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Item Type	Conference proceedings
Authors	Ferns, Bill;Sethi, S. Prakash
Publisher	ISBEE
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Download date	2026-11-18 20:52:58
Link to Item	http://hdl.handle.net/20.500.12424/188678

EMERGING TRENDS IN CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORTING BY LARGE CORPORATIONS: A COMPARATIVE ANALYSIS OF CORPORATE CSR REPORTS BY WESTERN EUROPEAN AND NORTH AMERICAN CORPORATIONS

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Summary

The last decade has witnessed rapid growth in the publication of corporate non-financial reports. These reports are variously called corporate social responsibility, global citizenship, or sustainability reports; we will use the term 'corporate social responsibility' (CSR) reports to cover the entire genre. As the number, length, and diversity of these reports have steadily increased, this growth has been accompanied by serious research that attempts to evaluate the textual substance and comprehensiveness of the issues covered. Our presentation will describe an analytic framework called the CSR Monitor©, which we have developed to evaluate the substantive character of the CSR reports of large corporations, notably multi-national corporations (MNCs). In addition, in this paper we present results from these data focusing on MNCs from Western Europe and North America. Our findings suggest that, in general, companies from Europe had a higher rate of publishing CSR reports when compared with companies from North America, particularly those companies in the United States. We also found that there the quality of CSR reports varied from country to country within Western Europe, but compared to their North American counterparts, as a group Western European companies provided greater detail about issues in their CSR reports. This paper will provide analyses of the overall CSR Monitor scores, as well as a sample analysis of the CSR Monitor's 'Sustainability and Environment' scale. It also reveals that third party assurance is still underutilized in many CSR reports. Last, the report provides several examples of how the CSR Monitor can be used to aid stakeholders in comparing the quality of disclosures in CSR reports.

Keywords: *CSR ;CSR-S; ESG; CSR-sustainability report, non-financial reporting, Environmental reporting.*

The Growing Importance of CSR Reports

Voluntary disclosure about a company's activities in environmental, socio-political, and governance (ESG) areas is a relatively recent phenomenon when compared with financial reporting. These reports are variously called corporate social responsibility, global citizenship, or sustainability reports; we will use the term 'corporate social responsibility'- (CSR) reports to cover the entire genre. An increasing number of companies have opted to use CSR reports as their primary means of public disclosure of their non-financial activities. A study by KPMG revealed that in 1999, 377 companies issued CSR-sustainability reports (KPMG, 2005). The rate of voluntary reporting has continued to increase by over 1000% and is now estimated at over 5600 corporations worldwide (CorporateRegister, 2011).

This increase in annual CSR reporting, however, has created a number of challenges both from the perspective of the corporations issuing these reports and from the perspective of their intended audience. Companies have found that the CSR report can be a useful vehicle for providing credible information and for reassuring public trust through the corporate-sponsored message. Real and perceived motivations

vary. 'Voluntary disclosure' theory assumes a positive relationship between corporate performance and disclosure (Dye, 2001), and that companies that disclose believe that good CSR performance gives them some strategic advantage (Idowu & Papasolomou, 2007). Good CSR performers will broadcast their acts, bad performers won't. Conversely, 'legitimacy theory' posits that an organization's activities must conform to the larger society's expectations in order to have legitimacy; there is an explicit or implicit social contract (Shocker & Sethi, 1974). Hence, companies issue CSR reports to build their legitimacy (Williamson & Lynch-Wood, 2008). Legitimacy theory describes a more defensive approach in that firms disclose information because of public pressure to do so (Patten, 2002). It is likely that the motivations of most firms sit somewhere on a continuum between these two positions (Dawkins & Fraas, 2011). At the same time, the publication of CSR reports has whet the public's appetite for more disclosure, while corporate critics point to the paucity of factual content and relevant information in some reports (Ferns, Emelianova & Sethi, 2008).

Regional Differences in CSR Reporting

As the publication of CSR reports increased, CSR reporting practices differed from country-to-country and region-to-region. These differences included how different regions and countries addressed the need for transparent corporate disclosure—either voluntary or mandated--and whether those efforts have been successful. Idowu & Papasolomou (2007) investigated the motivations of companies issuing CSR reports in the United Kingdom before the implementation of the *Companies Act*. Deegan, Rankin and Voght (2000) studied the impact of environmental disasters on environmental reporting in Australia, while Burritt (2002) examined the effect of mandatory and voluntary initiatives there. In India, even though the Securities and Exchange Board of India (SEBI) had established reporting guidelines, Chaterjee (2011) encountered continuing inconsistencies in CSR reporting by companies there. Mahadeo, Oogarah-Hanuman & Soobaroyen (2011) found that CSR reporting was expanding in Mauritius, and that 'legitimacy' remained the strategic motivation behind the increase. Spain's *Instituto de Contabilidad y Auditoría de Cuentas* (ICAC) had set standards for annual reports, but Criado-Jiménez et al (2007) discovered that companies used a range of strategies to sidestep transparency mandates. The first CSR report in China was released in 2001 by the China National Petroleum Corporation, but since then there have been both government and market exchange efforts to increase CSR reporting (Wang, Chin & Cui, 2010). CSR reports by Finnish companies were more likely to publish positive rather than negative environmental problems, making their objectivity suspect (Niskanen & Nieminen, 2001), and many tended to lack consistency and comparability (Vuontisjärvi, 2006). These are just a few of the country-focused studies.

In addition, there has been increasing attention in comparing CSR reporting across borders. There is evidence that companies in Latin America that have greater European ties or are listed on the New York Stock Exchange (NYSE) are more likely to participate in the Global Compact or the Global Reporting Index (Perez-Baitres et al, 2010). DaSilva et al (2007) compared the CSR communications of oil companies in Brazil and in the UK, finding that the UK companies had more developed CSR communications. Because they are often the sourcing partners for MNCs in developed countries (Strategic Direction, 2011), BRIC (Brazil, Russia, India, China) based companies are frequent areas of research. Li et al (2010) found that the BRIC companies which were larger manufacturing firms, located in more rule-based countries, and with better governance, also had stronger CSR communications. BRIC companies have outpaced their colleagues in other developing regions, such as Eastern Europe, in terms of CSR reporting (PFS, 2008). The notable presence of some large MNCs in conflict-ridden areas of Central Africa contrasts with the less-than-notable and generic CSR reporting of these MNCs regarding those conflicts (Kolk & Lenfant, 2010).

Challenges in Measuring CSR Reporting

Almost as soon as there were CSR reports, there was recognition that obstacles existed in measuring and comparing reports. Abbott and Monsen (1979) identified two critical problems in evaluating CSR reports:

1. Most CSR reports lack detailed quantitative information—financial or otherwise-- on the firm's CSR activities;
2. Reports do not rigorously apply uniform methodologies to measure the full impact of the disclosed CSR activities.

Although more and more companies cite GRI and other methodologies, in practice, these challenges continue to exist in CSR report assessment today. CSR reports lack standardization in terms of measuring and evaluating the ESG aspects of company's operations. Some of the inconsistency lies in the simple fact that CSR reporting in most countries is voluntary, with few mandated requirements for content or formatting. The sheer number, size and diversity of corporate CSR reports also make it difficult for both the issuers and the intended audience to make meaningful comparisons that are both cost effective and objective (Chen & Bouvain, 2008). There is a lack of consensus on how to measure the content and specificity in CSR reports (Graafland et al, 2004), along with outright contradictions measurement (Chatterjii & Levine, 2006). A number of academics have used varying approaches to measure the inclusion and degree of information in CSR reports. Some of the approaches are:

- *Counting the number of words used in disclosures*: Word counts may be appear to be a crude measure, especially when a word may have two different sets of contexts (for example, the word 'environment' to mean an earth sciences issue or a milieu, i.e., the 'work environment'). Still, this approach has held up as a statistically reliable measure in comparing CSR reports (Deegan & Rankin, 1996; Mahadeo, Oogarah-Hanuman & Soobaroyen, 2011);

- *Sentence counts*: Instead of focusing on words or 'mentions', this approach assumes that counting only full sentences devoted to a disclosure topic reflects more accurately the CSR report's coverage to that topic, and is a better measure of the depth of coverage (Sandhu & Kapoor, 2010);

- *Page counts*: This approach counts pages with disclosures to compare reports (Dagilienė & Gokienė, 2011). A variation takes the ratio of disclosure pages to the size of the full report (Dagilienė, 2010); this approach thus adjusts for reports that have a large number of photographs and other graphic material;

Although they are operationally simpler to implement, measures such as word counts and page counts may not be sufficient for capturing the content of a CSR report, and provide limited options for comparing reports (Chen & Bouvain, 2009). Textual analysis focuses on the semantic content of a CSR report. The challenge to using textual analysis is that it tends to be labor-intensive, so some operational compromises occur when using this approach:

- *Mentions*: This approach looks for instances when a specific ESG topic is cited, and may categorize the type of mention. It is used frequently, but it is a labor-intensive methodology. Researchers using this methodology often make adjusts such as limiting the range of ESG topics they investigate or utilizing mostly binary variables to note whether there is a mention or not (cf. Clark & Gibson-Sweet, 1999; Line, Hawley, Krute, 2002; PFS, 2008; Kolk & Lenfant, 2010; Li et al, 2010; Fortanier, Kolk & Pinsky, 2012). Some researchers limit the operational burden of content analysis with limited sample sizes based on region and/or industry (cf. Holcomb, Upchurch & Okumus, 2007; Cowper-Smith & Grosbois, 2011);

- *Content-analysis software*: A less used approach is the use of content-analysis software such as Leximancer to uncover concepts used (Chen & Bouvain, 2009). This eliminates much of the labor-intensive nature of textual analysis while providing good research-oriented tools with reliable outputs. Although a useful tool for researchers, the resulting analyses from the software may not be much help for the targeted audience of CSR reports, for example. Socially-responsible investors and other stakeholders;

- *Metrics and scales*: This approach argues that descriptive, non-measurable text is of little use in the CSR report, and that the emphasis should be on the existence of specific, future-

oriented performance metrics in the CSR report (Scott Marshall & Brown, 2003). Abbott & Monsen (1979) developed a Social Involvement Disclosure (SID) scale, which showed some validity for research, but it has gotten little traction among the research community, possibly because of the labor-intensive aspect of the SID's data collection. There is some concern that metrics must be chosen with care, because metrics that are unreliable or difficult to compare provide little help, and may even be detrimental in terms of cost and misdirection *(Chatterjii & Levine, 2006).*

- *Report structure*: This analytic approach puts as much emphasis on structural aspects of a report (structure, interface, accessibility) as on the content (DaSilva et al 2007). Similarly to textual analysis, it is labor intensive.

All these approaches have their own strengths and drawbacks. The lack of consensus on a single approach, along with the often narrow range of topics investigated or limited sample size, leave many studies of marginal use to the larger target audience of CSR reports: socially-minded investors, other stakeholders, and the general public. Consequently, these stakeholders face practical challenges in comparing non-financial reports to assess each company's CSR-related policies, programs, and practices. The lack of consistency also leaves the companies open to critics' concerns about the quality of their reports.

Assessing Assurance in CSR Reports

In the context of CSR reporting, 'assurance' is the verification by a third party that the statements in a CSR report are accurate. Efforts to measure CSR reporting have been around almost as long as the reporting itself, but assurance activities started later in the mid-1990s with the advent of organizations such as AccountAbility (1996). Since then, there has been a slowly increasing attention to assurance. This attention is driven partially by concerns that executives may distort disclosures, partially by stakeholders who are more suspicious of claims in CSR reports, and partially by the efforts of the assurance providers themselves. Attaining assurance from an outside party is one way that companies can give their CSR reports more credibility (Pflugrath, Roebuck, & Simnett, 2009). In a series of reports, the accounting firm KPMG cited an increasing use of assurance statements in CSR reports (KPMG, 2005; KPMG 2011), but the numbers till lag behind the number of CSR reports. One study found that, of 2,113 stand-alone CSR reports issued from 2002–2004, only 31 percent had independent assurance statements (Simnett et al, 2009). Similarly, for a sample of 7,004 stand-alone CSR reports from 22 countries for 1990–2007, Dhaliwal et al. (2010) found that 27 percent were assured.

It is clear that, just as measuring the CSR reports have proven to be a challenge, so is measuring the assurance that the disclosures are accurate. There are primarily two competing standards for assurance--the AA1000 Assurance Standard (AccountAbility, 2008) and the International Standard on Assurance Engagements (ISAE) 3000 (2005). There is also a lack of consensus on the appropriate assurance providers, and which assurance providers will provide the most credibility (Simnett et al, 2009).

Characteristics of the CSR Monitor

As noted above, there can be wide variability in CSR reporting content and formats. The challenge to the stakeholder lies in the difficulty in evaluating the quality and scope of these reports, and comparing one CSR report's relative effectiveness with another. To overcome these difficulties in CSR report and assurance evaluation, researchers at the Weissman Center for International Business at Baruch College have developed a content-analysis based system that allows for individual corporate reports to be analyzed on a set of common components that are covered in most CSR reports. The system is called the CSR Monitor™. The CSR Monitor is the product of the Sethi International Center for Corporate Accountability (SICCA), which is owned and operated by the Weisman Center for International Business at the Zicklin School of Business, Baruch College, of the City University of New York.

The CSR Monitor provides a practical framework for evaluating CSR-sustainability reports, using standardized measurement tools to provide in-depth analyses of the reports' content. The CSR Monitor's

analytic framework currently includes almost 150 variables, many of them text-based; analysts assess CSR reports and enter them into a database designed to calculate and weigh scores for individual CSR topics, as well as calculate an assurance score and final CSR Monitor score. The goal of the CSR Monitor is to provide to investors and other stakeholders a tool for easier and more standard comparison of CSR reports. The first endeavor was using data from CSR reports released in 2006-2007 (Ferns, Emelianova & Sethi, 2008); our presentation at ISBEE 2012 will use CSR reports released in 2009.

The analysis examined each CSR report for discussion of these issues, measuring the firm's commitment along a continuum of: 1) the acknowledgement of problems; 2) the material and specific activities undertaken to address these problems; 3) the publication of measurable results; and 4) whether independent verification and assurance of these results were included in the report. The analysts are trained to provide an objective and consistent analysis of the content in terms of materiality, specificity, completeness, and verifiable integrity. The CSR Monitor includes a separate section on the assurance measures, including the existence and inclusion of the assurance statement, the type of assurance provider, and an explanation of the processes taken in the assurance engagement.

The CSR Monitor has examined almost 1400 companies from 24 industries and 46 countries. These companies were selected based on company lists prepared by Fortune, BusinessWeek and FTSE. Most of these companies are in OECD defined industrialized countries, so we also examined top performing companies from the emerging economies and regions. The companies in this robust sample produced 514 CSR reports for 2009. In this iteration of the CSR Monitor, we analyzed twelve issues covered in the CSR reports, as illustrated in Table 1:

Table 1: List of Topics Examined by CSR

	Topic	Points
1	Executive Message	10
2	Sustainability and Environment	20
3	Good Citizenship, Community Development & Philanthropy	15
4	Stakeholder Engagement	10
5	Supply-chain Procurement	10
6	Supply-chain Labor Management (Workers in sourcing countries)	10
7	Corporate Governance	5
8	Corruption	5
9	Reputation	5
10	Human Rights	5
11	Assurance Statement	10
12	Codes of Conduct	5
	Total*	110

*To simplify comparisons, all final scores have been normalized to 100

The CSR Monitor is the only analytical instrument that compares a company's statements of its accomplishments against the quality of its assurance measures. We can assess how transparent they are with their own assurance measures:

- Does the report provide specific, objective data of CSR activities?

- What other types of data and reporting is provided to support those claims?
- Is there external verification of those claims?

The CSR Monitor includes assurance as part of the overall ranking, as well as a separate ranking of reports by their assurance quality. We believe that the CSR Monitor's assurance approach encourages firms to provide more assurance reporting to utilize external assurance reviews

Cross-analysis of company-produced reports can be useful to companies in comparing their reports to those of other companies, while providing a cost-effective means for communicating the relative scores of different reports across multiple elements.

In addition, the CSR Monitor's comparative reports highlight the areas of strength and weaknesses in corporate reports originating from different industries, regions, and countries. This capability may induce companies to produce better reports that meet the expectations of various stakeholders, both in the financial communities and also in a variety of NGO and public policy oriented groups.

A Look at the CSR Reports from Europe and North America;

When it came to reporting their corporate social responsibility positions, companies based in Western Europe outpaced their international competitors, particularly their North American[1] ones. The 2010 CSR Monitor shows that almost two-thirds of the top publicly-traded Western European companies issued CSR reports. This was considerably higher than companies in the United States, of which only one quarter provided CSR reports ($p < .0001$), There was no statistical difference between reporting rates of Western European and Canadian countries ($p > .1$).

Table 2: CSR Reporting Rates by Region

Region	Firms w/ CSR Reports	Number of Companies	Reporting Rate
Western Europe	**190**	**299**	**63.5%**
North America	**194**	**752**	**25.8%**
- *United States**	*180*	*725*	*24.8%*
- *Canada +*	*14*	*27*	*51.9%*

* Western European reporting rates were higher than US reporting rates: $p < .0001$

+ Western European reporting rates were not higher than Canadian reporting rates ($p > .1$)

The sample contained 752 Fortune 1000 corporations based in North America; 194 (25.8%) of them released CSR reports in 2009. The sample also contained 299 Fortune 1000 corporations based in Western Europe; 190 of them, or 63.5%, released CSR reports that same year. There was some variation from country to country; several countries—Sweden, Luxembourg, and Greece—had 100% reporting rates, but they had ten or fewer companies in the sample. The Western European countries with largest numbers of Fortune 1000 firms had relatively high reporting rates; Germany's was the lowest at 45%. We checked the reporting rates of US companies versus that of the German companies, to see if the US performed as well as the lowest performer. Germany's reporting rate was statistically greater than that of the US ($p < .01$).

[1] For purposes of this research, Mexico is placed in the 'Latin America and Caribbean' region.

Table 3: Reporting Rates for Western Europe and the US with more than 10 reports

(sorted by reporting rate)

Country	Firms w/ CSR Reports	Number of Companies	Reporting Rate
Sweden	10	10	100.00%
Britain	57	77	74.03%
Spain	10	15	66.67%
Netherlands	13	20	65.00%
Switzerland	12	19	63.16%
Italy	10	16	62.50%
France	30	49	61.22%
Germany	23	51	45.10%
Unites States	180	725	24.73%

One country, Portugal, had no Fortune 1000 companies issuing CSR reports in 2009, but it had only one company in the sample.

Although reporting rates alone paint a striking picture, there are more areas where CSR reporting differs by region. Table 4 lists the Western European and North American countries with various statistics concerning their total CSR monitor report scores. The average CSR score for North American companies was statistically lower than Western European countries ($p < .0001$). The same was true when comparing US only companies to Western European companies. When looking at just Canadian companies versus Western European companies, however, no statistical difference existed. When compared to individual Western European countries, US companies did not score statistically lower than Finland or Switzerland, but did for the rest ($p<.005$ or lower).

Table 4: CSR Monitor Scores of Western European and North American Countries with Five or More Reports (sorted by average)

Country	# of Reports	Mean Score	Median	Lowest Score	Highest Score	Standard Deviation
Italy	10	50.18	54.66	27.95	62.05	10.62
Spain	10	45.23	48.18	6.36	77.95	18.96
Sweden	10	40.06	42.62	18.41	54.55	12.88
Netherlands	13	38.67	37.50	22.73	66.36	11.79
Germany	23	37.71	37.27	13.18	56.68	12.35
France	30	35.72	33.98	12.73	66.36	12.14
Britain	57	33.94	34.55	7.73	67.50	13.93
Finland	5	33.36	28.18	10.68	53.86	17.17
Switzerland	12	32.82	33.64	10.91	48.64	11.46
Canada	14	32.29	29.89	16.82	55.45	10.96
US	180	27.90	26.14	2.05	60.91	13.65

Example CSR Monitor Scale: ENVIRONMENT

Sustainability and environmental coverage has long been a mainstay of CSR reporting. The reports analyzed in the CSR Monitor overwhelmingly covered environmental issues; only three of each sample group (three reports from US companies, one each from Austria, Greece, and Spain) did not.

The CSR Monitor analyzes reports related to sustainability and environment along nine factors that measure who much the report:

1. recognizes environment as an issue
2. describes company activities on reducing direct environmental impact;
3. describes specific company activities on reducing indirect environmental impact;
4. describes specific commitments in the form of policies, codes of conduct, guidelines and principles as they pertain to the environment;
5. lists important international awards or recognitions received by the company or main nits/products for environmental performance;
6. talks about environmental education and training;
7. describes results (accomplishments) in measurable terms;
8. includes short-falls and challenges toward future improvement;
9. provides evidence of external monitoring and independent verification.

Each category is graded along a continuous scale based on the textual analysis; none of these are binary variables. Our analysis places high importance to the reports that describe independent third-party assessment of company's operations in regard to environmental compliance and provide summary of such audit findings. Certifications received from external agencies that have heavy industry membership (e.g. Forest Stewardship Council, ISO) receive lower scores. Lower scores are also assigned to the reports that mention independent environmental audits, but do not disclose audit's findings. Scores are based on the level of specificity and the scope of coverage. In this version of the CSR Monitor, the Sustainability and Environmental scale had a maximum of 20 points. Table 5 contains the results in our comparison of Western European and North American companies:

Table 5: CSR Monitor ENVIRONMENT Scores of Western European and North American Countries with Five or More Reports (sorted by average)

Country	# of Reports	Mean Score	Median	Lowest Score	Highest Score	Standard Deviation
Spain	10	13.4	13.5	0.0	19.0	5.3
Italy	10	12.7	12.9	5.8	16.0	3.0
Sweden	10	11.2	11.9	4.0	17.3	4.4
Netherlands	13	10.5	11.0	2.0	18.3	4.5
Finland	5	10.2	9.0	6.8	15.0	3.3
Germany	23	10.1	11.0	2.5	15.0	3.7
Switzerland	12	9.9	8.9	1.0	19.0	6.0
Britain	57	9.9	10.0	2.0	18.3	3.9
France	30	9.5	9.8	1.0	16.5	3.6
Canada	14	9.0	9.0	4.0	14.0	3.3
US	180	8.0	7.5	0.0	18.8	4.1

The environmental score results were similar to those of the overall CSR Monitor scores for these two regions:

- The CSR reports of Western Europe companies had statistically higher environmental scores than those of North American companies ($p < .0001$).
- Again, we looked at the scores of Canada and the US separately. There was no difference between the environmental scores of Western European and Canadian company reports. The environmental scores of Western European CSR-reports were statistically higher than those of the US ($p < .0001$);
- Comparing the US reports' environmental scores to those Western European countries that had the closest scores:
    - French company CSR reports had environmental scores that were statistically higher (just barely) than those of the US reports ($p < .05$);
    - British ($p < .005$) and German ($p < .01$) company CSR reports had environmental scores that were statistically higher than those of the US reports ($p < .05$);
    - There were no significant differences between the environmental scores of US and Swiss CSR reports; the Swiss CSR reports had the greatest variance in terms of their average environmental scores.

These differences are striking, but more noticeable is that there is still room for more substantive disclosures on company activities that impact the environment.

Example CSR Monitor Scale: ASSURANCE

As noted above, corporations issuing CSR reports must contend with some skepticism on the part of the company's relevant stakeholders and public-at-large. This is particularly important because both the content and its presentation in the CSR reports are completely controlled by the company creating these reports. In the case of financial reports, companies are required by law and regulation to present their data in a particular manner and also to have the accuracy of the reports' content verified by certified independent financial auditors. Similarly, some companies engage independent third-party assurance companies to verify the accuracy of the information provided in the CSR reports.

The CSR Monitor's content analysis of assurance statements is based on a total score of ten (10) points. Of these, seven (7) points are allocated to the comprehensiveness of the investigation and verification process, and three (3) points are assigned to the scope of the integrity assurance.

The CSR Monitor analyzes the assurance aspect of CSR reports with four factors:

1. Type of Assurance – whether any independent verification has been conducted, whether the assurance group was internal or external, and whether a formal assurance statement is provided;
2. Assurance Provider: assurance providers are classified into four groups:
    - Public Accounting/Auditing Firm;
    - Specialized Integrity Assurance Provider;
    - For-Profit Certification NGO and other third-party monitoring groups;
    - Independent NGOs, academic centers and other ad hoc groups.
3. Comprehensiveness of the Investigation and Verification Process: This factor evaluates the investigation and verification processes that were conducted for the assurance engagement;
4. Level of Integrity Assurance: This is evaluated by whether the scope of the assurance review is limited or broad.

In comparing the assurance efforts of the CSR reports in this sample, the most obvious finding was how few North American companies provided any assurance measures in their reports (Table 6):

Table 6: CSR Monitor ASSURANCE Reporting Rate of Western European and North American Countries

Region	No Assurance	Assurance	Reporting Rate
Europe	**79**	**111**	**58.4%**
North America	**178**	**16**	**8.25%**
- *United States**	*166*	*14*	*7.8%*
- *Canada +*	*12*	*2*	*14.3%*

* Western European assurance reporting rates were higher than US reporting rates (*p < .0001*)

+ Western European reporting rates were higher than Canadian reporting rates (*p < .005*)

It is clear that North American companies have an opportunity to increase the credibility of their CSR reports by including assurance measures in those reports.

The assurance score results showed that CSR reports from North America—both from the US and from Canada—were lower than those scores of Western European companies:The CSR reports of Western Europe companies had statistically higher assurance scores than those of North American companies, both those from the US ($p < .0001$) and those from Canada ($p < .005$).

- Comparing the Canadian reports' assurance scores to those Western European countries that had the closest scores, there were no statistical difference between the assurance scores of the Canadian CSR reports and those from Sweden and Finland. The rest of the Western European countries had higher assurance averages for their assurance scales;
- The assurance scores of American companies were statistically lower than those of the CSR reports from the individual European companies,

The results of our analyses on the Assurance scale are contained in Table 7.

Table 7: CSR Monitor ASSURANCE Scores of Western European and North American Countries with Five or More Reports (sorted by average)

Country	# of Reports	Mean Score	Median	Lowest Score	Highest Score	Standard Deviation
Spain	10	5.4	6.5	0.0	9.0	2.8
Italy	10	3.9	4.5	0.0	7.0	2.2
Netherlands	13	3.8	5.0	0.0	10.0	3.4
Britain	57	3.4	3.0	0.0	10.0	3.4
France	30	3.0	3.0	0.0	8.0	2.7
Switzerland	12	2.8	2.5	0.0	7.0	2.8
Germany	23	2.4	3.0	0.0	7.0	2.5
Finland	5	2.4	0.0	0.0	6.0	3.3
Sweden	10	2.4	0.0	0.0	7.0	3.2
Canada	14	0.8	0.0	0.0	6.0	2.0
US	180	0.5	0.0	0.0	10.0	1.7

The more obvious issue is the low assurance reporting rates in general. Further study into the underlying factors in these regional differences is warranted.

Sample Company Comparisons from the CSR Monitor

The data from the CSR Monitor provides fertile ground for much research. Nonetheless, one of the drivers behind its development was to provide stakeholders with a standard and effective means of comparing the quality of companies' CSR reports. The CSR Monitor can provide overall scores, or also breakdowns of the scores by each of the twelve factors in the CSR Monitor. The following two examples (Tables 8 and 9) show the top five scoring companies in each region:

Table 8: Western European Companies with Top 5 CSR Monitor Scores

	Company	Country	Score
1.	Repsol YPF	Spain	85.75
2.	GlaxoSmithKline	Britain	74.25
3.	L'Oréal	France	73.00
4.	TNT	Netherlands	73.00
5.	Lonmin PLC	Britain	72.25

Table 9: North American Companies with Top 5 CSR Monitor Scores

	Company	Country	Score
1.	Intel Corp.	US	67.00
2.	Compass Bancshares	US	66.25
3.	Phillips-Van Heusen Corporation	US	65.50
4.	Coca Cola Co.	US	64.25
5.	Hess Corporation	US	64.00

The CSR Monitor allows for comparisons across regions, as Table 10 shows:

Table 10: Top 10 CSR Monitor Scores

	Company	Country	Score
1.	Repsol YPF	Spain	77.95
2.	GlaxoSmithKline	Britain	67.50
3.	L'Oréal	France	66.36
4.	TNT	Netherlands	66.36
5.	Petrobras	Brazil	65.68
6	Lonmin PLC	Britain	65.68
7	Telecom Italia	Italy	62.05
8	Nedbank Group Ltd.	South Africa	61.36

9	Intel Corp.	US	60.91
10	CRH	Ireland	77.95

Last, with the CSR Monitor, stakeholders can compare companies in specific regions and industries, with breakdowns of the individual factor scores. The example in Table 11 lists five British companies involved in extraction activities, and their detailed CSR Monitor scores:

Table 11: Detailed CSR Monitor Scores for Five British Extraction Firms

Company	Lonmin PLC	Anglo American	BP	BG Group PLC	Rio Tinto PLC
Country	Britain	Britain	Britain	Britain	Britain
CSR Monitor Industry	Metal and Mining	Metal and Mining	Oil & Gas	Oil & Gas	Metal and Mining
Executive Message	9.25	10.00	7.25	4.75	0.00
Environment	14.50	8.75	13.50	12.50	12.50
Philanthropy	6.50	11.00	4.50	2.50	7.50
Engagement	6.00	2.00	2.50	0.00	0.00
Supply Chain Procurement	3.50	2.00	0.00	2.50	2.00
Supply Chain Labor Mgt	5.50	5.50	4.00	4.00	4.00
Governance	3.00	1.00	2.00	1.00	2.00
Corruption	3.00	2.00	0.00	3.00	1.00
Reputation	4.00	1.00	1.00	1.00	0.00
Codes of conduct	5.00	4.00	4.00	5.00	5.00
Human Rights	5.00	2.00	1.00	2.00	4.00
Assurance	7.00	6.00	8.00	8.00	5.00
CSR Monitor Total	72.25	55.25	47.75	46.25	43.00
Total Weighted to 100	65.68	50.23	43.41	42.05	39.09

Plans for the Future

The development of the CSR Monitor is an ongoing project at the Sethi International Center for Corporate Accountability. The latest version has some slight re-weightings of some of the factors:

o Less overall weight on the ‘sustainability and environment’ scale; this one area is the single most common area covered in CSR reports, even in somewhat weak reports, and that tended to inflate the overall scores;

o More weight on independent assurance: The absence of independent assurance in many CSR reports suggests that giving more weight to assurance would provide better differentiation in the quality of CSR reports.

This new version of the CSR Monitor is being used to analyze CSR reports published in 2011; we anticipate the data analyses to be ready in the Fall of 2012.

Because many of the same companies are in the 2010 CSR Monitor, presented in this paper, and the forthcoming 2012 CSR Monitor, we anticipate some longitudinal comparisons in how companies are adapting their CSR disclosures. As independent assurance becomes more of a factor in establishing the credibility of CSR reports, we anticipate more companies including assurance in their reports.

We have performed some preliminary factor analysis to evaluate whether some of the scales in the CSR Monitor tend to group together in terms of the types of information companies disclose. For example, it appears that ‘supply chain procurement’, ‘supply chain labor management’, and ‘engagement’ share a relationships. The same is true of 'reputation', ‘corruption’, and ‘governance’. We anticipate that a better understanding of the interplay between these factors will help in analyzing CSR reports.

Summary

We present the use of the CSR Monitor to provide a standardized framework and a quantification system for the deep and robust textual evaluations of CSR reports. The CSR Monitor does not aim to evaluate the actual CSR activities of companies. Instead, it provides a structured and comparable analysis of corporate social responsibility and sustainability related activities as disclosed publicly by the companies.

The CSR Monitor’s will allow stakeholders and other interested groups to assess the quality of CSR reports from the perspective of their own standards and expectations:

- It provides a reasonable classification
- It provides a framework for consistency in reporting
- It provides means for comparing large numbers of reports.
- It provides the means to compare CSR reports across a number of classifications, such as region, country, and industry.

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