
2. How can underreporting incidents affect organisational legitimacy and stakeholder trust over time?
3. Should organisations disclose significant near misses even when no legal reporting requirement exists? Justify your answer.
4. How do governance frameworks such as ISO 45001, ISO 14001, and ESG reporting support transparency and ethical reporting?
5. What are the potential short-term and long-term consequences of concealing OHSES performance information from regulators, employees, or investors?



Key Takeaways

- Transparency and ethical reporting are fundamental principles of good OHSES governance and organisational legitimacy.
- Organisations have both legal and moral responsibilities to report health, safety, environmental, and sustainability information accurately.
- Honest incident reporting and performance disclosure strengthen stakeholder confidence, improve organisational learning, and support continual improvement.
- Ethical reporting enhances corporate reputation, regulatory trust, and the organisation's social licence to operate.
- Governance frameworks such as ISO 45001, ISO 14001, GRI, ISSB, and ESG reporting promote accountability, transparency, and evidence-based decision-making.
- While transparent reporting may create short-term challenges, it is essential for maintaining long-term trust, organisational resilience, and sustainable success.

Thank you