



Report on the Scope and Quality of
CSR Reports from the World's Largest Companies

*How large companies around the world
communicate the impact of their
non-financial activities*

CSR-Sustainability Monitor®
2016 Edition

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Highlights

Sample and Scoring Methodology Information

- This edition's sample consists of companies that published a CSR report (standalone or integrated) during calendar year 2014 that were listed in the 2014 Fortune 250 or Fortune Global 250, that were listed in the top 100 of MSCI's Emerging Markets Index in 2014, or that were included in the previous version of the CSR-S Monitor.
- Reports are scored based on the scope of coverage, specificity of detail, and degree of external verification of information disclosed by a company regarding its policies, implementation and outcomes across 11 "Contextual Elements," including Environment, Labor Relations, Human Rights, Anti-corruption, Supply-chain Management, and Integrity Assurance.
- The Integrity Assurance Element in the Monitor covers whether, and to what degree, the information in a company's report is verified by a third party or parties.
- The full sample consists of 629 companies from 20 industries and 43 HQ locations across nine regions; the largest share of our sample comes from (in order of size) North America, Western Europe, and East Asia.
- The largest industry groups in our sample are Manufacturing; Finance and Insurance; Mining, Quarrying, and Oil and Gas Extraction; and Information Services.
- Information including company profiles and all scores, as well as additional research and information about the Monitor, is available on our website, www.CSRSMonitor.org.

Findings

- The top five companies for the 2016 edition of the CSR-S Monitor are, in order: Endesa S.A., Barrick Gold Corporation, Ford Motor Company, Acer Incorporated, and Bayerische Motoren Werke Aktiengesellschaft (BMW).
- Western Europe has the highest median score of our three Large Sample Size regions, followed by East Asia and then North America.
- The industries of the 10 highest-scoring companies include Utilities; Mining, Quarrying, and Oil and Gas Extraction; Automobile Manufacturing; Electronics Manufacturing; Construction Material Manufacturing; and Other Services. They are variously headquartered in North America, Western Europe, East Asia, and Latin America & the Caribbean.
- Companies from Goods-Producing industries tend to score higher than companies from Service-Providing industries.
- Scores range from 4.50 to 80.50 out of 100, which indicates a large disparity in the comprehensiveness and specificity of information different companies are disclosing when they decide to publish a CSR report. Note that a company's overall score is a sum of its weighted scores on the 11 Contextual Elements; company scores do not influence one another in any way.
- Environment secured its place as the most commonly reported Contextual Element, with more than 99 percent of reports including at least some level of disclosure.
- North American companies excel at reporting on Philanthropy & Community Involvement issues – particularly with regard to the ways companies engage with employees in their philanthropic activities when compared to other Large Sample Size regions.
- Overall only 47 percent of reports utilized a public accounting/auditing firm or a specialized integrity assurance provider, and only 42 percent provided a corresponding statement of assurance (a slight increase from 43 percent of reports and 36 percent with a statement from the 2014 edition of the CSR-S Monitor). Western European companies in particular are much better in this area, with 72 percent listing an integrity assurance provider – especially compared to North American companies, of which only 22 percent did so (up from 65 percent of Western European and 21 percent of North American companies in the 2014 edition). East Asian companies still tend to favor "third-party reviews" by academics or other CSR experts.

Emerging Trends in Corporate Social Responsibility Reporting

Due to growing public concerns regarding environmental, social, and governance (ESG) matters in the past two decades, corporations around the world have increasingly started to take measures to assess the impacts and risks of their business activities and to communicate their assessment of these activities to their various stakeholders. Among S&P 500 companies, the rate of reporting on ESG activities has risen from 20 percent to 82 percent in just a matter of five years between 2011 and 2016.¹ Corporate Social Responsibility (CSR) reports have increasingly become a medium for such communication, supported by both nonregulatory and regulatory measures around the world. Organizations such as the UN Global Compact (UNGC), the Global Reporting Initiative (GRI), and others have led the way for greater disclosure by outlining reporting principles and guidelines to help companies in the report preparation process. Despite the growth in CSR reporting and presence of publicly available guidelines for reporting, lack of standardization and of a unified regulatory and supervisory landscape has created wide discrepancies in reporting practices as well as in the content and quality of information provided in these reports, making it hard for stakeholders to analyze these reports and compare companies based on the information provided.

To address this issue, various regulatory bodies around the world have stepped in to try to organize and regulate this new field by endorsing or mandating sustainability reporting. Currently, 37 countries and the European Union incorporate some level of CSR disclosure through government or exchange-imposed regulations, a 12 percent increase from 2012.² However, instead of stabilizing the reporting environment, the divergence in policies has resulted in a wide variety of approaches, which only serves to exacerbate stakeholder concerns about the comparability of CSR reports. The result is a need to harmonize these corporate responsibility efforts and build bridges between the different reporting frameworks. Driven by the growing demand from stakeholders for comprehensive, detailed, and accurate information on a company's ESG impacts and risks, the focus of management has shifted from just catering to the information needs of a highly concentrated group of social and political actors to meeting the needs of different beneficiaries as a way to align sustainability with business and social strategy, and thereby attaining the "license to operate." Accordingly, companies have extended their focus well beyond the walls of the company to include a broader ecosystem of noncompany

actors in the upstream and downstream supply chain. This broader perspective brings with it a greater focus on reporting as part of a proactive compliance/management strategy dealing with a range of relevant CSR risks locally and internationally.

Investor focus has also moved from a "values-driven" niche perspective to a more mainstream risk-driven perspective. In this mainstream view, the focus is on differentiating companies based on their ESG risk and impact profiles. Investors, particularly institutional investors such as pension funds, are increasingly translating these risks into financial impacts on the company and integrating them into their investment decision-making processes;³ however, over the recent years, a large majority of investors have increasingly become unsatisfied with the quality as well as materiality of information provided by companies in their CSR reports.⁴ Once again, limited standardization and lack of comparability prevent CSR reports from reaching their full potential as communication and stakeholder engagement tools.

The CSR-S Monitor

The CSR-Sustainability Monitor (or the CSR-S Monitor, or just the Monitor) is a modified content analysis-based system that allows for individual company CSR reports to be analyzed based on a set of common components. The Monitor has been developed by researchers at the Weissman Center for International Business at Baruch College in order to improve comparability of CSR reports and thus enable their full potential. It aims to level the playing field by providing a framework for disclosure of credible, reliable, and high-quality ESG information. In this respect, the CSR-S Monitor measures only the breadth, depth, and degree of verification of the information provided by a company in its CSR report. It does not represent an assessment or ranking of a company's actual performance or activities in the area of CSR as documented in their report or otherwise.

The effectiveness of a company's CSR reporting depends, to a large extent, on the level of credibility that the company's important stakeholders attach to it.⁵ That is why the CSR-S Monitor, in its screening process, also measures the degree to which the reporting company provides integrity assurance as to the accuracy and completeness of the information it is disclosing. The CSR-S Monitor is the product of the Weissman Center for International Business at the Zicklin School of Business, Baruch College, The City University of New York.

¹ Governance & Accountability Institute, Inc. (2017). *Flash report: 82% of the S&P 500 companies published corporate sustainability reports in 2016*. Retrieved June 07, 2017 from <http://www.ga-institute.com/press-releases/article/flash-report-82-of-the-sp-500-companies-published-corporate-sustainability-reports-in-2016.html>

² The Hauser Center for Nonprofit Organizations; Initiative for Responsible Investment. (2014). *Current corporate social responsibility disclosure efforts by national governments and stock exchanges*. Retrieved July 1, 2014 from http://hausercenter.org/iriwp_content/uploads/2011/08/CSR-Disclosure-Updates-4-18-14.pdf

³ The Principles for Responsible Investment (PRI, 2014) announced that total signatory assets under management grew to more than US\$45 trillion by the end of April 2014. Retrieved July 3, 2014 from <http://www.unpri.org/about-pri/>

⁴ PwC. (2014). *Investor survey, winter/spring series, Sustainability goes mainstream: Insight into investor views*. Retrieved July 1, 2014 from http://www.pwc.com/en_US/us/pwc-investor-resource-institute/publications/assets/pwc-sustainability-goes-mainstream-investor-views.pdf

⁵ Sethi, S. P., Martell, T. F., & Demir, M. (2015). Enhancing the role and effectiveness of corporate social responsibility (CSR) reports: The missing element of content verification and integrity assurance. *Journal of Business Ethics*, 1-24. doi:10.1007/s10551-015-2862-3

The CSR-S Monitor Research Methodology

Population Selection

We drew our sample of companies based on four criteria, which were chosen in order to forward our goals of tracking trends in CSR reporting over time as well as ensuring that we are covering many of the world's largest corporations:

- 1) Every company listed in the Fortune 250 for 2014 (the 250 largest companies in the United States)
- 2) Every company listed in the Fortune Global 250 for 2014 (the 250 largest companies in the world)
- 3) Every company listed in the top 100 of MSCI's Emerging Market Index in 2014⁶
- 4) Every company whose report was scored in the previous (2014) edition of the Monitor

The number of companies that met at least one of the four criteria was 793, and those companies constitute our initial population.

Identifying and Scoring CSR Reports

After selecting our population, we collect CSR reports from the chosen companies.⁷ Our goal is to focus specifically on the CSR report as a single unit, and our scoring procedure was designed with that in mind. Otherwise, we would not be able to make fair comparisons between CSR reports and other types of CSR information publications. We use a number of criteria in our selection process. First, in order for a report to qualify as valid and be scored, it must have been published during calendar year 2014 with a defined reporting period (usually but not exclusively the company's fiscal year 2013), be written in English (or have an official English translation available), and be presented as a cohesive unit. Most commonly, companies publish their reports as standalone "CSR Reports" or "Sustainability Reports" (naming and dating conventions varied greatly and were not factors in report selection). If they choose instead to publish an integrated CSR/annual report or website-based CSR report that they explicitly identify as their CSR publication, we also accept that, provided it meets our other criteria defined above (from now on, the term "CSR report" will refer to the full set of valid report types). We only score one report from each company, and in the case of multiple published pieces we give priority to a standalone report. If a CSR report has additional supporting documents published alongside it, we do count those. However, we do not follow links within CSR reports to other parts of a company's website (such as the investor relations page) or other reports (such as the annual report). We do not accept as valid reports websites with CSR information updated at unknown or multiple intervals, or that were otherwise not identified as reports. Likewise, PDF publications that were published as quarterly or other updates are not counted.

⁶ Source: MSCI

⁷ There is no widely accepted definition of a CSR report. We use the term in its broadest sense to describe reporting on various economic, governance, environmental, and social activities and impacts of a company.

⁸ World Bank. (2014). *Country classifications*. Data retrieved March 1, 2014 from <http://data.worldbank.org/about/country-and-lending-groups>

⁹ <http://www.census.gov/eos/www/naics/>

¹⁰ Gale uses a two-step process to determine primary industry codes. If a company provides its primary industry, Gale uses it. If it is not provided, Gale assigns the primary NAICS code based on the company's main line of business.

The content (or lack thereof) of a CSR report does not factor into the decision to accept it as valid or not. As long as it meets our criteria, we accept and score a report even if it only covers a few of our Contextual Elements. In total, we found 629 valid CSR reports from 43 different HQ locations and 20 industries (at the 2-digit North American Industry Classification System [NAICS] code level), all of which were subsequently analyzed. Location and industry classification information is taken from LexisNexis' Corporate Affiliations database (hereafter "Corporate Affiliations") and supplemented by Gale's Business Insights: Essentials database.

Company Background Information

The majority of background information about the companies is drawn from the Corporate Affiliations database. From there we take the official company name (Corporate Affiliations converts non-English characters in company names to English characters, so our list does as well), location of headquarters, and NAICS codes, including primary and secondary industries. The tables and charts in this report are organized using this information.

We define the various regions with a modified version of the World Bank's designations; specifically, we split Oceania (Australia and New Zealand) from the East Asia and Pacific region and Western Europe from the Europe and Central Asia region.⁸ We make these modifications in order to ensure that our data more accurately reflects the significant differences in the history and culture of CSR reporting within those regions.

There is one significant exception to our use of Corporate Affiliations data: due to diverse types of corporate structure and their methodology for assigning NAICS codes, Corporate Affiliations lists the primary industry for many parent companies to be Management of Companies and Enterprises (NAICS code 55), specifically as types of holding companies, while their subsidiaries are assigned more specific NAICS codes.⁹ Listing a large number and wide variety of companies under this industry would not have accurately categorized their impacts as described in their CSR reports. It would prevent effective comparisons of their CSR reports with their true competitors.

To solve this problem we look to another database, Gale's Business Insights: Essentials database (hereafter referred to as Gale).¹⁰ All companies listed under NAICS code 55 by Corporate Affiliations were rechecked on Gale's database. As a result, the size of our Management of Companies and Enterprises industry drops from 182 companies to only 31, with the other 151 distributed to the 2-digit NAICS code assigned by Gale. Gale's industry code information was also used in 11 additional cases where a company could not be found in the Corporate Affiliations database.

The CSR-S Monitor Scoring Methodology

Under the direction of University Distinguished Professor S. Prakash Sethi at Baruch College, the CSR-S Monitor uses a proprietary rubric to score each CSR report, which is thoroughly examined by multiple analysts. The rubric categorizes the content of each CSR report into 11 sections called "Contextual Elements," which cover the most common relevant areas of CSR and sustainability. The scoring criteria within each Element vary, but always follow a general pattern of looking for a combination of the scope of coverage and depth of information provided by the company regarding policies, implementation and outcomes.¹¹ Scores on the 11 Contextual Elements are presented as percentages in this report and on our website; however, for the purpose of calculating a company's Overall Score (and by extension, Rank), we apply weights in the following manner:

- (15%) Integrity Assurance
- (10%) Environment
- (10%) Philanthropy & Community Involvement
- (10%) External Stakeholder Engagement
- (10%) Supply-Chain Management
- (10%) Labor Relations
- (5%) Corporate Governance
- (5%) Anti-corruption
- (5%) Human Rights
- (15%) Codes of Conduct
- (5%) Executive/Chairman's Message

We assign the numerical weight for each contextual element above based on the average amount of information provided on each topic in a CSR report, modulated by The Monitor's evaluation of the significance of some particular topics such as Integrity Assurance. The work of each analyst is independently verified to ensure that the evaluation metric is consistently employed. The scores are then analyzed to enhance consistency in the scoring system. This year we found that greater than 50 percent of analyzed reports had at least some level of coverage for all of the 11 Contextual Elements, showing that our 11 Elements are the topics considered most relevant by the vast majority of companies producing CSR reports (see Table 1). Six of the Elements had little change in coverage rate compared to our 2014 edition, while the remaining five saw somewhat larger differences.

TABLE 1: Characteristics of CSR Reports by Contextual Element (2016 Edition Sample Size: 629 companies)

CSR-S Monitor Contextual Element	Median Score	Standard Deviation	Number of Reports Covering the Element	Percentage of Reports Covering the Element (2016 edition)	Percentage of Reports Covering the Element (2014 edition)
(1) Environment	60.00%	20.89%	626	99.5%	99.7%
(2) Philanthropy & Community Involvement	70.00%	20.90%	612	97.3%	96.4%
(3) Labor Relations	50.00%	23.67%	606	96.3%	95.0%
(4) Codes of Conduct	40.00%	26.30%	606	96.3%	97.1%
(5) Chair's Message	55.00%	21.54%	576	91.6%	92.5%
(6) Supply-chain Management	40.00%	26.05%	562	89.3%	83.7%
(7) Corporate Governance	20.00%	24.11%	526	83.6%	69.4%
(8) Human Rights	30.00%	34.84%	464	73.8%	98.4%
(9) Integrity Assurance	13.33%	26.35%	452	71.9%	86.3%
(10) External Stakeholder Engagement	30.00%	27.78%	448	71.2%	96.9%
(11) Anti-corruption	10.00%	29.92%	346	55.0%	82.7%

¹¹ Sethi, S.P., Rovenpor, J. L., & Demir, M. (2017). Enhancing the quality of reporting in corporate social responsibility guidance documents: The roles of ISO 26000, Global Reporting Initiative and CSR-Sustainability Monitor. *Business and Society Review*. 122 (2), 139-163.

The Nature of the CSR-S Monitor

It is important to keep in mind the global nature of the CSR-S Monitor. The analyzed reports come from many different regions and industries, so there will necessarily be significant variation in the amount of regulation and public scrutiny faced by the companies in our sample due to differences in impacts inherent to the nature of their industry. While the scoring criteria were designed to take this into account in order to provide a fair platform to compare CSR reports, it cannot, and is not intended to, completely balance out the differences between, for example, a report issued by a financial services company and one issued by a mining company. This allows us to view trends across different industries and regions as well as between different companies in similar circumstances.

Particular attention should be paid to the Integrity Assurance Contextual Element. Currently, the content of a CSR report is to a large extent at the discretion of the company due to lack of a well-established standardized reporting framework and an institutional environment for the regulation of such disclosures. This promotes the value of CSR audits (which serve the same purpose as financial audits, though they are less formalized) that provide credibility for the information being disclosed to the company's stakeholders. In order to provide a comprehensive quality assessment tool for CSR reporting, the CSR-S Monitor emphasizes the credibility and reliability of the information in these reports by putting external assurance at the core of its scoring framework. The Integrity

Assurance Element in the Monitor covers whether, and to what degree, the information in a company's report is verified by a third party or parties.

On the 100-point scale used by the CSR-S Monitor, the median scores for most industries and regions are moderate at best. Although there has been research into CSR for several decades, only recently have companies started really integrating its principles and policies into their core business on a large scale. Compared to 2012 Edition results, scores in general and top scores in particular have improved, but compared to 2014 Edition results we have seen some regression in both areas. While the higher scores could be considered a good start, there is still plenty of room for improvement.

In the next section we will take a look at our analysis of the results of the CSR-S Monitor data collection. We will first examine our big-picture findings, with results organized by the region of the company headquarters and industry sector determined by primary NAICS code. It is important to note that this report is only an example of the type of analysis that can be done with the data from the CSR-S Monitor. There is more specific information about all Contextual Elements, as well as other ways to filter the results, such as by HQ location, industry, region, all the way down to specific companies (for example, a list of competitors). All of this is available on the CSR-S Monitor's website, www.CSRSmnitor.org.

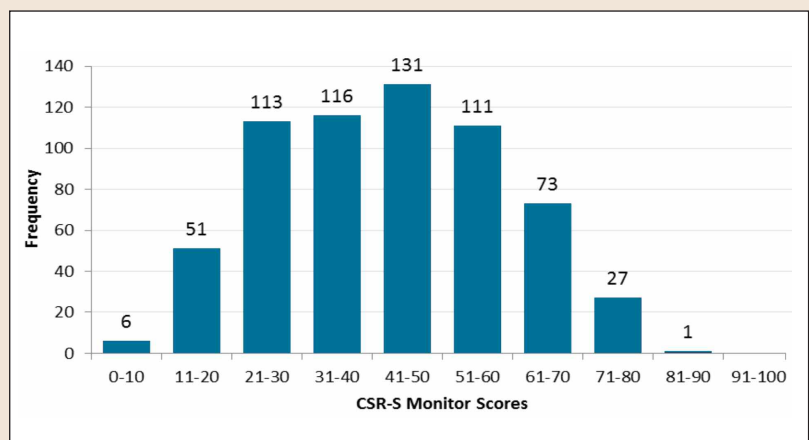
Research Findings – The Big Picture

We present some of the CSR-S Monitor's notable findings from the 2016 edition (the third cycle of data collection/release) hereafter. **Figure 1** shows the distribution of all report scores across our 100-point weighted scale. All companies are scored on the same criteria, and scores are not curved or normalized in any way. Quality scores tend to follow a bell curve, with a wide gap between the best and the worst results, with an overall median score of 42.75 and a standard deviation of 16.36. The highest CSR-S Monitor score this year was 80.50 and the lowest was 4.5. In previous editions, the top scores were 88.50 in 2014 and 70.75 in 2012.

Overall quality of CSR reports declined somewhat since the last report. This is partly due to updates to scoring methodology in a number of Elements, including primarily Anti-corruption and also Human Rights, which were made based on research and experience in an effort to more accurately capture the full range of new information that is disclosed by companies, as reporting in this field is still evolving.

Some overall reporting patterns have hardly changed over time, though. In particular, the low-scoring companies tend to skip multiple Elements entirely, rather than simply provide limited information about all the topics, while the high-scoring companies are very likely to cover all Elements, even if to a slightly lower degree compared to 2014. This is represented by a remarkable split between the upper and lower ends of the scoring distribution of the quality of CSR reports, largely due to limited standardization in reporting and the accompanying divergence of views on what information is really relevant, needed to assess risk, and worth including in a CSR report. This phenomenon is quite persistent over years, preventing effective comparisons of these reports without a tool like the CSR-S Monitor and signaling room for improvement in reporting quality for a large number of companies, as voiced by the investor community.¹²

FIGURE 1: Distribution of 2016 CSR-S Monitor Scores



Scores between ranges are rounded up, e.g., 10.25 falls in the 11-20 range.

¹² PwC, *op. cit.*

Research Findings – Region-Based

In the tables and figures to follow we provide an overview of the current state of CSR reporting across various regions of the world. Approximately 91 percent of the analyzed reports in our sample are mainly from three regions: North America, Western Europe, and East Asia. We have designated these regions as Large Sample Size and the remaining six regions, with 9 percent of the analyzed reports, as Small Sample Size. Much of our regional analysis is split along these lines in order to provide a fairer look at the numbers.

Table 2-A breaks down the results from our three Large Sample Size regions, ordered by the number of reports analyzed. Western Europe preserves its place as the highest scorer, with the highest median score and the most companies in the Top 25 ranks overall, despite having 38 fewer reports analyzed compared to North America. Unlike all other regions, reporting in Western Europe is not concentrated in a few locations, but is dispersed across the region. Top-scoring companies are also spread out, with Spain having three companies in the top 25, France and Germany each having two, and Luxembourg, Netherlands, Switzerland, and the United Kingdom with one each.

While North American companies are still lagging behind their Western European counterparts, at the top of the scale they have closed the gap since the previous report. Seven North American companies ranked in the Top 25 (including four in the Top 10, and two in the Top 3), compared to only two of the Top 25 in the 2012 Report and six in 2014, a fairly consistent progress for the largest sample size region. Apart from Canadian company Barrick Gold Corporation (rank 2 overall in 2016), the other six are from the United States. That is more than any other individual HQ location, but there were also many more companies in the sample from the United States than anywhere else. And while well represented in the Top 25, the United States also had 15 of the Bottom 25 companies. These two results point to significant variation in reporting practices among the US companies in particular, due probably again to (1) lack of standardization in CSR reporting in the US yet (2) growing public and regulatory pressure for more sustainable and responsible business practices at home and abroad. Despite the growing number of companies reporting on their CSR practices in the major US indices, these statistics underline a lack of a broad consensus on disclosure content as the main driver of this disparity in reporting. This poses a major challenge to companies as well as their stakeholders and highlights the value a certain level of standardization in the CSR reporting process could

provide. At this point, we would like to reemphasize our main argument: *considering that so many companies now recognize the importance of having a CSR report, the degree of quality of their disclosures is emerging as the next big issue. The CSR-S Monitor proactively attempts to resolve this issue by providing an analytic framework for the systematic evaluation of the quality of CSR reports that can be used by companies as well as by their various stakeholders in their decision making.*

Notably, the HQ locations included in the East Asia region are much more diverse in terms of economic development, sharing some traits with both Large and Small Sample Size regions. The East Asia region includes locations such as Japan (from which a majority of our East Asian companies originate), China (with its many large, state-owned enterprises), and other emerging economies such as Thailand, Indonesia, and Malaysia.

Table 2-B shows the results from Small Sample Size regions. Unlike their Large Sample Size counterparts, in which a range of medium-to-large companies publish reports, reporting companies from the Small Sample Size regions are more often among the largest and most influential globally, such as Brazil's Petrobras and Russia's Gazprom, or at least within their local area. As a result, these companies make up a larger percentage of their respective regional samples with regard to their size and economic impact (revenues), but only reflect a small sample of all the companies operating in the respective regions.

In many cases, even if the region covers a broad geographic area, CSR reports are concentrated in a small part of the region. For example, all 12 reports from the Sub-Saharan Africa region came from South African companies. This is because South Africa is a business hub for the region and is something of a pioneer in the area of CSR reporting, as reflected in the King Report on Corporate Governance.¹³ Additionally, the Johannesburg Stock Exchange, along with Brazil's BM&F Bovespa (Brazil is another example of a country that contributes heavily to the reporting in a Small Sample Size region), are known for being at the forefront of sustainability policies for exchanges, and many companies from these Small Sample Size regions are producing reports of high quality.¹⁴ In fact, the Sub-Saharan Africa regional median outperformed the overall median by 3.75 points. Even more impressive, despite having only 10 companies in our sample and with only eight companies listed in the Fortune Global 250 for 2014, Latin America & the Caribbean had three companies ranked in the Top 25 of the CSR-S Monitor (CEMEX, VALE, and Ecopetrol).

¹³ Visser, W., Tolhurst, N. (2010). *The World Guide to CSR: A Country-by-Country Analysis of Corporate Sustainability and Responsibility*. Sheffield: Greenleaf.

¹⁴ Global Reporting Initiative. (2013). *Carrots and Sticks: Sustainability Reporting Policies Worldwide—Today's Best Practice, Tomorrow's Trends*. Retrieved April 15, 2014 from <https://www.globalreporting.org/resource/library/carrots-and-sticks.pdf>

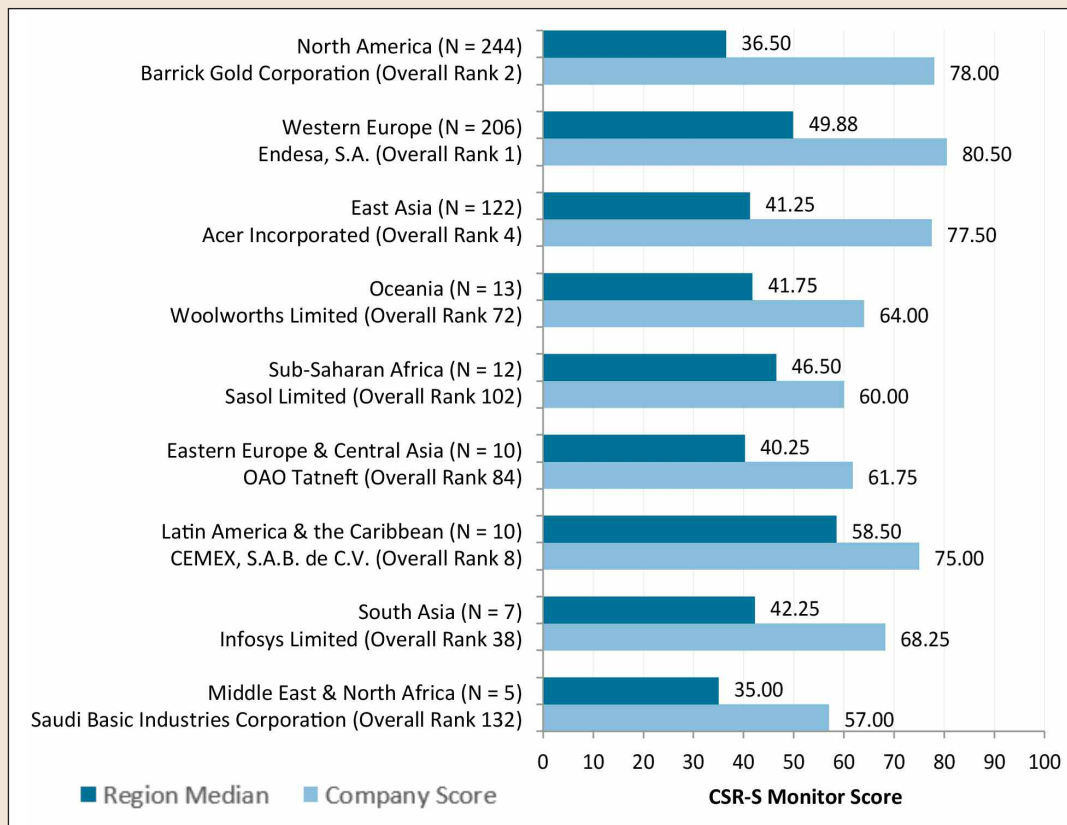
TABLE 2-A: CSR-S Monitor Scores by Region of Company Headquarters (Large Sample Size Regions)

Region of Company Headquarters	Reports Analyzed	Median CSR-S Monitor Score	Standard Deviation	Number of Reports in Top 25	Number of Reports in Bottom 25
North America	244	36.50	16.29	7	15
Western Europe	206	49.88	15.80	11	4
East Asia	122	41.25	14.38	4	4
Large Sample Size Regions	572	42.13	16.29	22	23

TABLE 2-B: CSR-S Monitor Scores by Region of Company Headquarters (Small Sample Size Regions)

Region of Company Headquarters	Reports Analyzed	Median CSR-S Monitor Score	Standard Deviation	Number of Reports in Top 25	Number of Reports in Bottom 25
Oceania	13	41.75	15.98	0	1
Sub-Saharan Africa	12	46.50	13.97	0	0
Latin America & the Caribbean	10	58.50	17.12	3	0
Eastern Europe & Central Asia	10	40.25	14.32	0	0
South Asia	7	42.25	19.26	0	1
Middle East & North Africa	5	35.00	14.71	0	0
Small Sample Size Regions	57	44.00	16.42	3	2

FIGURE 2: CSR-S Monitor Scores: Medians and Top Performers' scores by Region of Company Headquarters



Though there is still considerable room for improvement across all regions in general, as seen in **Figure 2**, the top scorers for almost all regions (the exception being Middle East & North Africa) performed more than a standard deviation better than the overall median of 42.75. The top scorers for all three Large Sample Size regions performed better than two standard deviations above the median.

Research Findings – Industry-Based

The background information we drew for each of the 629 companies in our sample includes a set of 6-digit NAICS codes that describe the various operations engaged in by each company. These industry classifications inform our understanding of each company and give us context as to the scope of its operations, as many companies we look at do work in multiple industries and are integrated in various ways.

Each company has been categorized by only its primary code at the 2-digit level (such as Construction or Utilities). We have also divided the results between Goods-Producing and Service-Providing industries, known as “Supersector Groups” (see “Industries by Supersector and NAICS code” by the US Bureau of Labor Statistics).¹⁵ Analysis by primary 2-digit NAICS code is helpful for explaining big-picture findings but is too simplistic to capture the full scope of our results, since so many companies do business in multiple sectors (and

thus their reports should cover multiple sectors as well). The more specific 6-digit NAICS codes and secondary NAICS codes are available on our website (www.CSRMonitor.org) for more detailed analysis.

Apart from using the Supersector Groups, we do not aggregate any sectors, but we do divide the classification of the Manufacturing sector into three separate sectors (based on the 2-digit NAICS code assigned to each, denoted as Manufacturing-31, -32, and -33). The Retail Trade sector and Transportation and Warehousing sector also contain multiple 2-digit NAICS codes, but we found that the differences within those sectors are not significant enough from a CSR perspective to warrant separate analysis. In total our sample contained companies from 20 different sectors; we have chosen to look more closely at the 13 that had a sample size of 10 or more CSR reports, as seen in **Tables 3-A and 3-B**.

TABLE 3-A: CSR-S Monitor Scores for Goods-Producing Industries with 10 or More Reports Analyzed (Primary NAICS Code, 2-Digit Level)

Industry	Reports Analyzed	Median CSR-S Monitor Score	Standard Deviation	Number of Reports in Top 25	Number of Reports in Bottom 25
Manufacturing-33	122	47.00	17.70	10	3
Manufacturing-32	83	46.00	15.89	1	3
Mining, Quarrying, and Oil and Gas Extraction-21	49	54.50	16.07	5	0
Manufacturing-31	31	50.25	15.69	4	0
Construction-23	13	33.00	16.01	1	0
All Goods-Producing Industries (including fewer than 10 reports analyzed)	299	46.75	16.82	21	6

TABLE 3-B: CSR-S Monitor Scores for Service-Providing Industries with 10 or More Reports Analyzed (Primary NAICS Code, 2-Digit Level)

Industry	Reports Analyzed	Median CSR-S Monitor Score	Standard Deviation	Number of Reports in Top 25	Number of Reports in Bottom 25
Finance and Insurance-52	97	39.00	15.07	0	8
Information-51	38	47.00	16.48	1	1
Utilities-22	36	35.13	15.88	2	0
Retail Trade-44, 45	35	39.00	12.20	0	1
Management of Companies and Enterprises-55	31	39.00	17.19	0	4
Transportation and Warehousing-48, 49	30	42.75	15.80	0	2
Wholesale Trade-42	16	31.88	14.02	0	1
Professional, Scientific, And Technical Services-54	15	39.75	14.82	0	1
All Service-Providing Industries (including fewer than 10 reports analyzed)	330	39.75	15.37	4	19

¹⁵ United States Bureau of Labor Statistics. (2013). *BLS Handbook of Methods*. Washington, D.C.: U.S. Bureau of Labor Statistics, Division of Information Services.

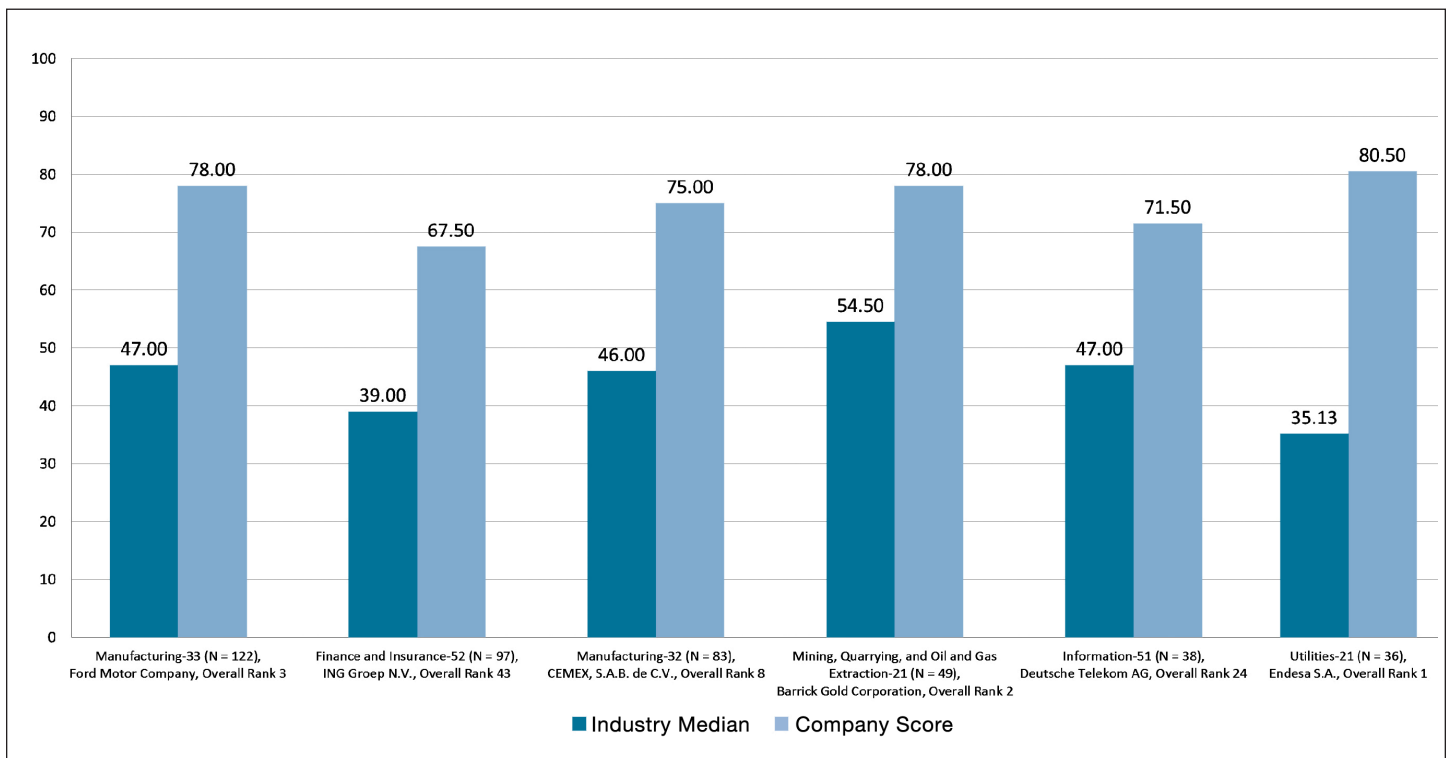
In our analysis, we identified some significant differences both between and across industry Supersector Groups. Specifically, Goods-Producing companies continue to have higher scores in general, with Mining, Quarrying, and Oil and Gas Extraction and Manufacturing-31 (which includes mainly food/beverages, textiles, and tobacco manufacturing) having the two highest median scores across all industries, with other manufacturing industries not far behind. Goods-Producing companies also dominate the Top 25 overall rankings. Service-Providing companies tend to have somewhat lower scores, with the exception of the Information industry companies.

These results echo the trend that has been seen over the previous years. Hence, we revisit our argument that while Goods-Producing companies often receive much more negative attention for their environmental and social practices, when companies are subject to increased scrutiny in both the regulatory and reputational sense, they may disclose more information to address those areas of potential liability in their CSR reports, since they know they are important to

stakeholders.^{16,17} Moreover, ESG risks and impacts in, for example, extractive industries are better understood and quantified compared to other industries, making it easier for companies operating in this industry to disclose more in-depth and comprehensive information about relevant issues.¹⁸ It is worth mentioning again that the CSR reports are being scored on the quality of disclosure, not on performance.

Figure 3 shows the median scores for the six industries with the most reports, as well as the score and overall rank for the top scorer in each industry. These six industries account for about 67% of our total sample of reporting companies. One interesting note is that despite having the second-highest number of companies, the Finance and Insurance industry has no companies in the Top 25, while the other five industries on this list all have at least one. The top scorer in the Finance and Insurance industry, ING Groep N.V., is only ranked 43rd. This indicates a potential for a company in the Finance and Insurance industry to really separate itself from the pack with a good showing in future reports.

FIGURE 3: CSR-S Monitor Scores: Medians and Top Performers of The Industries (By Primary 2-Digit NAICS Code) With the Most Analyzed Reports



¹⁶ Deegan, C. (2002). The legitimizing effect of social and environmental disclosures: A theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282-311. Retrieved April 15, 2014 from <http://search.proquest.com/docview/211212442>

¹⁷ Sethi, S. P., Martell, T. F., & Demir, M. (2016). Building corporate reputation through *Corporate Social Responsibility (CSR) reports: The case of extractive industries*. *Corporate Reputation Review*, 19(3), 219-243.

¹⁸ Rogers, J. (2013). 4 signs of sustainability from oil, gas and mining companies [Web log comment]. Retrieved April 15, 2014 from <http://www.greenbiz.com/blog/2013/11/05/4-sustainability-trends-oil-gas-mining>

Research Findings - The Top 10 Companies

Table 4 gives a list of our Top 10 companies, along with their background information and results from the 2014 CSR-S Monitor. The first thing to note is that companies from Large Sample Size regions dominate the top ranks. However, while there are certainly regional trends in CSR reporting, it is clear that top performers can come from any location. In fact, the two East Asian companies on the Top 10 list are from Taiwan and South Korea, which are both categorized as emerging markets. These two companies had the highest scores of all Top 10 companies on Integrity Assurance as well.

Second, the 2016 Top 10 list shows some remarkable differences compared to the 2014 Top 10 list. Table 4 includes the 2014 CSR-S Monitor score and overall rank for each of this year's Top 10 companies. Only four companies repeat a Top 10 performance. While there is clearly an advantage to having strong experience from previous years of writing reports, the success of Acer shows that large improvements are very possible. In particular, 6 of the 10 companies in this year's Top 10 list are newcomers, suggesting that while high-quality CSR reporting has become a common practice for a group of companies, the field is very dynamic and companies are quick to follow best practices and challenge the leaders.

Third, we'll take a look at the industries. The majority of companies in our Top 10 are Goods-Producing rather than Service-Providing. Manufacturing is the most represented industry on the list, though it is the broadest category with the largest overall sample size as well. More specifically, Automobile Manufacturing and Electronics Manufacturing have multiple Top 10 scorers. Only one of the Top 10 companies is extraction-based, but it holds position 2 on the list. The only Service-Providing companies in the Top 10 are Alcatel-Lucent (Other Services-81) and Endesa (Utilities-22).

We also include the 2016 CSR-S Monitor Integrity Assurance Contextual Element scores in this table. With the exception of Ford, the scores for the Top 10 companies on this Element are much higher than the median for this Element, which is only 13.33%. In fact, the integrity assurance scores for five of the other nine companies are considerably higher than the median (see Table 4). Since Integrity Assurance is a major factor for stakeholders in determining the credibility of CSR reports, it is good to see that so many high-scoring companies consider it an integral part of their CSR reports.

TABLE 4: Top 10 Company Information and 2014 Edition Comparison

2016 Overall Rank	Company Name	Region	HQ Location	Industry (Primary 2-Digit NAICS)	2016 Total Score	2016 Integrity Assurance Score	2014 Total Score	2014 Overall Rank
1	Endesa, S.A.	Western Europe	Spain	Utilities-22	80.50	63.33%	72.75	24
2	Barrick Gold Corporation	North America	Canada	Mining, Quarrying, & Oil & Gas Extraction-21	78.00	73.33%	88.50	1
3	Ford Motor Company	North America	USA	Manufacturing-33	78.00	23.33%	79.00	8
4	Acer Incorporated	East Asia	Taiwan	Manufacturing-33	77.50	90.00%	59.25	144
5	Bayerische Motoren Werke Aktiengesellschaft	Western Europe	Germany	Manufacturing-33	75.75	73.33%	-	-
6	Hewlett-Packard Company	North America	USA	Manufacturing-33	75.75	53.33%	74.25	19
7	LG Electronics, Inc.	East Asia	Korea (South)	Manufacturing-33	75.50	80.00%	74.25	18
8	CEMEX, S.A.B. de C.V.	Latin America & the Caribbean	Mexico	Manufacturing-32	75.00	60.00%	66.25	71
9	Intel Corporation	North America	USA	Manufacturing-33	74.75	56.67%	81.75	7
10	Alcatel-Lucent	Western Europe	France	Other Services (except Public Administration)-81	74.50	66.67%	83.00	4

Conclusion

Our analysis of CSR reports published by the world's largest companies in the year 2014 reveals a consistent pattern of considerable variation in the content and quality of the reports. Given the limited standardization and still mostly voluntary nature of reporting in this field, this finding is expected and seems to be becoming the norm of CSR reporting around the world, despite the efforts of various international organizations, governments, industry groups, market regulators, and nonprofits to establish a common language among reporting companies. That being said, how the new EU directive on nonfinancial reporting will work out among the leaders of sustainability reporting will be an interesting topic to investigate in the coming years.

An effective management of CSR impacts and risks offers various benefits to companies, especially to those that are under greater public scrutiny and more publicly visible. These benefits include better reputation, more favorable regulatory treatment by local authorities, endorsements from nongovernmental groups, better access to finance, and higher market valuations. Companies, however, need to utilize a more comprehensive and complete approach to disclosure of their efforts and achievements, as well as their limitations and shortcomings, to reap all the aforementioned benefits from CSR. The rapidly evolving nature of CSR can further incentivize companies to go beyond expectations to position themselves as leaders among their peers and thereby gain a competitive edge.

As the demand for substantive and material CSR information increases and companies respond to this demand by issuing CSR reports, the quality and credibility of these disclosures emerges as the next big issue. Unfortunately, the general lack of regulatory oversight, along with limited standardization, causes a level of distrust among stakeholders towards these disclosures and the information therein.

While companies can overcome this issue by attaining external assurance—the nonfinancial counterpart to financial audits—on their reports from a recognized independent provider such as a Big 4 accounting firm, the trend towards CSR assurance is still at a nascent level, particularly among North American and East Asian companies, suggesting a long road ahead to achieve a reasonable level of alignment on their approaches to this matter.

Companies, on the other hand, seem to increasingly rely on available CSR reporting guidelines such as the Global Reporting Initiative (GRI) or International Integrated Reporting Council (IIRC), which can be considered a “shortcut” at best in achieving more credibility. While companies have become more likely to follow some sort of reporting guidelines, the dispersion in reporting quality even among companies within a single industry group still persists over time, attesting to the important distinction between just the mere “act” versus the “quality” of reporting. GRI and IIRC, as well as most other frameworks, provide companies with guidelines to prepare CSR reports, yet fall short of overcoming the distrust issue due to their sole emphasis on the preparation process of CSR reports, without similar focus on ex post assessment to ensure robust implementation and degree of verification of the end product.

At this point, the CSR-S Monitor comes to help by providing stakeholders, including a company's competitors as well as internal corporate accountability officers, an external and independent evaluation tool to assess the quality of the information provided in a CSR report along with the scope of the accompanying external assurance, if any. We believe that as more companies see an improved CSR profile as a driver of financial and nonfinancial success, as well as a source of competitive advantage, there will be a shift in focus that will result in companies placing a higher priority on their CSR report's information quality.

CSR-S Monitor Website Database

For more information about the CSR-S Monitor, please visit our website: www.CSRsmonitor.org. The site includes a searchable database of all company scores for the last two editions of the project (2016 and 2014 editions), including overall scores and scores for each of the 11 Contextual Elements for every company in our sample. It also features tools to filter and compare company scores with one another, or with industry, HQ location,

or regional groups. In addition to the database, the website also includes full industry classification information for companies operating under more than a single NAICS code, more information about the project's methodology, and further examples of how our data may be used in the form of industry reports. There is also additional information about the project's principal investigators and other contributors.

Notes

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