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Companies embrace CSR, but can't explain it: Baruch College study

By Diana Bradley

More companies are distributing reports on their CSR activity, but there is little consistency in how they explain their initiatives, according to a study from Baruch College.

NEW YORK: There is little consistency in the quality of CSR reports and how companies approach them, according to a global study from Baruch College released on Tuesday.

Although a growing number of large companies are communicating with the public about their non-financial impacts in annual CSR reports, there is considerable room for improvement, according to the report's rankings.

"It is not clear to me that the producers of these reports are fully cognizant about the messages they are trying to get out to the audience," said Terrence Martell, professor of finance and economics at Baruch and one of the study's directors. "They are focusing on what they want to say and giving insufficient attention to what the reader of the report wants to hear."

Baruch College's Weissman Center for International Business, based in New York, developed the CSR-Sustainability Monitor, an annual study that compares the scope and quality of 614 of the largest global companies’ CSR reports. The latest batch of results are from the January-to-December 2013 time period.

Company scores ranged from 10.25 to 88.50 with a median of 46.50 on a scale of 100, indicating a large disparity in the quality of information in CSR reports.

Martell told *PRWeek* that he attributes this to the lack of standardization in CSR reporting and the divergence of views on what information is relevant and needed to assess risk.

Another key finding cited by Martell was the relative lack of third-party assurance in CSR reports. Only 36% included a statement of assurance from a public accounting or auditing firm or a specialized integrity assurance provider. This suggests a lack of independent validation of reported information, he explained.

"The company controls everything in this report, and there really isn’t any set standard," he added. "So the burden is on the company to meet reasonable criterion for credibility."

Among the three largest sample-size regions, Western Europe had the highest median score followed by East Asia and North America.

French pharmaceutical company Sanofi was the top-ranked Western European company, and South Korean electronics company Samsung was the leading East Asian company. Canadian mining company Barrick Gold led North America’s results; in the US, pharmaceutical giant Baxter International had the highest score.

Oil, gas, and mining companies came out on top in the study. It also found that corporations from goods-producing industries tend to score higher than those from service-providing sectors, such as retail and banking.

Martell said this is because companies in those industries are more accustomed to issues in the general CSR space. They are also more likely to be compelled to present more information, because they often receive negative attention for their environmental and social practices.

The report explained that when corporations are subject to increased reputational and regulatory scrutiny, they may disclose more information to appease stakeholders.

"This is the second year we have done this study, and scores have gotten better across the board," said Martell. "I think part of it is a learning process. People are coming to understand that there is a relationship between what you say in these reports and how the public responds to your firm, so I think people want to be credible."

Along with the study, the researchers launched a website this month that allows users to search companies and review CSR scores across industry and region. Users can also conduct side-by-side comparisons of companies to review disclosure scores.

The site is designed for CSR professionals, investors, reporters, and NGOs.