2018 Edition
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CSR SUSTAINABILITY MONITOR®

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

Baruch COLLEGE
ZICKLIN SCHOOL OF BUSINESS
Weissman Center for International Business
CUNY

CSR-SUSTAINABILITY MONITOR®

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The mission of the Weissman Center for International Business is to provide meaningful international educational experiences for Baruch undergraduate and graduate students, support scholarly research and teaching with an international business perspective, and contribute to the economic life of New York City.

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INTRODUCTION AND ROADMAP

Welcome to the 2018 Edition of the Corporate Social Responsibility-Sustainability (CSR-S) Monitor report, and thank you for your interest in our project. In the following pages we will take a look at some of what has happened in the world of CSR over the past year, discuss the background and details of the CSR-S Monitor and our goal of providing stakeholders with a tool to compare the quality and completeness of corporate non-financial disclosure, and finally go over some of our findings as an example of the kind of data we make freely available to everyone on our website, **www.csrsmonitor.org**.

Here are a few questions for you to think about as you are reading our report and examining some of our findings:

- **How will the International Integrated Reporting Council's framework affect the reporting landscape, both in and out of the European Union?**
- **While over half of Western European companies in our sample hire a public accounting firm or specialized CSR assurance provider to verify at least some of their CSR reports, only a fifth of companies from the United States choose to do it. What factors are holding back US-based companies from embracing integrity assurance for their non-financial disclosures?**
- **Though companies that score highly on the CSR-S Monitor's evaluation in one year tend to continue to get good scores in future years, there is still a lot of variance in report quality by the same companies from year to year. Only two companies in the Top 10 of our previous (2016) edition repeated this accomplishment in the 2018 edition. What changes, internal and external, are causing these shifts?**

We have our own ideas about how to answer these questions, and will go over some of them in the following pages, but there are few simple answers when it comes to corporate transparency, and we would love to hear your thoughts about these or any other questions you might have about our project, CSR issues in general, or any other feedback.

You can reach us via email at **CSR-S.Monitor@baruch.cuny.edu** or by phone at **(646) 312-2103.** Thank you again, and we hope you enjoy reading our 2018 CSR-S Monitor report.

2018 EDITION HIGHLIGHTS

Sample and Scoring Methodology Information

- This edition's sample consists of companies that published a CSR report (standalone or integrated) during calendar year 2017 that were listed in the Fortune Global 500.

- Reports are scored based on the scope of coverage, specificity of detail, and degree of external verification provided by the company regarding its policies, implementation, and outcomes across 11 "Contextual Elements," such as 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 324 companies from 17 industries and 30 HQ locations across eight regions; the largest share of our sample comes from Western Europe (111 companies), North America (94), and East Asia (94).

- The largest industry groups in our sample are Manufacturing; Finance and Insurance; Retail Trade; Wholesale Trade; Mining, Quarrying, and Oil and Gas Extraction; and Information Services.

- Information including company profiles and all scores, as well as additional research, information about the Monitor, and past versions of this report, are also available on our website, **www.csrsmonitor.org**.

Findings

- The top five companies for the 2018 edition of the CSR-S Monitor are, in order: PSA Group (Peugeot), Enel S.p.A., Gas Natural SDG, S.A., Bayerische Motoren Werke Aktiengesellschaft (BMW), and Iberdrola, S.A.

- 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 Automobile Manufacturing; Utilities; Electronics Manufacturing; Telecommunications; and Food and Beverages Manufacturing. They are variously headquartered in France, Italy, Spain, Germany, South Korea, Sweden, and Switzerland. No US-based companies made the Top 10 list this year.

- Companies from Goods-Producing industries tend to score higher than companies from Service-Providing industries; the overall median for Goods-Producers is 25% higher than Service-Providers.

- Scores range from 4.34 to 73.56 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, and scores for a given company are calculated independently from all other companies.

- Environment secured its place as the most commonly reported Contextual Element, with 99 percent of reports including at least some level of disclosure.

- This year, East Asian companies outscored their Western European and North American counterparts on Philanthropy & Community Involvement disclosures by a significant margin.

- Overall only 43 percent of reports utilized a public accounting/auditing firm or a specialized integrity assurance provider and provided a corresponding statement of assurance (a slight increase from 42 percent with a statement from the 2016 edition of the CSR-S Monitor). Western European companies in particular are much better in this area, with 55 percent providing a formal statement in the report – especially compared to North American companies, of which only 20 percent did so. East Asian companies fall in between, but closer to Western European companies, with 50 percent of companies providing a formal statement of assurance (in addition, East Asian companies are more likely to utilize "third-party reviews" by academics or other CSR experts, but these reviews are not data audits).

EMERGING TRENDS IN THE WORLD OF CORPORATE SOCIAL RESPONSIBILITY REPORTING

Corporate social responsibility has evolved considerably over the last two years since the CSR-S Monitor's 2016 edition was published. This trend is largely driven by two main currents: first, the increasing demand for sustainable and responsible business conduct from various stakeholder groups; and second, as a response to this stakeholder-driven approach to sustainability, the surge in interest from corporations toward more responsible environmental, social, and governance (ESG) practices.

Regarding the societal pressure for corporate social responsibility, the size of sustainable, responsible, and impact (SRI) investments in the US has reached its record peak of $12 trillion as of 2018, indicating more than a quarter of total assets under professional management are subject to one or more SRI investment strategies.[1] Over the same period, the number of UN PRI signatories has also grown steeply to over 2,000 parties as of 2018.[2]

Consequently, corporations around the world have stepped in to take measures to integrate ESG strategies into their business activities. Management focus seems to be shifting away from 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 attain the social "license to operate." Consequently, the rate of reporting on ESG activities among the S&P 500 companies has risen to 85 percent in 2017.[3] While the standalone corporate social responsibility reports have been the common medium for such communication, integrated reports (IR) have become a part of the discussion over the same period. To harmonize these corporate responsibility efforts and build bridges between the different reporting frameworks, Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), and a group of leading corporations have teamed up to blend GRI's reporting standards with the IIRC's integrated reporting framework. These efforts are expected to provide insights into value creation across six capitals and a holistic view of company performance, and thereby drive greater transparency.[4]

As investor focus shifts from a "values-driven" niche perspective to a broader concept also integrating a risk-driven approach, institutional investors, such as pension funds, in particular increasingly integrate ESG risk and impact profiles of companies into their investment decision-making processes. Despite the concerns of an undeniably large group of investors over the quality as well as materiality of information provided by companies in their CSR reports, we hope and believe that the efforts that have been undertaken by some of the pioneers in this new field, such as GRI and IIRC, will produce fruitful outcomes that will help CSR reports reach their full potential as communication and stakeholder engagement tools.[5]

Another important trend to watch has also emerged over the same period: regulatory measures around the world. Various regulatory bodies have increased their efforts to organize and monitor the sustainability reporting field by endorsing or mandating sustainability reporting. Most significant of all, the EU directive on disclosure of non-financial and diversity information by certain large companies became effective as of December 2016 and the first reports are expected to be published in 2018 covering the financial year 2017-2018. We believe the new directive will improve the overall level of transparency and accountability of public interest entities with more than 500 employees operating within the jurisdictions of the EU. As member states implement the directive's measures, the consequent increase in sustainability reporting and greater transparency will provide invaluable information to stakeholders on company performance along the lines of corporate responsibility.

Despite these efforts, it would be unrealistic for one to expect the limited standardization and divergence in policies affecting the sustainability reporting environment to be resolved in the short term. The existing anomalies in the field are here to stay until the aforementioned efforts bring about the resources that will establish a common ground for reporting on ESG matters to which all companies will adhere. This will then lead to a transformation of institutional contexts from the prevailing variety of approaches, which only serves to exacerbate stakeholder concerns about the comparability of CSR reports, to a more structured and effective transparency.

As the rules of the game and demands of society change so rapidly, companies are also pushed to extend their focus well beyond the walls of the company to include a long list of players in the upstream and downstream supply chain. While this broader perspective brings with it a greater focus on reporting as part of a proactive compliance/management strategy, reporting on a broader range of activities and policies (yet in a more value-relevant, comprehensive, and material way) has become a new challenge for corporations. In this respect, despite all the advances in sustainability reporting in recent years, the prevailing lack of standardization and of a unified regulatory and supervisory landscape still pose a significant challenge to both corporate reporters and their various stakeholders.

1 https://www.ussif.org/
2 https://www.unpri.org/
3 Governance & Accountability Institute, Inc. (2018). *Flash report: 85% of S&P 500 Index® companies publish sustainability reports in 2017*. Retrieved September 26, 2018 from https://www.ga-institute.com/press-releases/article/flash-report-85-of-sp-500-indexR-companies-publish-sustainability-reports-in-2017.html
4 https://www.globalreporting.org/information/news-and-press-center/Pages/GRI-works-with-IIRC-and-leading-companies-to-eliminate-reporting-confusion.aspx
5 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

The wide discrepancy in reporting practices, as well as in the content and quality of information provided in these reports, continues to make it hard for stakeholders in general and investors in particular to analyze these reports and compare companies based on the information provided.

The CSR-S Monitor

The CSR-Sustainability Monitor (or the CSR-S Monitor, or simply 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 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 aims to level the playing field by providing a framework for reporting 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 and does not represent an assessment or ranking of a company's actual performance or activities in the area of CSR as documented in their CSR report.

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.[6] 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 reporting. 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.

THE CSR-S MONITOR RESEARCH METHODOLOGY

Population Selection

Our sampling procedure was designed to advance our goals of tracking trends in CSR reporting over time, as well as to ensure that we are covering the world's largest corporations. It includes every company listed in the Fortune Global 500 for 2016 (the 500 largest companies in the world).

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. 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 2017 with a defined reporting period (usually but not exclusively the company's fiscal year 2016), 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 that they explicitly identify as their CSR publication, we also accept that, provided it meets our other criteria defined above (going forward, 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. 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 324 CSR reports meeting our criteria from 30 different HQ locations and 17 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 Gale Business Insights: Essentials database ("Gale") and supplemented by Thomson Reuters' Hoover's database ("Hoover's").

Company Background Information

The majority of background information about the companies is drawn from the Gale Business Insights: Essentials database. From there we take the official company name (Gale 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.

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6 Sethi, S. P., Martell, T. F., & Demir, M. (2017). Enhancing the role and effectiveness of corporate social responsibility (CSR) reports: The missing element of content verification and integrity assurance. *Journal of Business Ethics*, 144(1), 59-82. doi:10.1007/s10551-015-2862-3

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

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. 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.[9] 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:

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

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 except the unique Integrity Assurance Element,[10] showing that our Elements are the topics considered most relevant by the vast majority of companies producing CSR reports (see Table 1). Eight of the Elements had little change in coverage rate compared to our previous edition, while the remaining three saw somewhat larger differences, largely due to methodological changes in the scoring process.

TABLE 1: CHARACTERISTICS OF CSR REPORTS BY CONTEXTUAL ELEMENT

CSR-S Monitor Contextual Element	Median Score	Standard Deviation	Number of Reports Covering the Element	Percentage of Covering the Element	Percentage of Covering the Element (2016 edition)
(1) Environment	36.92%	17.23%	320	98.8%	99.5%
(2) Labor Relations	41.18%	20.97%	319	98.5%	96.3%
(3) Chair's Message	50.00%	15.97%	314	96.9%	91.6%
(4) Philanthropy and Community Involvement	53.33%	20.24%	310	95.7%	97.3%
(5) Codes of Conduct	19.70%	11.94%	299	92.3%	96.3%
(6) Supply-Chain Management	29.41%	24.12%	296	91.4%	89.3%
(7) Stakeholder Engagement	32.14%	18.41%	277	85.5%	71.2%
(8) Corporate Governance	30.00%	27.97%	268	82.7%	83.6%
(9) Human Rights	29.41%	26.43%	244	75.3%	73.8%
(10) Anti-corruption	16.67%	26.17%	214	66.0%	55.0%
(11) Integrity Assurance	0.00%	28.06%	140	43.2%	71.9%

9 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.

10 Integrity Assurance is unique as an Element in that instead of falling within the scope of the company's reporting itself, it provides evidence that the other things that are reported are credible. Thus, while Integrity Assurance does not directly impact the content of the report, it does impact how that content is perceived by a stakeholder reading the report.

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 by avoiding industry- or region-specific criteria wherever possible, 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 or 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.

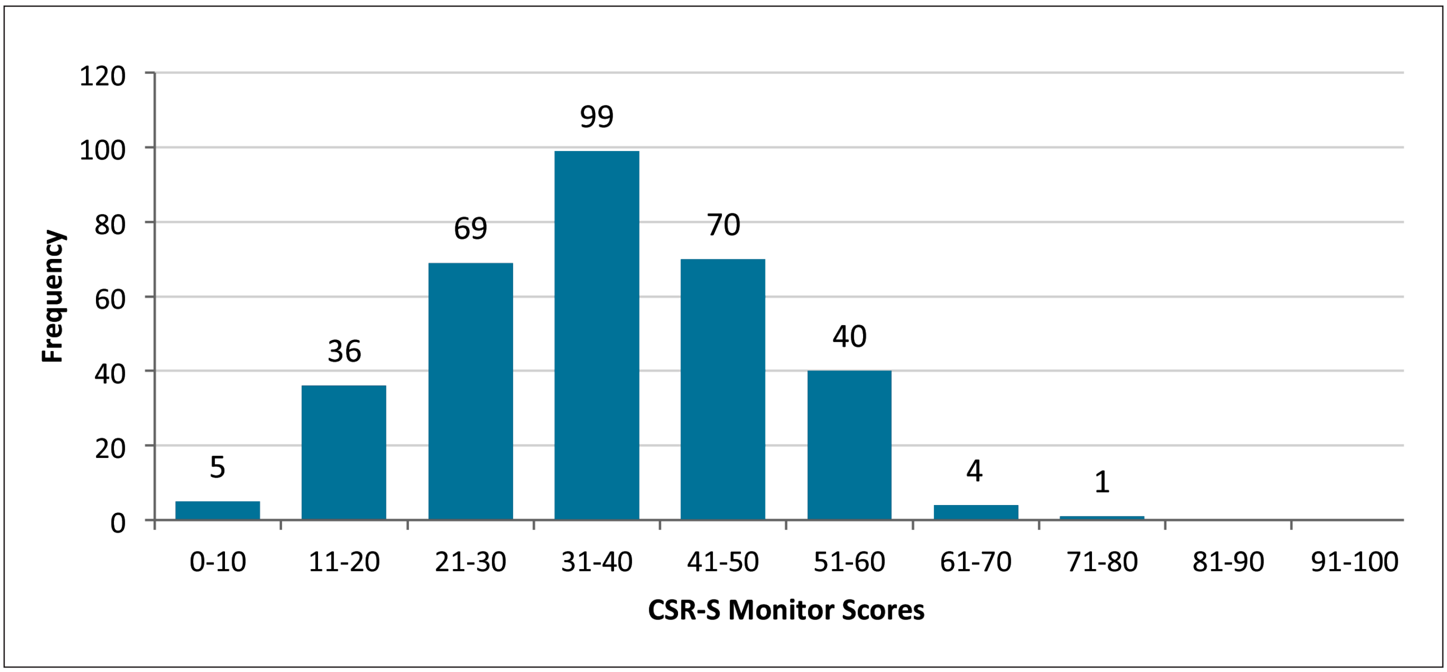
In the next section we will take a look at our analysis of the results of the CSR-S Monitor data collection. We will first examine our big-picture findings, with results organized by the region of the company headquarters and sector/industry determined by primary NAICS code. It is important to note that 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 publicly available on the CSR-S Monitor's website, **www.csrsmonitor.org**

RESEARCH FINDINGS – THE BIG PICTURE

We present some of the CRS-S Monitor's notable findings from the 2018 edition (the fourth 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 32.81 and a standard deviation of 13.12. The highest CSR-S Monitor score this year was 73.56 and the lowest was 4.34.

Some overall reporting patterns have changed little 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. 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.[11]

FIGURE 1: DISTRIBUTION OF 2018 CSR-S MONITOR SCORES



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

[11] 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. The current societal and concomitant political climate around the world favoring CSR and sustainability resulted in about 92 percent of the analyzed reports in our sample coming 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 8 percent of the analyzed reports, as Small Sample Size. Much of our regional analysis is split along these lines in order to provide more meaningful comparisons and draw fairer conclusions.

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, more than double that of the region with the next most, East Asia, and more than four times the number from North America. Unlike all other regions, reporting in Western Europe is not concentrated in a few locations but is dispersed across the region, due probably to the new regulatory environment that mandates CSR reporting by companies of a large size. Top-scoring companies are also spread throughout the region, with Germany having five companies in the Top 25, Italy and Spain each having two, and Sweden, Switzerland, and France each having one.

East Asian companies follow their Western European counterparts with a slightly lower median score of 34.49, with six companies ranked in the Top 25 and six in the Bottom 25. East Asia was also the home region of the only company outside of Western Europe to make the Top 10 list (LG Electronics, rank 6). The East Asia region includes locations such as Japan (from which almost half of our East Asian companies originate), China (with its many large, state-owned enterprises), and others, including Taiwan, Singapore, and Malaysia. Notably, the East Asian HQ locations are quite diverse in terms of economic development, which is a characteristic that differentiates East Asia from the other two Large Sample Size regions.

North American companies still lag behind their Western European and East Asian counterparts. There were only three North American companies ranked in the Top 25 (all from the United States) and none in the Top 10. While three companies in the Top 25 ties the US with Italy and Spain for the second-most from one HQ location (after Germany), there were also many more companies in the sample from the United States than any other single location. In addition, the United States accounts for 16 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 identify and 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.

Table 2-B shows the results from Small Sample Size regions. Though there are fewer of them, reporting companies from Small Sample Size regions are often among the largest and most influential globally, such as Brazil's Petrobras and Russia's Gazprom, or at least are often extremely influential within their local area, since they are disproportionately large compared to their local competition. 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 actually 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, four of the five reports from Eastern Europe & Central Asia are from Russia, all four of the South Asia reports are from India, and five of the seven Latin America & the Caribbean reports are from Brazil. Despite their limited geographical representations, companies from these Small Sample Size regions are quite capable of producing reports of high quality. In fact, the Latin America & the Caribbean regional median outperformed the overall median by more than 13 points.

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
Western Europe	111	36.13	13.06	14	3
East Asia	94	34.49	12.90	6	6
North America	94	27.16	12.51	3	16
Large Sample Size Regions	299	31.99	13.37	23	25

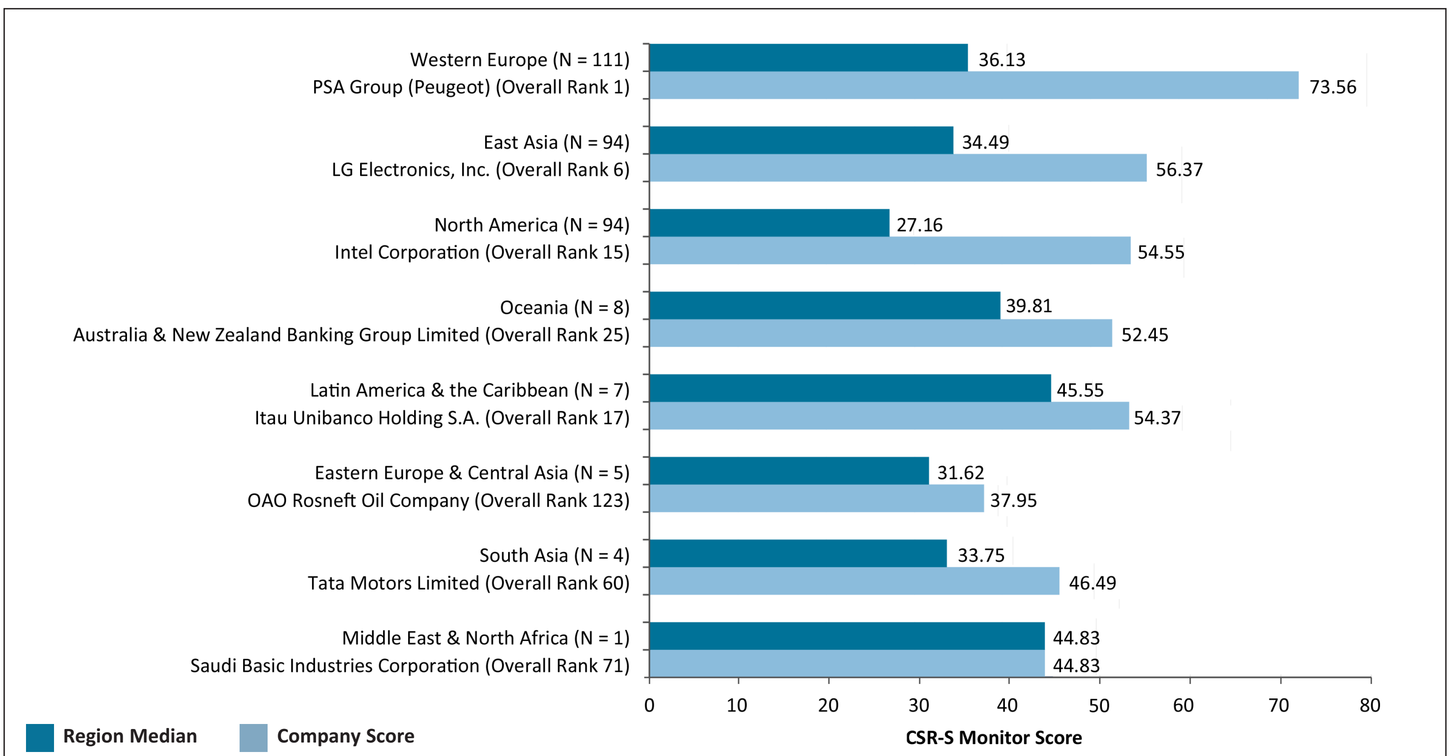
TABLE 2-B: CSR-S MONITOR SCORES BY REGION OF COMPANY HEADQUARTERS (SMALL SAMPLE SIZE REGIONS)

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	8	39.81	8.58	1	0
Latin America & the Caribbean	7	45.55	8.65	1	0
Eastern Europe & Central Asia	5	31.62	3.52	0	0
South Asia	4	33.75	9.68	0	0
Middle East & North Africa	1	44.83	-	0	0
Small Sample Size Regions	25	37.74	8.34	2	0

Though there is still considerable room for improvement across all regions in general, as seen in Figure 2, the top scorers for all Large Sample Size regions and most Small Sample Size regions performed considerably better than the overall median of 32.81.

The top scorers for Western Europe and North America, PSA Group (Peugeot) and Intel Corporation, more than doubled the median scores for their respective regions (see Figure 2).

FIGURE 2: CSR-S MONITOR SCORES: MEDIANS AND TOP PERFORMERS' SCORES BY REGION OF COMPANY HEADQUARTERS



RESEARCH FINDINGS – INDUSTRY-BASED

The background information on which we drew for each of the 324 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).[12] 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 industries (and thus their reports should cover multiple industries as well). The more specific 6-digit NAICS codes and secondary NAICS codes are available on our website (www.csrsmonitor.org) for more detailed analysis.

Apart from using the Supersector Groups, we do not aggregate any industries, but we do divide the classification of the Manufacturing industry into three separate industries (based on the 2-digit NAICS code assigned to each, denoted as Manufacturing-31, -32, and -33). The Retail Trade industry and Transportation and Warehousing industry also contain multiple 2-digit NAICS codes, but we found that the differences within those industries are not significant enough from a CSR perspective to warrant separate analysis. In total our sample contained companies from 17 different industries, 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	65	42.65	13.48	11	1
Manufacturing-32	35	31.43	12.72	1	2
Mining, Quarrying, and Oil and Gas Extraction-21	21	36.08	9.37	0	0
Manufacturing-31	12	33.90	12.52	1	0
Construction-23	5	36.11	11.76	1	0
Agriculture, Forestry, Fishing & Hunting-11	1	38.91	-	0	0
All Goods-Producing Industries	139	37.95	12.73	14	3

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	75	30.01	11.07	2	7
Retail Trade-44, 45	23	31.60	9.56	0	2
Wholesale Trade-42	21	26.70	13.73	1	3
Information-51	20	32.82	16.86	2	5
Utilities-22	19	28.85	17.65	3	3
Transportation & Warehousing-48, 49	12	36.02	12.00	2	1
Mgmt. of Companies and Enterprises-55	6	37.71	15.47	1	0
Professional, Scientific & Tech. Services-54	4	31.91	3.12	0	0
Administrative, Support, Waste Mgmt. & Remediation Services-56	3	29.54	6.95	0	0
Accommodation & Food Services-72	1	24.92	-	0	0
Real Estate and Rental & Leasing-53	1	14.54	-	0	1
All Service-Providing Industries	185	30.24	12.86	11	22

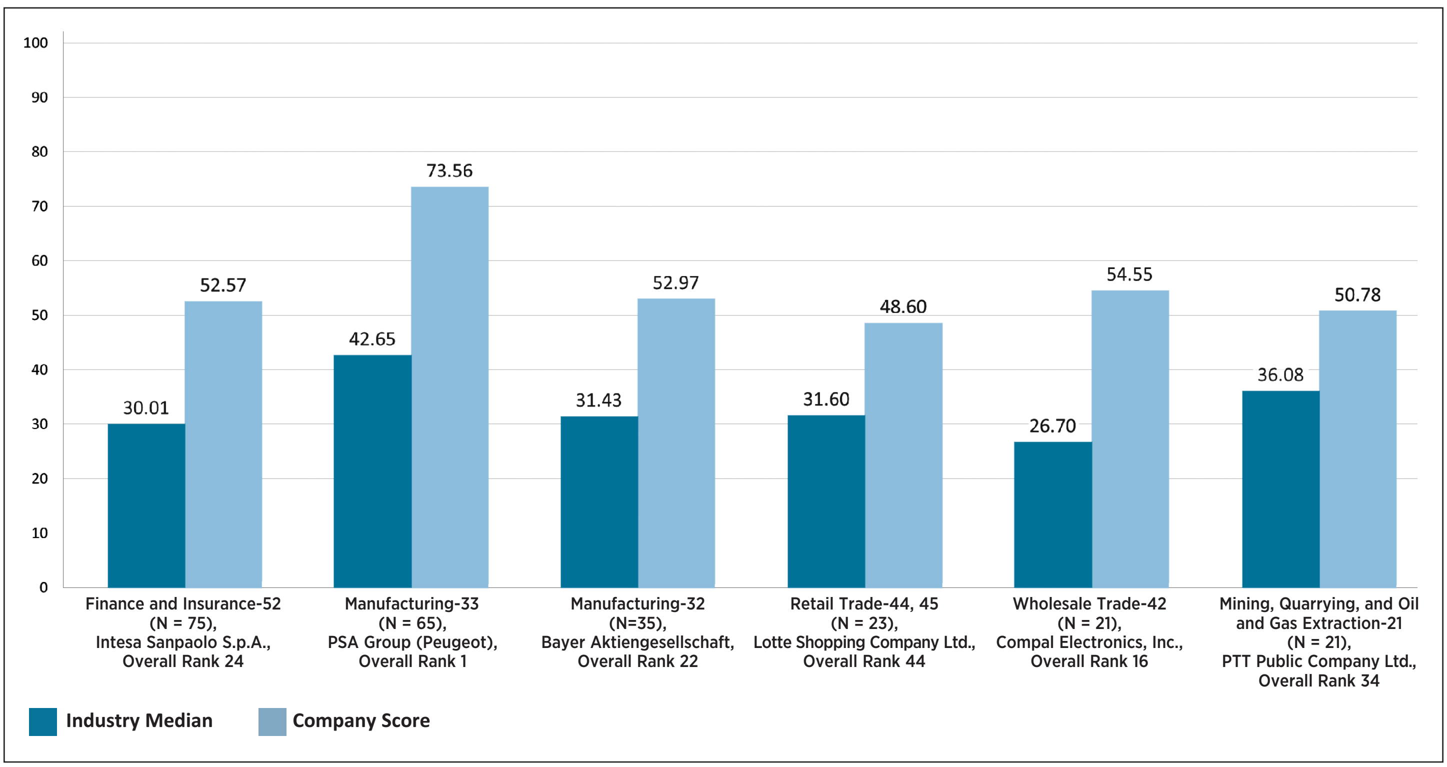
[12] United States Bureau of Labor Statistics. (2013). *BLS Handbook of Methods*. Washington, D.C.: U.S. Bureau of Labor Statistics, Division of Information Services.

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 Manufacturing-33 (companies that primarily manufacture electronics and heavy machinery such as cars) having the highest median scores across all industries. Goods-Producing companies also account for 15 of the Top 25 overall scores, despite the larger number of Service-Providing companies in the sample, though select Service-Providing sectors are keeping pace with the Goods-Producers.

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 impacts, 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.[13, 14] 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.[15] 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 74% of our total sample of reporting companies. Despite its largest size, the Finance and Insurance industry has no companies ranked among the Top 10. While its median reporting quality is also among the lowest of the 17 industries represented in the Monitor this year, Intesa, the top-ranking company in this industry, scored fairly high, suggesting a potential opportunity for companies in the Finance and Insurance industry to really separate from the pack with a good showing in CSR reports. Notably, the Mining, Quarrying, and Oil and Gas Extraction industry has a remarkably high median score, ranking below only Manufacturing-33. This finding shows that even companies that are under higher public scrutiny owing to concerns over their negative environmental and social impacts/risks can make use of CSR reporting to highlight the limitations of their business, make their policies and efforts to overcome these limitations clear, and thereby build/maintain their reputation as good corporate citizens.

FIGURE 3: CSR-S MONITOR SCORES: MEDIANS AND TOP PERFORMERS OF THE INDUSTRIES (BY PRIMARY 2-DIGIT NAICS CODE) WITH THE MOST ANALYZED REPORTS



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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 2016 CSR-S Monitor. The first thing to note is that companies from Western Europe dominate the top ranks. However, while there are certainly regional trends in CSR reporting, it is possible for top performers to come from any location.

Second, the 2018 Top 10 list shows some remarkable differences compared to the 2016 Top 10 list. Table 4 includes the 2016 CSR-S Monitor score and overall rank for each of this year's Top 10 companies. Though many fared well in our previous edition, only two repeat a Top 10 performance. While there is clearly an advantage to having strong experience from previous years of writing reports, the success of Telecom Italia and PSA Group (Peugeot) show that large improvements are very possible. The fact that 8 of the 10 companies in this year's list are newcomers suggests 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. The EU directive for mandatory sustainability reporting could also be a major driver of the Western European dominance in the Top 10 list, as well as of the leading role of this region in terms of reporting frequency.

Third, we'll take a look at the industries. The majority of companies in our Top 10 are Goods-Producing rather than Service-Providing, but only six against four. A combined Manufacturing group 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. Three of the four Service-Providers on the list are Utilities-22 companies, including Enel (at rank 2), which is the parent company of last year's top scorer, Endesa.

We also include the 2018 CSR-S Monitor Integrity Assurance Contextual Element scores in this table. All companies in the Top 10 provided Assurance on their report. 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 and thereby lead the way for other companies to follow.

TABLE 4: TOP 10 COMPANY INFORMATION AND 2016 EDITION COMPARISON

2018 Overall Rank	Company Name	Region	HQ Location	Industry (Primary 2-Digit NAICS)	2018 Total SCORE	2018 Integrity Assurance Score	2016 Total Score	2016 Overall Rank
1	PSA Group (Peugeot)	Western Europe	France	Manufacturing-33	73.56	66.67%	60.00	104
2	Enel S.p.A.	Western Europe	Italy	Utilities-22	67.32	58.33%	70.00	29
3	Gas Natural SDG, S.A.	Western Europe	Spain	Utilities-22	62.45	66.67%	69.00	36
4	Bayerische Motoren Werke Aktiengesellschaft	Western Europe	Germany	Manufacturing-33	61.23	66.67%	75.75	5
5	Iberdrola, S.A.	Western Europe	Spain	Utilities-22	60.42	50.00%	72.25	22
6	LG Electronics, Inc.	East Asia	South Korea	Manufacturing-33	56.37	50.00%	75.50	7
7	Daimler AG	Western Europe	Germany	Manufacturing-33	56.36	58.33%	64.75	64
8	Telecom Italia S.p.A.	Western Europe	Italy	Information-51	56.06	58.33%	54.50	157
9	Telefonaktiebolaget LM Ericsson	Western Europe	Sweden	Manufacturing-33	56.00	50.00%	65.75	56
10	Nestle S.A.	Western Europe	Switzerland	Manufacturing-31	55.37	75.00%	73.75	15

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 three editions of the project (2018, 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.

CONCLUSION

The results of the 2018 CSR-S Monitor annual report highlight, among other things, the dynamic nature of CSR reporting around the world. Specifically, we continue to see a persistent pattern of considerable variation in the content and quality of the reports. Given that, the efforts that have been undertaken by various international organizations, governments, industry groups, market regulators, and nonprofits to establish a common language among reporting companies have become even more crucial in the field. We would also like to underscore the efforts put forward by corporations as more of them take the initiative to publish a sustainability report, and continue publishing them over the years. To those that have not yet produced a report, these initiatives will hopefully offer effective solutions to the problems that stand in the way of greater transparency. In this sense, these dialogues offer a valuable opportunity for a brighter and better CSR reporting future.

In the previous edition we discussed our expectations for how the new EU directive on nonfinancial reporting would impact the CSR environment. Though it is still early, our findings in the 2018 Edition of the Monitor show that European corporations unsurprisingly dominate the top of the list on overall reporting quality, attesting to the emergence of a certain degree of standardization and a CSR-oriented mindset across the region. However, despite the new directive, European corporations still diverge considerably in the content and comprehensiveness of their CSR reporting. While the differences in nature across industries is partly to blame for this variation, the considerable within-industry variation we observe among companies that share similar opportunities and challenges offers a challenging counterargument to this view.

We would like to reiterate our main point in this project: that an effective management of CSR impacts and risks offers various benefits to companies, and even more so to those with operations/services of an environmentally and socially controversial nature. Our observations indicate that only 65 percent of the world's largest corporations report on ESG matters. There could be a multitude of reasons why, such as the non-reporters failing to see the business case, not having the resources to collect the necessary information, or simply not feeling the pressure to do so yet. It is not the sole responsibility of these companies to figure out a way to align themselves with the emerging trends. Local, regional, and international organizations such as GRI, United Nations, IIRC, and Sustainability Accounting Standards Board (SASB) can play a big role by helping companies clearly see the business case in sustainability reporting as well as encouraging and assisting them to take bolder steps on their journey towards greater CSR transparency.

A proactive ESG profile and forward-looking perspective on CSR and sustainability pays off for the companies in better reputation, more favorable regulatory treatment by local authorities, endorsements from nongovernmental groups, better access to finance, and, ultimately, higher market valuations.[16, 17, 18] The rapidly evolving nature of corporate responsibility puts extra pressure on companies to go beyond expectations to position themselves as leaders among their peers, exactly as we observe in this year's Top 10 list, where newcomers constitute a surpassing 80 percent. Moreover, our analysis shows that companies under higher public pressure due to the controversial nature of their business/services in particular pay special attention to disclosure of their efforts and achievements, as well as their limitations and shortcomings, to reap all the aforementioned benefits from CSR.[19, 20]

Despite all the recent advances in the CSR reporting landscape, the quality and credibility of these reports remain major concerns among stakeholders. A general lack of regulatory oversight, along with limited standardization, are partly to blame for the observed divergence in reporting trends. In this respect, the recent EU directive on mandatory sustainability reporting seems to have already achieved a certain level of success across the region by increasing reporting rate as well as the overall level of information, as supported by our results. However, it needs to be taken with a grain of salt, as Western Europe in particular has always been a leader in sustainability reporting, so further detailed assessments are necessary to be conclusive on its marginal impact. Another point of interest is external assurance of reporting – arguably the non-financial counterpart to financial audits. The progress toward bringing CSR assurance from the margin to the mainstream is still a work-in-progress at best, particularly among North American and East Asian companies. On the other hand, the high uptake of CSR assurance among the top-scoring companies could potentially work as a motivator for the laggards in their quest for better credibility for their CSR disclosures.

The CSR-S Monitor provides all stakeholders a unique tool for the assessment of the comprehensiveness and depth of information provided in a CSR report along with the scope of the accompanying external assurance, if any. As the link between financial and non-financial success becomes clearer for companies and their various stakeholders, frameworks such as the CSR-S Monitor will inevitably become an integral part of companies' self-assessment and benchmarking processes as well as of stakeholders' overall evaluations of a company's future prospects. We strongly believe the progress we have witnessed on CSR/sustainability and its reporting over the years is a certain win-win for all relevant parties, as it will lead to more sustainable and responsible organizations by delivering economic, social, and environmental benefits.

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