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EDITION

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

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

CSR-Sustainability Monitor®

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HIGHLIGHTS

Sample Information

- Our sample consists of companies that published a CSR report (standalone or integrated) during calendar year 2012 that were listed in the top 250 of the 2012 Fortune 500 or Fortune Global 500, or that were included in the previous version of the CSR-S Monitor.
- Reports are scored on the quality, depth, and breadth of their disclosure on eleven “Contextual Elements,” including topics such as the Environment, Philanthropy & Community Involvement, Supply Chain Management, Corporate Governance, and Integrity Assurance.
- The full sample consists of 614 companies from 43 countries across nine regions and 20 industries.
- The largest share of our sample comes from North America, Western Europe, and East Asia.
- The largest industry groups in our sample are Manufacturing; Finance & Insurance; Mining, Quarrying, and Oil and Gas Extraction; and Information Services.

Findings

- Western Europe has the highest median score of our Large Sample Size regions, followed by East Asia and then North America.
- The industries of the 10 highest-scoring companies include Mining, Quarrying, and Oil and Gas Extraction; Automobile Manufacturing; Telecommunications; Pharmaceutical Manufacturing; and Electronics Manufacturing. They are variously headquartered in North America, Western Europe, and East Asia.
- Companies from Goods-Producing industries tend to score higher than companies from Service-Providing industries.
- Scores range from 10.25 to 88.50, which indicates a large disparity in the breadth and depth of information different companies are disclosing when they decide to publish a CSR report.
- “Environment” is the most commonly reported Contextual Element, with more than 99 percent of reports including at least some level of disclosure on environmental topics.
- North American companies excel at reporting on Philanthropy & Community Involvement issues – particularly with regard to the ways companies engage employees in their philanthropic activities.
- Overall only 43 percent of reports utilized a public accounting/auditing firm or a specialized integrity assurance provider (and only 36 percent provided a corresponding statement of assurance). Western European companies in particular are much better in this area, with 65 percent listing an integrity assurance provider – especially compared to North American companies, of which only 21 percent did so. East Asian companies tend to favor “third-party reviews” by academics or other CSR experts.



1 | EMERGING TRENDS IN CORPORATE SOCIAL RESPONSIBILITY REPORTING

Growing public concern regarding environmental and social matters in the past two decades has forced companies to assess the impact of their business activities on the world at large and to communicate their assessment of these activities to their different stakeholders. Corporate Social Responsibility (CSR) reports have increasingly become a medium for such communication, supported by both non-regulatory and regulatory measures around the world. Organizations such as the UN Global Compact (UNGC), the Global Reporting Initiative (GRI), and others have led the way for greater disclosure by outlining reporting principles and guidelines to help companies in the report preparation process. While this has resulted in more companies publishing CSR reports, it also means that there are a wide variety of reporting frameworks, creating complexities as well as the potential for misuse. This situation makes it hard for stakeholders to analyze these reports and compare companies based on the information provided.

Governments and stock exchanges in both developed and emerging market economies have stepped in to try to organize and regulate this new field by endorsing or mandating sustainability reporting. Currently, 37 countries and the European Union incorporate some level of CSR disclosure through government- or exchange-imposed regulations, a 12 percent increase from 2012.¹ Companies listed on stock exchanges in developed economies lead their emerging economy counterparts in disclosure of non-financial information, a trend that may change over the coming years.² However, instead of stabilizing the reporting environment, the divergence in policies has resulted in a wide variety of approaches, which only serves to exacerbate stakeholder concerns about the comparability of CSR reports. The result is a need to harmonize these corporate responsibility efforts and build bridges between the different reporting frameworks.

Until recently, CSR reporting primarily served to meet the information needs of social and political actors. Today, there is a strong focus on meeting the needs of investors as a way to align sustainability with business strategy. In some cases, this extends well beyond the walls of the company to include a broader ecosystem of non-company actors in the upstream and downstream supply chain. This broader perspective brings with it a greater focus on reporting as part of a proactive compliance/management strategy dealing with a range of relevant CSR risks locally and internationally.

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

²Corporate Knights Capital. (2013). *Trends in sustainability disclosure: Benchmarking the world's stock exchanges*. Retrieved July 1, 2014 from <http://static.corporateknights.com/StockExchangeReport2013.pdf>

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

The CSR-S Monitor

In order to improve comparability of corporate social responsibility reports, and thus enhance transparency, researchers at the Weissman Center for International Business at Baruch College have developed a content analysis–based system that allows for individual company reports to be analyzed based on a set of common components. The system is called the CSR-Sustainability Monitor (or the CSR-S Monitor or just the Monitor). The CSR-S Monitor aims to level the playing field by providing a framework for disclosure of credible, reliable, and high-quality non-financial information.

It is important to note that the CSR-S Monitor measures only the scope and quality of the information provided by a company in its corporate social responsibility report. It does not represent an assessment or ranking of a company’s actual performance or activities in the area of corporate social responsibility as documented in their report or otherwise.

The effectiveness of a company’s corporate social responsibility reporting depends, to a large extent, on the level of credibility that the company’s important stakeholders attach to it. That is why the CSR-Sustainability Monitor, in its screening process, also measures the degree to which the reporting company provides integrity assurance as to the accuracy and completeness of the information it is disclosing.

The CSR-S Monitor is the product of the Weissman Center for International Business at the Zicklin School of Business, Baruch College, The City University of New York.

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

⁴PwC. (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

2 | THE CSR-S MONITOR RESEARCH METHODOLOGY

Sample Selection

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

- 1) Every company listed in the top 250 of the Fortune 500 for 2012 (the 250 largest companies in the United States)
- 2) Every company listed in the top 250 of the Fortune Global 500 for 2012 (the 250 largest companies in the world)
- 3) Every company whose report was scored in the 2012 CSR-S Monitor

The companies scored in the 2012 CSR-S Monitor were also mainly drawn from indices of large global companies, supplemented with companies that were major players in their respective regions while not necessarily being big enough to reach the level of the Fortune Global 500 list. The number of companies that met at least one of the three criteria was 758, and those companies constitute our initial sample.

Identifying and Scoring CSR Reports

After selecting our sample we collect CSR reports from the chosen companies.⁵ Our goal is to focus specifically on the CSR report as a single unit, and our scoring procedure was designed with that in mind. Otherwise, we would not be able to make fair comparisons between CSR reports and other types of CSR information publications.

We use a number of criteria in our selection process. First, in order for a report to qualify as valid and be scored, it must have been published during calendar year 2012 with a defined reporting period (usually but not exclusively the company's fiscal year 2011), be written in English (or have an English translation available), and be presented as a cohesive unit. Most commonly, companies publish their reports as standalone "CSR Reports" or "Sustainability Reports" (naming and dating conventions varied greatly and were not factors in report selection). If they choose instead to publish an integrated CSR/annual report or website-based CSR report that they explicitly identify as their CSR publication, we also accept that, provided it meets our other criteria defined above (from now on the term "CSR report" will refer to the full set of valid report types). We only score one report from each company, and in the case of multiple published pieces we give priority to a standalone report. If a CSR report has additional supporting documents published alongside it, we do count those. However, we do not follow links within CSR reports to other parts of a company's website (such as the investor relations page) or other reports (such as the annual report). We do not accept as valid reports websites with CSR information updated at unknown or multiple intervals, or that were otherwise not identified as reports. Likewise, PDF publications that were published as quarterly or other updates are not counted.

⁵There 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.

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 614 valid CSR reports from 43 different countries and 20 industries (at the 2-digit North American Industry Classification System [NAICS] code level), all of which were subsequently analyzed. Country and industry classification information is taken from LexisNexis' Corporate Affiliations database (hereafter "Corporate Affiliations") and supplemented by GALE's Business Insights: Essentials database.

Company Background Information

The majority of background information about the companies is drawn from the Corporate Affiliations database. From there we take the official company name (Corporate Affiliations converts non-English characters in company names to English characters, so our list does as well), country 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.⁶ We make these modifications in order to ensure that our data more accurately reflects the significant differences in the history and culture of CSR reporting within those regions.

There is one exception to our use of Corporate Affiliations data: due to diverse types of corporate structure and their methodology for assigning NAICS codes, Corporate Affiliations lists the primary industry for many parent companies to be Management of Companies and Enterprises (NAICS code 55), specifically as types of holding companies, while their subsidiaries are assigned more specific NAICS codes.⁷ Listing a large number and wide variety of companies under this industry would not have accurately categorized their impacts as described in their CSR reports. It would prevent effective comparisons of their CSR reports with their true competitors.

To solve this problem we look to another database, GALE's Business Insights: Essentials database (hereafter referred to as GALE). All companies listed under NAICS code 55 by Corporate Affiliations were rechecked on GALE's database.⁸ As a result, the size of our Management of Companies and Enterprises industry drops from 152 companies to only 8, with the other 144 distributed to the 2-digit NAICS industry code assigned by GALE.

⁶World Bank. (2014). *Country classifications*. Data retrieved March 1, 2014 from <http://data.worldbank.org/about/country-and-lending-groups>

⁷<http://www.census.gov/eos/www/naics/>

⁸GALE uses a two-step process to determine primary industry codes. If a company provides its primary industry, GALE uses it. If it is not provided, GALE assigns the primary NAICS code based on the company's main line of business.

3 | THE CSR-S MONITOR SCORING METHODOLOGY

Under the direction of University Distinguished Professor S. Prakash Sethi at Baruch College, the CSR-S Monitor uses a proprietary rubric to score each CSR report, which is thoroughly examined by multiple analysts. The rubric categorizes the content of each CSR report into eleven sections called “Contextual Elements,” which cover the most common relevant areas of corporate social responsibility and sustainability. The scoring criteria within each Element vary, but always follow a general pattern of looking for a combination of the comprehensiveness and level of specificity of information provided by the company (i.e., the breadth and depth of the report).

The eleven Elements are weighted to add up to a maximum possible score of 100. The individual components and their weights are:

- Integrity Assurance (15): Assurance Statement & Contextual Elements
- Environment (10)
- Philanthropy & Community Involvement (10)
- External Stakeholder Engagement (10)
- Supply-Chain Management (10)
- Labor Relations (10)
- Corporate Governance (5)
- Bribery & Corruption (5)
- Human Rights (5)
- Codes of Conduct (15): Individual Company, Industry, & Universal Codes
- Executive/Chairman’s Message (5)



The work of each analyst is independently verified to ensure 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 90 percent of analyzed reports had at least some level of coverage for 7 out of 11 of our Contextual Elements (see Table 1). This shows that the Elements are the topics considered most relevant by the vast majority of companies producing CSR reports. One exception is Corporate Governance. A likely explanation for its reduced coverage rate is that because that topic is often covered in other publications, companies may see additional documentation of it as redundant and simply prefer providing a link to their annual report for that information (which we do not follow), rather than that companies view Corporate Governance as a non-relevant issue.

TABLE I. NUMBER OF CSR REPORTS WITH A NON-ZERO SCORE BY CONTEXTUAL ELEMENT OUT OF 614 ANALYZED REPORTS

Individual CSR-S Monitor Contextual Elements	Number of Reports Covering the Element	Percentage
Environment (10 points)	612	99.7%
Human Rights (5 points)	604	98.4%
Codes of Conduct (15 points)	596	97.1%
External Stakeholder Engagement (10 points)	595	96.9%
Philanthropy & Community Involvement (10 points)	592	96.4%
Labor Relations (10 points)	583	95.0%
Executive/Chairman's Message (5 points)	568	92.5%
Integrity Assurance (15 points)	530	86.3%
Supply-Chain Management (10 points)	514	83.7%
Bribery & Corruption (5 points)	508	82.7%
Corporate Governance (5 points)	426	69.4%

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. While the scoring criteria were designed to take this into account in order to provide a fair platform to compare CSR reports, it cannot, and is not intended to, completely balance out the differences between, for example, a report issued by a financial services company and one issued by a mining company. This allows us to view trends across different industries and regions as well as between different companies in similar circumstances.

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

On the 100-point scale used by the CSR-S Monitor the median scores for various industries and regions are moderate at best. Although there has been research into CSR for several decades, only recently have companies started really integrating its principles and policies into their core business on a large scale. Compared to 2012 results, scores in general and top scores in particular have improved. This upward trend is present across the various industries and regions included in our sample. While this could be considered a good start, there is still plenty of room for improvement.

In the next section we will take a look at our analysis of the results of the CSR-S Monitor data collection. We will first examine our big-picture findings, with results organized by the region of the company headquarters and industry sector determined by primary NAICS code. Then we will focus in on three of the Contextual Elements: Environment, Philanthropy & Community Involvement, and Integrity Assurance.

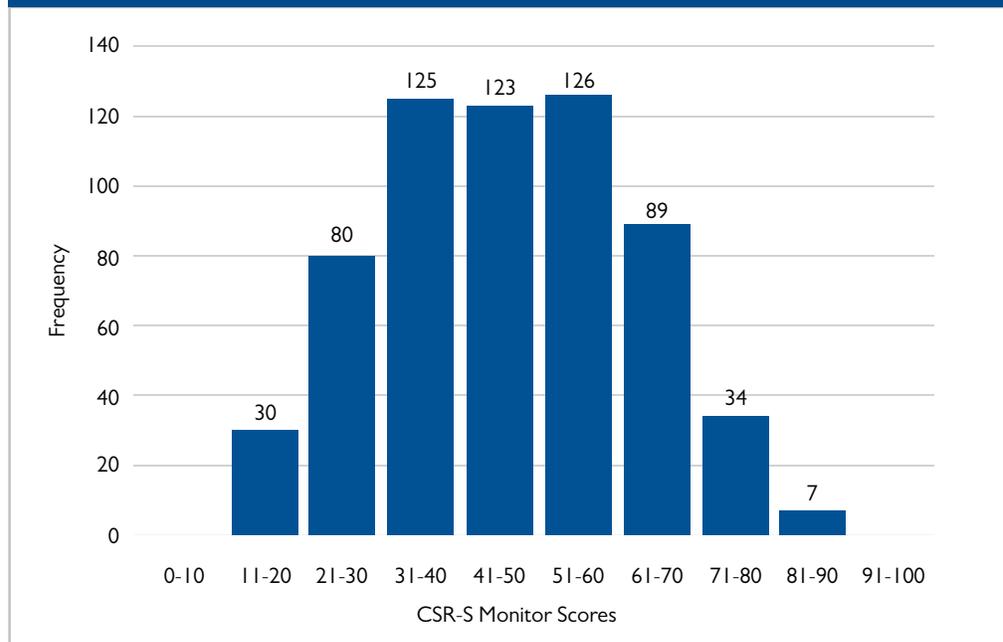
It is important to note that this report is only an example of the type of analysis that can be done with the data from the CSR-S Monitor. There is more specific information about the other Contextual Elements, as well as other ways to filter the results, such as by country (if regions are too broad), or by including secondary NAICS codes (since the operations of many companies are far too diverse to capture in a single primary code), all the way down to specific companies (for example, a list of competitors). All of this is available on the Weissman Center for International Business's website, <http://zicklin.baruch.cuny.edu/centers/weissman/>.

4 | RESEARCH FINDINGS – THE BIG PICTURE

The analysis from the CSR-S Monitor produced several notable findings. Figure I shows the distribution of all report scores across our 100-point scale. The distinct bell-curve shape appears, centered a bit below 50, the midpoint of our range. The overall median score was 46.50 and the standard deviation was 15.85. The highest CSR-S Monitor score this year was 88.50 and the lowest was 10.25, compared to the 2012 top score of 70.75 and bottom score of 3.25.

Overall quality of CSR reports improved over 2012, with the most improvement at the high end of the scale. The highest-scoring companies are more likely than before to have reported (and reported well) on every Element. In contrast, the low-scoring companies still tend to skip multiple Elements entirely, rather than simply provide limited information about all the topics. The difference in the improvement rates has led to further disparity in reporting quality, resulting in a gap of 78.25 points between the highest- and lowest-scoring companies this year. This split in the quality of CSR reports is largely due to a lack of 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. Not only does this prevent effective comparisons of these reports, but it also signals room for improvement in reporting quality for a large number of companies, as voiced by the investor community.⁹

FIGURE I.
DISTRIBUTION OF CSR-S MONITOR SCORES



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

⁹PwC, *op. cit.*

5 | RESEARCH FINDINGS – REGION-BASED

Figures 2-A, 2-B, and 3 and Tables 2-A and 2-B provide an overview of the current state of CSR reporting across various regions of the world. A combination of the tendencies of companies from various regions to publish CSR reports and our sample selection methodology result in about 92 percent of the analyzed reports coming 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 a fairer look at the numbers.

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

North American companies have not reached the level of their Western European counterparts, but they have made considerable improvements over 2012, particularly at the top of the scale. Six North American companies ranked in the Top 25 (including the highest-scoring company of all, Canadian mining company Barrick Gold), compared to only two of the Top 25 in the 2012 CSR-S Monitor. Apart from Barrick Gold, the other five are from the United States. That is more than any other individual country, but there were also many more companies in the sample from the United States than any other country. And while well represented in the Top 25, the United States also had 13 of the Bottom 25 companies. These two results point to significant variation in reporting practices among the US companies. Despite the growing number of companies reporting on their CSR practices in the major US indices, our results underline a lack of a broad consensus on disclosure content as the main driver of this disparity in reporting.¹⁰ 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. Now that so many companies recognize the importance of having a CSR report, breadth, depth, and quality of the information in these reports seems to be emerging as the

¹⁰Governance & Accountability (G&A) Institute. (2014). *Seventy-two percent (72%) of the S&P index published corporate sustainability reports in 2013 - dramatically up from 52% in 2012 & just about 20% in 2011* [Press Release]. Retrieved July 1, 2014 from http://www.ga-institute.com/nc/issue-master-system/news-details/article/seventy-two-percent-72-of-the-sp-index-published-corporate-sustainability-reports-in-2013-dram.html?tx_tnews%5BbackPid%5D=224&cHash=e111fb1a531c637a544c83a97a760bd

next big issue. The CSR-S Monitor proactively attempts to resolve this issue by providing an analytic framework for the systematic and objective evaluation of the transparency of CSR reports varying in size, content, and comprehensiveness that can be used by companies as well as by their various stakeholders in their decision making.

It is important to note that the countries included in the East Asian region are much more diverse in terms of economic development than those in the North American and Western European regions, ranging from Japan (from which a majority of our East Asian companies originate) to China (with its many large, state-owned enterprises) and other emerging economies such as Thailand, Indonesia, and Malaysia. As a result, even though we consider East Asia a Large Sample Size region, it shares some traits with Small Sample Size regions.

TABLE 2-A. CSR-S MONITOR SCORES BY REGION OF COMPANY HEADQUARTERS (LARGE SAMPLE SIZE REGIONS)

Region of Company Headquarters	Reports Analyzed	Median CSR-S Monitor Score	Standard Deviation	Number of Reports in Top 25	Number of Reports in Bottom 25
North America	239	42.00	15.40	6	13
Western Europe	216	52.25	16.12	13	6
East Asia	112	45.13	14.06	4	3
Large Sample Size Regions	567	46.25	15.79	23	22

As previously discussed, our report includes the data and analysis of a number of companies in regions other than North America, Western Europe, and East Asia. Table 2-B shows the results from these Small Sample Size regions. Unlike the regions above, in which a range of medium to large companies publish reports, reporting companies from the Small Sample Size regions are more often among the largest and most influential globally, such as Brazil’s Petrobras and Russia’s Gazprom. As a result, these companies make up a larger percentage of their respective regional samples with regard to their size (market capitalization) and economic impact (revenues), but only reflect a conservative sample of all the companies operating in the respective regions.

In many cases, even if the region covers a broad geographic area, the CSR reports are published largely by companies in a concentrated area. For example, all eight reports from the Sub-Saharan Africa region came from South African companies. This is because South Africa is a business hub for the region and is something of a pioneer in the area of CSR reporting, as seen in the King Report on Corporate Governance.¹¹ Additionally, the Johannesburg Stock Exchange, along with Brazil's BM&F Bovespa (Brazil is another example of a country that contributes most of the reporting in a Small Sample Size region), is known for being at the forefront of sustainability policies for exchanges.¹² In fact, despite constituting only a bit more than 1 percent of the total sample and with no companies listed in the top 250 on the Fortune Global 500 index for 2012, Sub-Saharan Africa had a company ranked in the Top 25 of the CSR-S Monitor (Gold Fields Limited, a Mining, Quarrying, and Oil and Gas Extraction NAICS code 21 company).

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	16	42.75	16.15	0	1
Latin America & The Caribbean	8	64.50	9.50	1	0
Sub-Saharan Africa	8	63.25	14.17	1	0
Eastern Europe & Central Asia	6	48.75	15.26	0	0
Middle East & North Africa	6	31.13	13.51	0	2
South Asia	3	62.00	15.92	0	0
Small Sample Size Regions	47	49.00	16.56	2	3

¹¹Visser, W., Tolhurst, N. (2010). *The World Guide to CSR: A Country-by-Country Analysis of Corporate Sustainability and Responsibility*. Sheffield: Greenleaf.

¹²Global Reporting Initiative. (2013). *Carrots and Sticks: Sustainability Reporting Policies Worldwide—Today's Best Practice, Tomorrow's Trends*. Retrieved April 15, 2014 from <https://www.globalreporting.org/resourcelibrary/carrots-and-sticks.pdf>

FIGURE 2-A. NUMBER OF CSR REPORTS ANALYZED BY REGION

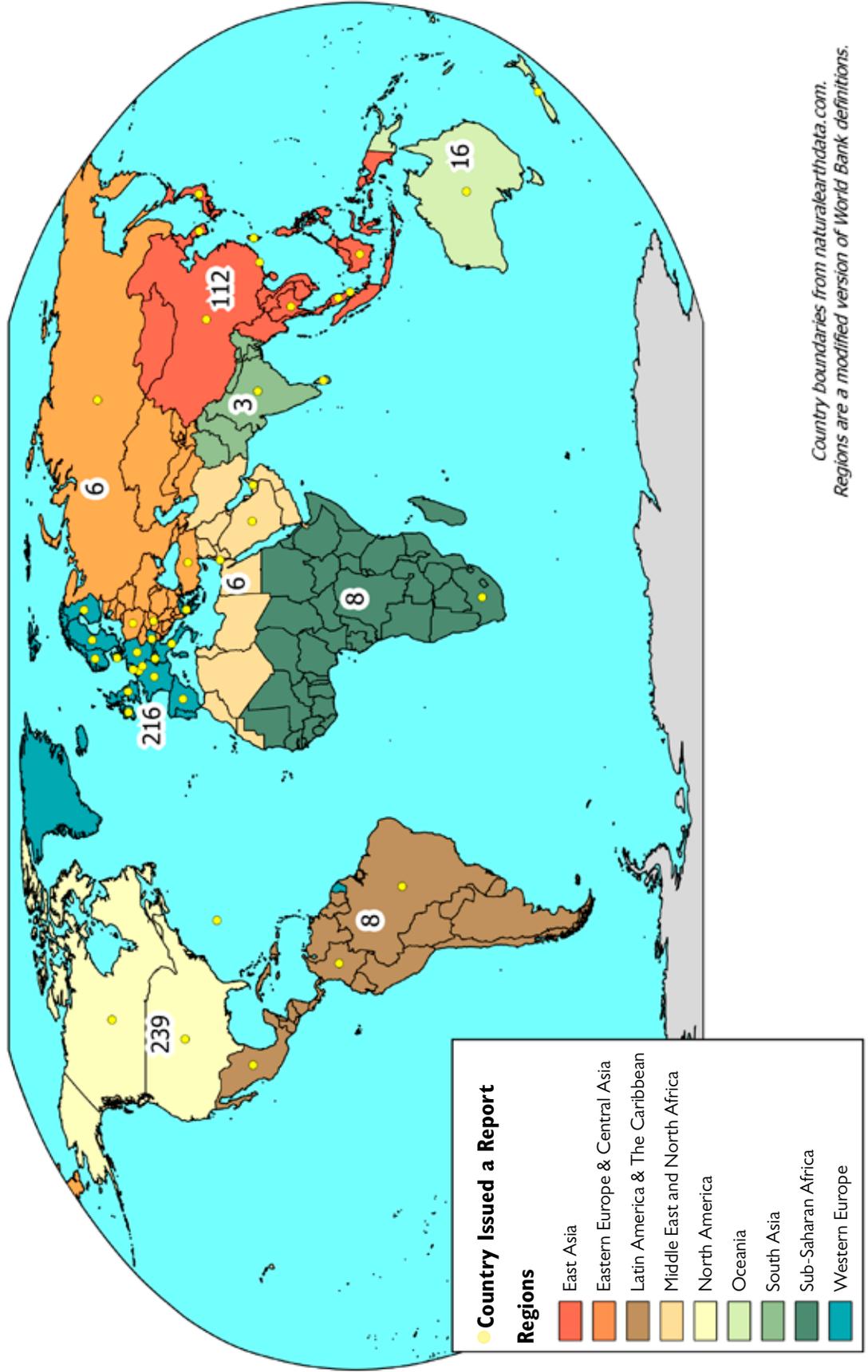
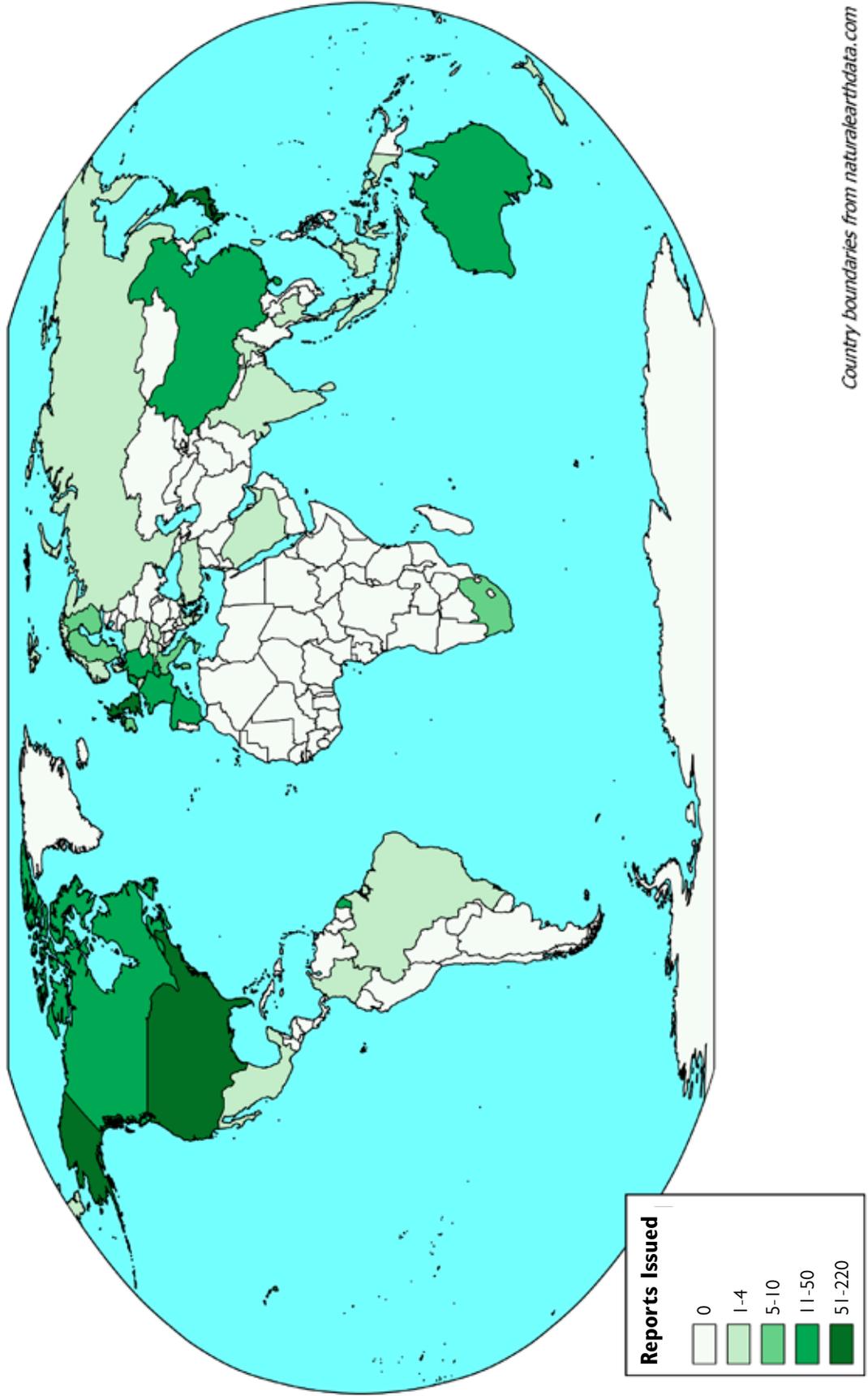
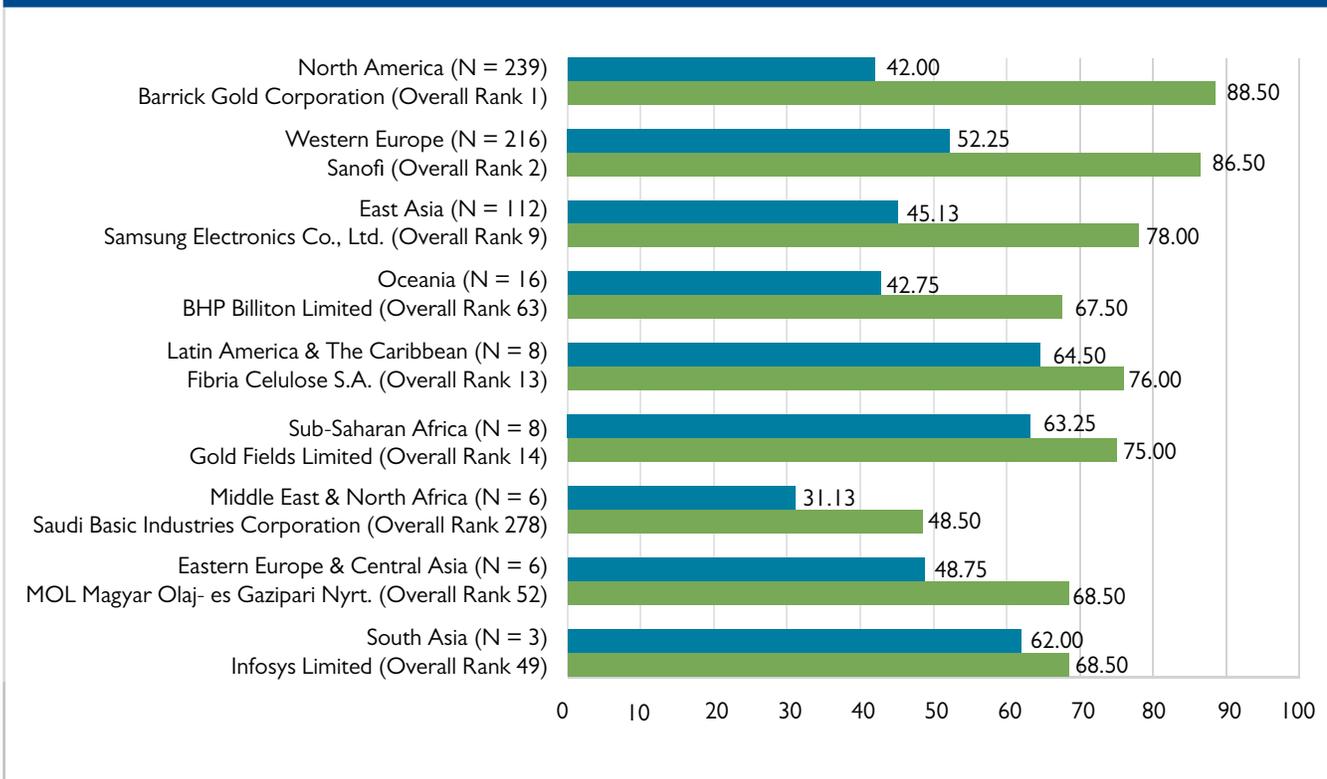


FIGURE 2-B. NUMBER OF CSR REPORTS ANALYZED BY COUNTRY



Though there is still considerable room for improvement across all regions in general, as seen in Figure 3, the top scorers for almost all regions (the exception being Middle East & North Africa) performed more than a standard deviation better than the overall median of 46.50. The top scorers for two of the three Large Sample Size regions performed considerably better than two standard deviations above the median (East Asia’s top-scoring company was slightly less than two standard deviations over the median).

FIGURE 3. CSR-S MONITOR SCORES: MEDIANS AND TOP PERFORMERS BY REGION OF COMPANY HEADQUARTERS



6 | RESEARCH FINDINGS—INDUSTRY-BASED

The background information we drew from Corporate Affiliations for each of the 614 companies in our sample includes a set of 6-digit NAICS codes that describe the various operations engaged in by each company. Corporate Affiliations designates one “primary” NAICS code for each company, but also lists as many as 15 additional “secondary” codes. 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.

For the purposes of this analysis we have categorized each company by only their 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).¹³ Analysis by primary 2-digit NAICS code is helpful for explaining big-picture findings but is too simplistic to capture the full scope of our results, since so many companies do business in multiple sectors (and thus their reports should cover multiple sectors as well). The more specific 6-digit NAICS codes and secondary NAICS codes are available on our website (<http://zicklin.baruch.cuny.edu/centers/weissman/>) for more detailed analysis.

Apart from using the Supersector Groups, we do not aggregate any sectors, but we do divide the classification of the Manufacturing sector into three separate sectors (based on the 2-digit NAICS code assigned to each, denoted as Manufacturing-31, -32, and -33). The Retail Trade sector and Transportation and Warehousing sector also contain multiple 2-digit NAICS codes, but we found that the differences within those sectors are not significant enough from a CSR perspective to warrant separate analysis. In total our sample contained companies from 20 different sectors; we have chosen to look more closely at the 12 that had a sample size of 10 or more CSR reports, as seen in Tables 3-A and 3-B.

TABLE 3-A. CSR-S MONITOR SCORES FOR GOODS-PRODUCING INDUSTRIES WITH 10 OR MORE REPORTS ANALYZED (PRIMARY NAICS CODE, 2-DIGIT LEVEL)

Industry (With 10+ Reports Analyzed)	Reports Analyzed	Median CSR-S Monitor Score	Standard Deviation	Number of Reports in Top 25	Number of Reports in Bottom 25
Manufacturing-33	123	48.75	17.27	10	4
Manufacturing-32	77	53.50	14.72	5	2
Mining, Quarrying, and Oil and Gas Extraction-21	48	57.25	15.39	3	0
Manufacturing-31	34	48.38	15.54	2	2
Construction-23	12	41.13	12.72	0	0
All Goods-Producing Industries (including fewer than 10 reports analyzed)	296	49.88	16.04	20	8

¹³United States Bureau of Labor Statistics. (2013). *BLS Handbook of Methods*. Washington, D.C.: U.S. Bureau of Labor Statistics, Division of Information Services.

TABLE 3-B. CSR-S MONITOR SCORES FOR SERVICE-PROVIDING INDUSTRIES WITH 10 OR MORE REPORTS ANALYZED (PRIMARY NAICS CODE, 2-DIGIT LEVEL)

Industry (With 10+ Reports Analyzed)	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	110	38.63	14.74	0	7
Information-51	38	51.50	16.42	2	3
Retail Trade-44, 45	37	47.00	13.74	0	0
Utilities-22	37	41.75	16.03	2	2
Transportation and Warehousing-48, 49	32	45.25	15.68	1	3
Wholesale Trade-42	16	31.25	12.90	0	1
Professional, Scientific, and Technical Services-54	15	37.75	14.67	0	1
All Service-Providing Industries (including fewer than 10 reports analyzed)	318	42.13	15.00	5	17

Some significant differences are noted both between and across industry Supersector Groups. Goods-Producing companies tend to have higher scores in general, with Mining, Quarrying, and Oil and Gas Extraction and Manufacturing-32 (which includes mainly chemical and pharmaceutical manufacturing and some other non-metallic manufacturing) having the two highest median scores across all industries, with other manufacturing industries not far behind. Goods-Producing companies also dominate the Top 25 overall rankings. Service-Providing companies tend to have somewhat lower scores, with the exception of the Information industry companies.

At first our findings may seem counter-intuitive, since Goods-Producing companies often receive negative attention for their environmental and social practices. It is worth mentioning again that the CSR reports are being scored on the scope and quality of disclosure, not on performance. Given this, one possible reason for these findings may be that 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.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

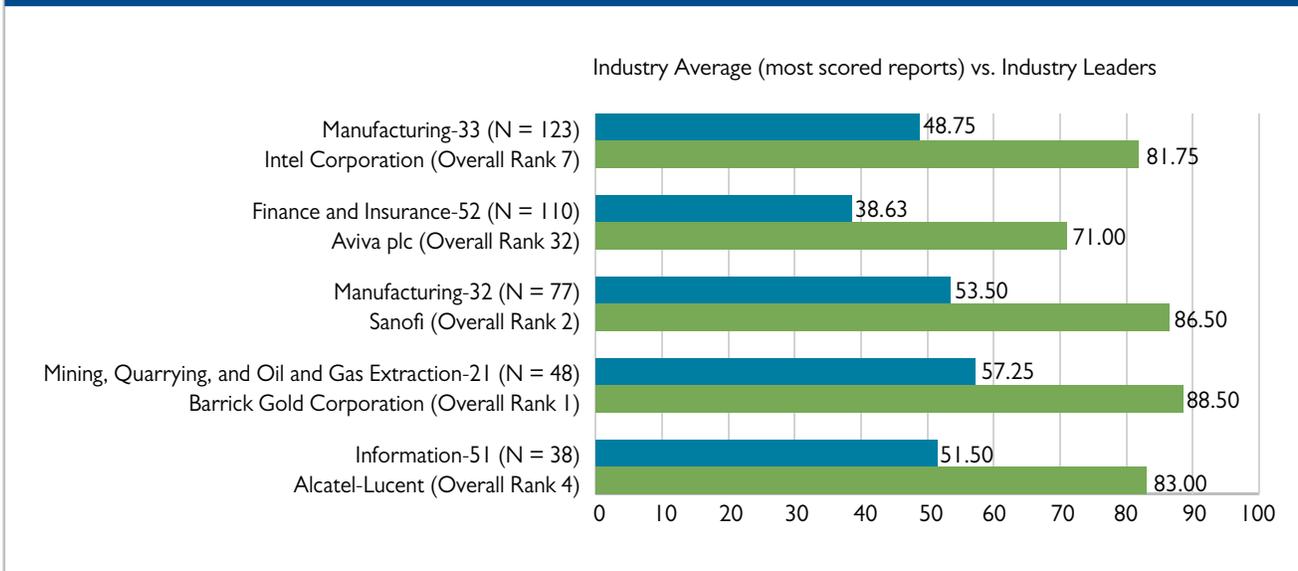


¹⁴Deegan, C. (2002). The legitimizing effect of social and environmental disclosures: A theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282-311. Retrieved April 15, 2014 from <http://search.proquest.com/docview/211212442>

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

Figure 4 shows the median scores for the five industries with the most reports, as well as the score and overall rank for the top scorer in each industry. These five industries account for about 64% of our total sample of reporting companies. One interesting note is that despite having the second-highest number of companies, the Finance and Insurance industry has no companies in the Top 10, while the other four industries on this list all have at least one. The top scorer in the Finance and Insurance industry, Aviva plc, was also the top-ranking company in our Financial Services industry in the 2012 CSR-S Monitor, at 23rd overall. In that edition Financial Services was the largest industry group. This year, Aviva plc is only ranked 32nd. This indicates a potential for a company in the Finance and Insurance industry to really separate itself from the pack with a good showing in future reports.

FIGURE 4. CSR-S MONITOR SCORES: MEDIANS AND TOP PERFORMERS OF THE INDUSTRIES (BY PRIMARY 2-DIGIT NAICS CODE) WITH THE MOST ANALYZED REPORTS



7 | 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 2012 CSR-S Monitor. The first thing to note is that all three of our Large Sample Size regions are represented on the list, and numerous countries from each region are present as well. This indicates that while there are certainly regional trends in CSR reporting, it is clear that top performers can come from anywhere. In fact, the two East Asian companies on the Top 10 list are from Taiwan and South Korea, two countries categorized as emerging markets. These two companies also score particularly high on Integrity Assurance.

Second we'll take a look at the industries. As mentioned in the industry findings section for the Top 25 list, most companies here are Goods-Producing rather than Service-Providing. Manufacturing is the most represented industry on the list, but it is also the broadest category. More specifically, pharmaceutical/chemical manufacturing (Sanofi and Baxter) and electronics manufacturing (Intel, Taiwan Semiconductor, and Samsung) have multiple Top 10 scorers. Only two of the Top 10 companies are extraction-based, but they hold positions 1 and 3 on the list. The only Service-Providing companies in the Top 10 are both information-based: Alcatel-Lucent and Deutsche Telekom.

Table 4 includes the 2012 CSR-S Monitor score and overall rank for each of this year's Top 10 companies. Only one company repeats a Top 10 performance (Alcatel-Lucent), though 8 out of the 10 were at least in the top 80 in 2012. The more surprising stories are Samsung Electronics and Sanofi, which jumped up from 120 and 269 to ranks 9 and 2, respectively. While there is clearly an advantage to having strong experience from previous years of writing reports, the success of Samsung and Sanofi shows that large improvements are very possible.

We also include the 2014 CSR-S Monitor Integrity Assurance Contextual Element scores in this table. With the exception of Intel and Ford (the two companies from the United States), the scores for the Top 10 companies on this Element are much higher than the median for this Element, which is only 2.5 points. In fact, the other eight companies are all more than two standard deviations above the median (see Table 5). Since Integrity Assurance is a major factor for stakeholders in determining the credibility of CSR reports, it is good to see so many high-scoring companies consider it an integral part of their CSR reports. Much more discussion about the Integrity Assurance Element can be found in Section 11, including a scatter plot correlating every company's score on the other 10 Contextual Elements with their Integrity Assurance Element score.

TABLE 4. TOP 10 COMPANY INFORMATION AND 2012 COMPARISON

2014 Overall Rank	Company Name	Region	Country (Head-quarters)	Industry (Primary 2-digit NAICS)	2014 Total Score	2014 Integrity Assurance Score (Max 15)	2012 Total Score	2012 Overall Rank
1	Barrick Gold Corporation	North America	Canada	Mining, Quarrying, and Oil and Gas Extraction-21	88.50	13.00	51.25	67
2	Sanofi	Western Europe	France	Manufacturing-32	86.50	12.50	33.50	269
3	Anglo American PLC	Western Europe	United Kingdom	Mining, Quarrying, and Oil and Gas Extraction-21	83.75	11.50	50.25	76
4	Alcatel-Lucent	Western Europe	France	Information-51	83.00	12.00	65.00	5
5	Deutsche Telekom AG	Western Europe	Germany	Information-51	82.25	14.00	56.50	39
6	Baxter International Inc.	North America	USA	Manufacturing-32	82.00	12.00	54.50	51
7	Intel Corporation	North America	USA	Manufacturing-33	81.75	8.50	58.25	32
8	Ford Motor Company	North America	USA	Manufacturing-33	79.00	5.00	55.75	45
9	Samsung Electronics Co., Ltd.	East Asia	Korea (South)	Manufacturing-33	78.00	13.00	45.50	120
10	Taiwan Semiconductor Manufacturing Company Ltd.	East Asia	Taiwan	Manufacturing-33	77.00	13.50	61.25	18

8 | RESEARCH FINDINGS – THE ELEVEN CONTEXTUAL ELEMENTS

As discussed in Section 3, the CSR-S Monitor uses a framework that classifies the content of CSR reports into eleven Contextual Elements covering the spectrum of corporate social responsibility issues. Each Element is described very broadly. It is up to the company reporting to articulate how these topics apply to their operations. The CSR-S Monitor measures the company's commitment along a continuum of: 1) the acknowledgement of problems, 2) the policies or codes of conduct (internally and externally developed) the company has in place for a topic, 3) the specific activities undertaken to address the issue, 4) the publication of measurable results and outcomes, and 5) whether independent verification and assurance of these results were included in the report. These five principles are the foundation for our scoring criteria and are adapted to be relevant for each individual Element. Since the scoring criteria have to apply to companies operating in different industries, countries, and regions, and that are subject to different regulatory regimes, they are designed to be flexible to account for these variations. For example, a company must determine what information to disclose with respect to human rights based on its assessment of the human rights impacts of the company's operations. The CSR-S Monitor scoring criteria assess the quality of companies' disclosure on their chosen issues, based on the breadth and depth of their discussion.

Table 5 shows the median score and standard deviation for each Element for all 614 reports in our sample next to the topic coverage information from Table 1. With this data added we can see that although general coverage (to at least some degree) of most topics is high, in many cases – such as Integrity Assurance and External Stakeholder Engagement – scores are quite low. This indicates that while most companies recognize the importance of the topics, they are unable or unwilling to report on them completely. Additionally, the standard deviation for many Elements is high (in some cases higher than 30 percent of the total scoring range), which shows that there is a large variance in the level of reporting from different companies. Again, we see these findings as a clear indicator of a need for increased standardization in CSR reporting.

Over the next few sections we will focus on three of the Contextual Elements – Environment, Philanthropy & Community Involvement, and Integrity Assurance – in order to provide a more in-depth look at our scoring procedure and findings.

TABLE 5. CSR-S MONITOR ELEMENT MEDIAN SCORES AND STANDARD DEVIATIONS

Individual CSR-S Monitor Contextual Elements	Median Score/ Maximum	Standard Deviation	Number of Reports Covering the Element	Percent of Coverage
Environment (10 points)	6.75 / 10	1.86	612	99.7%
Human Rights (5 points)	2.63 / 5	1.21	604	98.4%
Codes of Conduct (15 points)	7.00 / 15	3.83	596	97.1%
External Stakeholder Engagement (10 points)	3.50 / 10	1.90	595	96.9%
Philanthropy & Community Involvement (10 points)	7.00 / 10	2.15	592	96.4%
Labor Relations (10 points)	5.00 / 10	2.52	583	95.0%
Executive/Chairman's Message (5 points)	2.50 / 5	0.90	568	92.5%
Integrity Assurance (15 points)	2.50 / 15	4.25	530	86.3%
Supply-Chain Management (10 points)	4.00 / 10	3.07	514	83.7%
Bribery & Corruption (5 points)	2.50 / 5	1.72	508	82.7%
Corporate Governance (5 points)	1.25 / 5	1.40	426	69.4%

9 | RESEARCH FINDINGS – FOCUS ON CONTEXTUAL ELEMENTS: THE ENVIRONMENT

Across all industries and regions, more companies have some amount of Environment content in their report than any other Contextual Element. Basically, every company considers the environment to be an issue material to its stakeholders. Since there are so many types of environmental issues and different industries can have drastically different impacts and focuses, our scoring criteria for the Environment Contextual Element are particularly flexible. We do not, for example, look for companies to talk about a specific environmental issue such as carbon emissions or energy conservation. That means that two companies that discuss different issues can still receive the same score if they cover those issues to a similar extent. It also means that a company does not need to discuss every aspect of environmental protection in order to receive a high or even perfect score. As always, a combination of breadth and depth on a subject is what our analysts look for.

Figure 5 shows the breakdown of scores on the Environment section of our sample of 614 companies. A total of 78 percent of companies scored a 5.25 or better out of 10, with only 2 percent scoring a 2.5 or worse (reports scoring this low would contain only a cursory discussion of environmental issues at most).

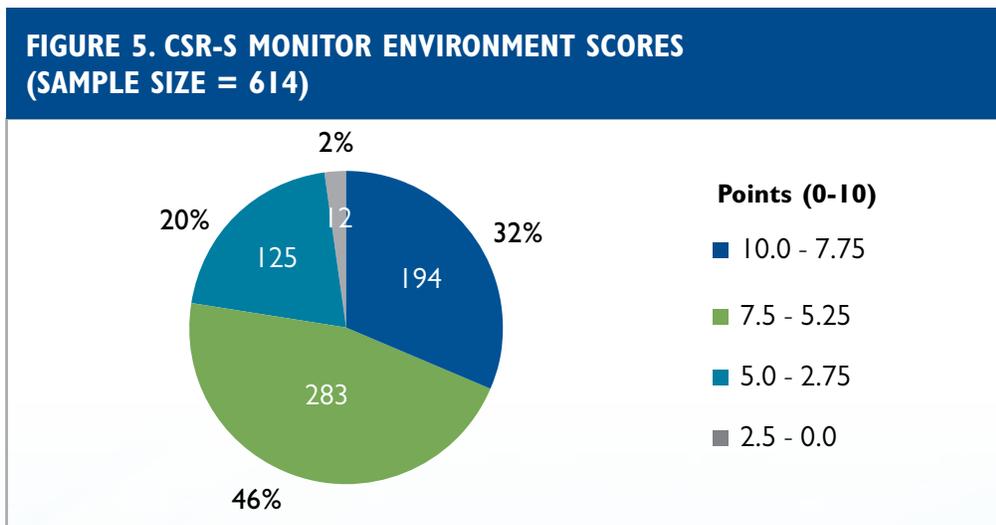


Table 6-A compares the Environment scores for each region. Note that as previously discussed, the small sample size for some regions means that the scores here are not necessarily representative of companies from that region as a whole. However, we can take them as evidence that companies from these regions are writing reports that are of equal or even greater quality than companies from Large Sample Size regions, at least when it comes to the Environment Element.

It is important to note that our regional classifications reflect only the location of the headquarters for each company. However, most companies in our sample have at least some amount of international operations, and CSR reports often describe environmental impacts in areas other than their home country. That means the scores below are more of an indication of the cultures and behaviors of companies headquartered within a given region, rather than of the environmental activities that take place specifically within it.

TABLE 6-A. CSR-S MONITOR ENVIRONMENT MEDIAN SCORES BY REGION OF COMPANY HEADQUARTERS

Region of Company Headquarters	Environment Median (Out of Max. 10.00 Points)	Standard Deviation	Number of Reports
South Asia	8.50	1.38	3
Latin America & The Caribbean	8.38	0.99	8
East Asia	7.25	2.03	112
Eastern Europe & Central Asia	7.00	1.51	6
Sub-Saharan Africa	6.88	1.55	8
Western Europe	6.75	1.70	216
North America	6.50	1.90	239
Oceania	6.13	1.82	16
Middle East & North Africa	5.38	2.99	6
All regions	6.75	1.86	614

TABLE 6-B. CSR-S MONITOR ENVIRONMENT MEDIAN SCORES BY INDUSTRY (PRIMARY NAICS CODE, 2-DIGIT LEVEL)

Industry (10+ Reports Analyzed)	Environment Median (Out of Max. 10.00 Points)	Standard Deviation	Number of Reports
Transportation and Warehousing-48, 49	7.63	1.44	32
Construction-23	7.63	2.08	12
Manufacturing-31	7.38	1.70	34
Manufacturing-33	7.25	2.02	123
Retail Trade-44, 45	7.00	1.34	37
Utilities-22	7.00	1.92	37
Manufacturing-32	6.75	1.65	77
Mining, Quarrying, and Oil and Gas Extraction-21	6.75	1.60	48
Information-51	6.75	1.98	38
Finance and Insurance-52	5.75	1.90	110
Professional, Scientific, and Technical Services-54	5.50	1.89	15
Wholesale Trade-42	5.13	1.78	16
All industries (including fewer than 10 reports analyzed)	6.75	1.86	614

We also look at scores on the Environment Contextual Element by industry. Table 6-B shows those results. Compared to the overall scores by industry (discussed in Section 6), our findings show somewhat less of an advantage for Goods-Producing companies over Service-Providing companies for environmental issues, though companies that score on the bottom end of the scale were more likely to be from Service-Providing industries. Still, even the industries at the bottom of the list did not perform poorly on this Element; all the industries with at least 10 reports scored well on the Environment, a pattern that does not continue for many of the other Elements. This is a strong indication that environmental issues are seen as important for companies (and stakeholders) from every industry, though perhaps more important for Goods-Producing companies.

10 | RESEARCH FINDINGS – FOCUS ON CONTEXTUAL ELEMENTS: PHILANTHROPY & COMMUNITY INVOLVEMENT

The second Contextual Element we examine in this report is Philanthropy & Community Involvement (“Philanthropy”). For this Element, analysts focus more on specific activities than for the Environment Element, which looks more at policies, outcomes, and challenges. Points are awarded based on the geographic scope of a company’s philanthropic activities, for types of donations (cash and in-kind), for the level of employee engagement in philanthropic activities, for the breadth of activities across different areas (such as education, healthcare, and disaster relief), and for relating their activities to their core business activities and financial resources.

Overall scores on this Contextual Element are similar to scores on the Environment section. Most companies score well, with an overall median of 7.00 (slightly higher even than Environment’s median of 6.75). The differences show up at the low end. While nearly every single report has some content related to the environment, a slightly lower 96 percent of reports talk about philanthropy. Accordingly, the number of companies that scored between 0 and 2.5 points (see Figure 6) is higher than for the Environment Element. Essentially, companies overall are a little less likely to include information on Philanthropy, but they tend to do a very good job when they do.

FIGURE 6. CSR-S MONITOR PHILANTHROPY & COMMUNITY INVOLVEMENT SCORES (SAMPLE SIZE = 614)

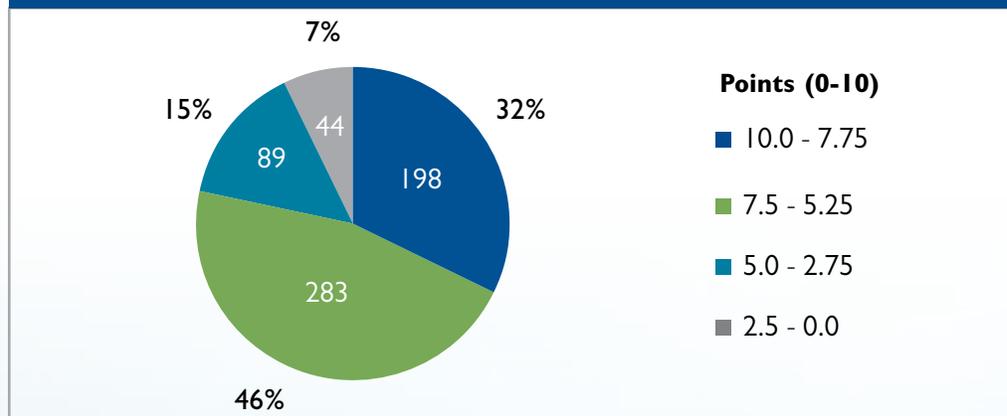


Table 7-A shows the breakdown of Philanthropy scores by region. Once again, it should be remembered that companies are classified into regions based on the location of their headquarters rather than their operations. Here a clear pattern indicates that companies from more developed regions report more about their philanthropic activities. Note that scores do not reflect the amount of giving, just like scores in the Environment section do not reflect a company's environmental performance.

**TABLE 7-A. CSR-S MONITOR PHILANTHROPY & COMMUNITY INVOLVEMENT
MEDIAN SCORES BY REGION OF COMPANY HEADQUARTERS**

Region of Company Headquarters	Philanthropy Median (Out of Max. 10.00 Points)	Standard Deviation	Number of Reports
North America	7.00	1.95	239
Western Europe	7.00	2.42	216
Oceania	7.00	1.71	16
East Asia	6.75	1.96	112
Latin America & The Caribbean	6.50	1.48	8
South Asia	6.00	4.37	3
Sub-Saharan Africa	5.50	1.73	8
Middle East & North Africa	5.50	1.89	6
Eastern Europe & Central Asia	4.75	1.81	6
All regions	7.00	2.15	614

Table 7-B shows the scores on the Philanthropy Element by industry. Service-Providing companies in general and Finance and Insurance companies in particular score well in this section. Goods-Producing and Service-Providing industries are evenly distributed throughout the ranking, which indicates that industry Supersector Group does not play as big a role here.

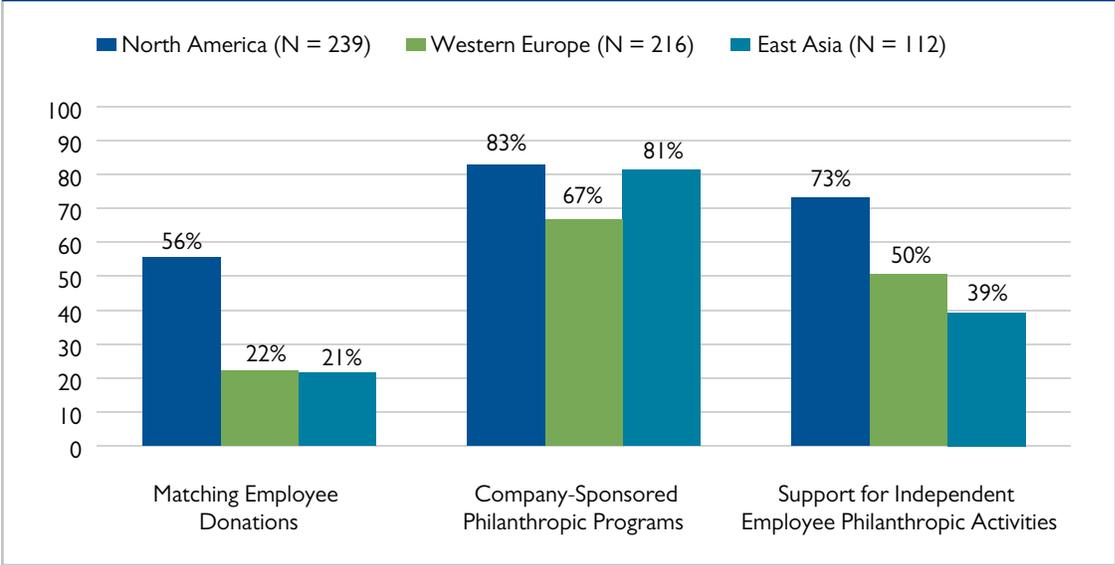
**TABLE 7-B. CSR-S MONITOR PHILANTHROPY AND COMMUNITY INVOLVEMENT
MEDIAN SCORES BY INDUSTRY (PRIMARY NAICS CODE, 2-DIGIT LEVEL)**

Industry (10+ Reports Analyzed)	Philanthropy Median (Out of Max. 10.00 Points)	Standard Deviation	Number of Reports
Manufacturing-31	7.75	1.97	34
Finance and Insurance-52	7.50	1.85	110
Retail Trade-44, 45	7.50	1.64	37
Manufacturing-33	7.00	2.32	123
Information-51	7.00	2.01	38
Professional, Scientific, and Technical Services-54	7.00	2.80	15
Transportation and Warehousing-48, 49	6.75	2.37	32
Wholesale Trade-42	6.75	2.23	16
Manufacturing-32	6.50	2.42	77
Mining, Quarrying, and Oil and Gas Extraction-21	6.00	1.74	48
Utilities-22	6.00	2.33	37
Construction-23	6.00	2.02	12
All industries (including fewer than 10 reports analyzed)	7.00	2.15	614

One of the criteria our analysts look for in the Philanthropy section is how a company engages its employees in its philanthropic activities. Specifically, we look to see if companies talk about a program for matching employee charitable donations, if they have company-sponsored programs for employees to participate in, and if they have policies in place to support employees who wish to participate in programs independent of the company (such as allowing extra time off for such an activity). Figure 7 shows the breakdown of each of those metrics for our three largest sample size regions: North America, Western Europe, and East Asia.

Our results show that many companies from all three regions talk about company-sponsored programs their employees can participate in. In contrast, companies seem to be more selective in their disclosures on the other two areas, matching employee donations and independent employee philanthropic activities. However, what distinguishes Employee Engagement from other topics is that, unlike most other CSR issues, it is an area where North American companies seem to have disclosure superior to the other regions in general and Western Europe in particular. North American companies are clear leaders in reporting about encouraging employee donations and supporting independent employee philanthropic activities, while they do only slightly better than their East Asian counterparts in reporting about company-sponsored philanthropic programs.

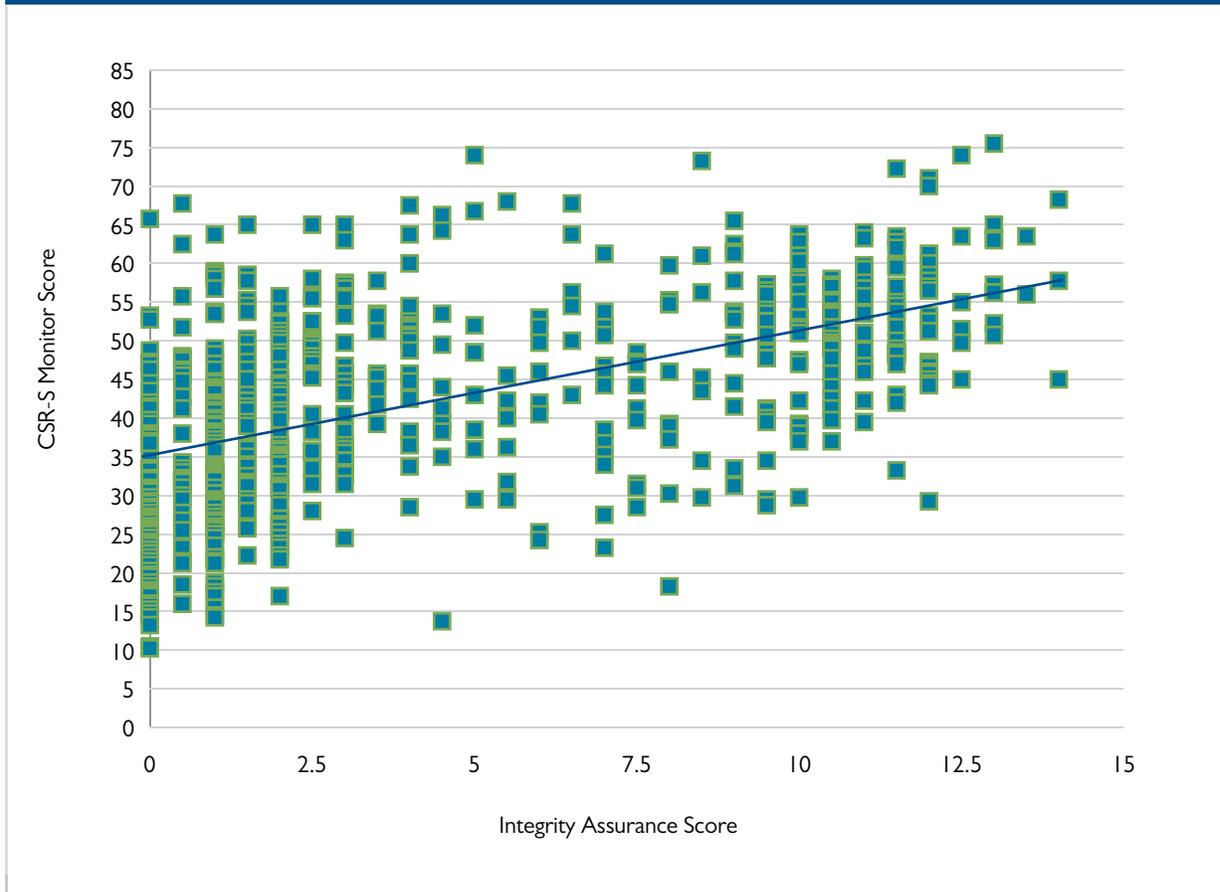
FIGURE 7. TYPES OF EMPLOYEE ENGAGEMENT IN PHILANTHROPIC ACTIVITIES BY REGION OF COMPANY HEADQUARTERS (LARGE SAMPLE SIZE REGIONS)



11 | RESEARCH FINDINGS – FOCUS ON CONTEXTUAL ELEMENTS: INTEGRITY ASSURANCE

The effectiveness of a CSR report depends, to a large extent, on the level of credibility the company's important stakeholders attach to it. These stakeholders include, among others, institutional investors, regulators, non-governmental organizations, and influential opinion leaders. However, because the companies preparing CSR reports generally have total control over the material they choose to disclose, stakeholders may not consider these reports reliable. One way to counteract this skepticism is for a company to provide independent assurance as to the report's accuracy and completeness of the issues covered.

FIGURE 8. SCATTER PLOT OF TOTAL CSR-S MONITOR SCORE (ADJUSTED FOR INTEGRITY ASSURANCE) VERSUS INTEGRITY ASSURANCE SECTION SCORE



Correlation: .55, significant at the 1% level.

Figure 8 shows the relationship between the CSR-S Monitor scores and the scores on the Integrity Assurance Element. The dots follow a pattern that slopes upward with increasing CSR-S Monitor scores (though being clustered around the lower end of the scale and getting less dense moving upward), indicating that assurance and quality of reporting tend to move in tandem. This is supported by the documented correlation of .55 between reporting quality and Integrity Assurance scores. One explanation is that companies that are highly committed to reporting are more willing to provide third-party review and assurance.

Treatment of Integrity Assurance in the CSR-S Monitor

In the CSR-S Monitor, Integrity Assurance is measured along two dimensions, for a possible maximum of 15 points. The first dimension pertains to the external verification of the CSR report in its entirety. Here a report can receive up to 7 points based on the quality and scope of the formal assurance statement provided by an independent external organization with expertise and experience in CSR issues and report preparation. If the report does not contain a formal assurance statement, no points are awarded here (though points can still be awarded in the other part of Integrity Assurance, outlined below). This includes cases where the report notes that an Integrity Assurance audit was performed but fails to provide a formal statement of assurance. In this situation we did still make note of the Integrity Assurance provider (see Figures 9 and 10), even though no points were awarded. In the case of an integrated CSR/Annual Report, a separate, CSR-focused assurance statement is required to receive points; financial assurance statements are not counted. Formal assurance statements are provided by two types of organizations:

1. Public accounting/auditing firms (such as one of the Big Four)
2. Specialized integrity assurance provider firms (such as Bureau Veritas or ERM)

Some companies use independent NGOs, academic groups, or other ad hoc parties to comment on their reports. The work done by these groups is not considered a formal audit of the information in the report – a point that is often explicitly made by the companies or third parties (it may be called a “review”). Therefore, while we have taken note of these cases, we do not award any points for statements from this type of assurance provider.

Allocation of the 7 points available in this category is based on three criteria:

1. The comprehensiveness and scope of assurance, in terms of the breadth of CSR issues audited (which can be purposely limited) and the depth to which auditing was done on those issues.
2. The extent to which the assurance provider conducted internal reviews of the company, including their recordkeeping process, interviews with executives involved directly or indirectly with the preparation of the report, and site visits.
3. The extent to which the assurance provider conducted external reviews of the company, including meeting with external stakeholders such as NGOs or reviewing external documentation such as government or news media reports.

The second dimension of the Integrity Assurance section pertains to the following specific Contextual Elements: Environment, Supply-Chain Management, Labor Relations, Human Rights, Bribery & Corruption, and the three parts of Codes of Conduct (individual company codes, industry codes, and universal codes). Each of these eight elements is given a maximum of 1 point if the information provided in the report about the topic is verified. This verification does not necessarily have to come in the form of a formal statement of assurance. For example, if companies provide information about the verification of their carbon emissions data, they would receive credit in the Environment section of Integrity Assurance, even if they do not have a formal assurance statement in their report.

Profile of Integrity Assurance Providers

Figure 9 shows that public accounting/auditing firms were the largest group of assurance providers worldwide, covering 176 CSR reports (29 percent), while 90 CSR reports (14 percent) were assured by specialized assurance providers. However, 348 companies (57 percent) either provided a statement from an ad hoc group or provided no assurance statement.



FIGURE 9. ANALYSIS OF TYPES OF ASSURANCE PROVIDERS
(SAMPLE SIZE = 614)

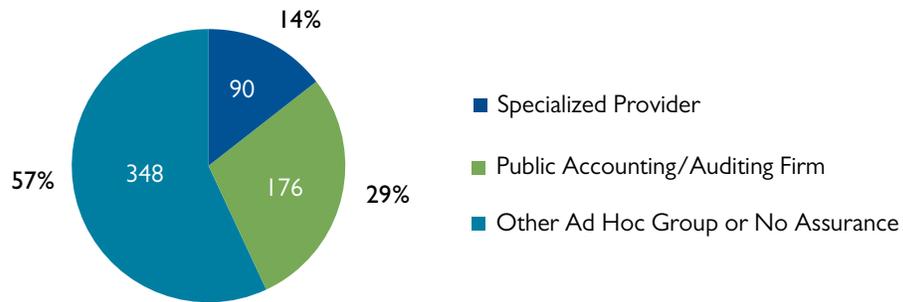
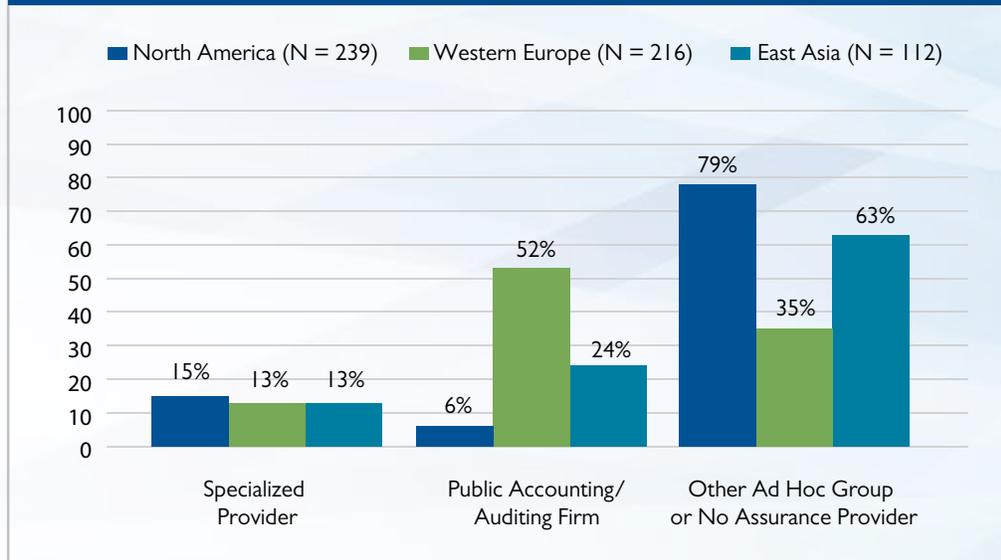




FIGURE 10. ANALYSIS OF TYPES OF ASSURANCE PROVIDERS BY REGION OF COMPANY HEADQUARTERS (LARGE SAMPLE SIZE REGIONS)



There is a particularly large difference in the choice of assurance providers between the three Large Sample Size regions, as seen in Figure 10. While similar percentages of companies from each region utilize a specialized integrity assurance provider (13 percent for Western Europe and East Asia, and 15 percent for North America), 52 percent of Western European companies are assured by a public accounting/auditing firm compared to 24 percent for East Asia and only 6 percent for North America. That means that, in total, 79 percent of North American companies do not cite any assurance provider or use an ad hoc group of some kind, compared to 63 percent of East Asian companies and only 35 percent of Western European companies. As a result, the Integrity Assurance Contextual Element has strong regional differences.¹⁶

¹⁶Two key findings from the analysis of assurance on US CSR reports are fewer reports assured by Big Four accounting firms and fewer CSR reports with assurance compared to Western European CSR reports. Despite the surge in reporting on CSR in the United States, we observe that assurance still has not become as common a tool for US companies as has the CSR report itself. Our findings are in line with an earlier report published by Corporate Register (2008).¹⁷ One explanation is lack of clear rules and a well-defined framework for this particular type of assurance service (Simnett, Vanstraelen, & Chua, 2009).¹⁸ Another is the observed lower quality and narrower scope in US CSR reports - a finding also partially supported by our results - that is not enough to create demand for assurance.¹⁹ From the point of view of assurance firms, they also face substantial legal risks from assuring these mostly voluntary disclosures, which prevents them from engaging with US companies in this venue.

¹⁷Corporate Register. (2008). *Assure View 2008*. Retrieved from <http://www.corporateregister.com/pdf/AssureView.pdf>

¹⁸Simnett, R., Vanstraelen, A., & Chua, W. F. (2009). Assurance on sustainability reports: An international comparison. *The Accounting Review*, 84(3), 937-967.

¹⁹Corporate Register, *op. cit.*

Integrity Assurance – Overall Findings

Despite Integrity Assurance being an inherently important part of a CSR report for any company, around one in seven companies did not receive any points in this section, and the overall median score was just 2.5 points out of a possible 15.0. This suggests that companies need to make greater efforts if they wish to gain traction toward generating a measure of credibility for the quality of their CSR reports across a broad range of stakeholders with diverse interests. The next two sections will look more in depth at the scoring on the two halves of Integrity Assurance.

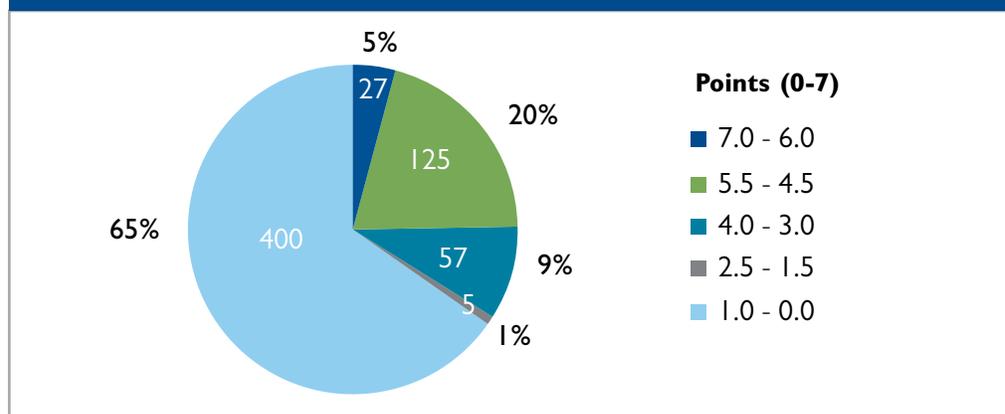
Independent External Integrity Assurance Letter - Findings

In terms of assigning a score for this section, it is important to recall that points are awarded based on the content of the formal assurance statement (which are given by both specialized providers and public accounting/auditing firms). Figure 11 shows that since a majority of companies do not have a formal assurance statement, the largest share of companies falls in the 0 to 1.0 point range. Only 1 percent of companies score in the 1.5 to 2.5 range, which indicates that if a company includes a formal statement of assurance of some kind it will usually include more than the bare minimum amount of content. Of companies above the 0 to 1.0 point range, most receive a score of 4.5 to 5.5.

In total, 36 percent or 220 companies include a formal statement of assurance in their report. Some very consistent patterns are present. For example, almost all formal statements of assurance mention the assurance standard with which the assurance engagement is in accordance (such as the International Standard on Assurance Engagement’s ISAE 3000 or AccountAbility’s AA1000 Assurance Standard); 207 out of 220 assurance statements do so. Similarly, 207 assurance statements mention some sort of internal documentation review, and 206 mention engagements with internal stakeholders such as company management or other employees.

However, after those categories the assurance statements begin to diverge. Just 54 out of 220 include some amount of external documentation review (such as news media or government reports), and only 6 out of 220 mention direct engagement with external stakeholders. A total of 106 out of 220 include some amount of

FIGURE 11. SCORES FOR FORMAL INTEGRITY ASSURANCE STATEMENTS (SAMPLE SIZE = 614)

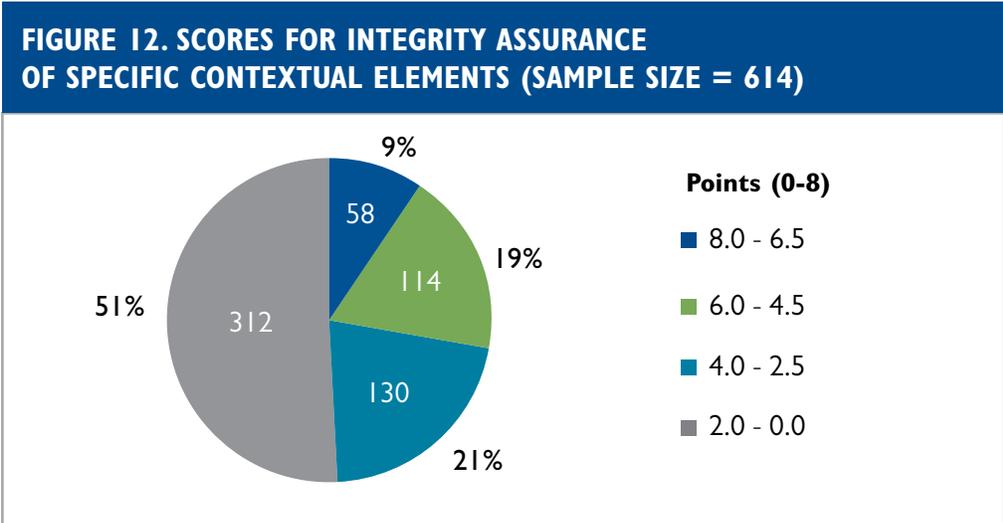


information on areas where the assurance provider felt the company could improve its reporting in the future. The scope of the assurance also varies greatly in some cases in terms of depth and breadth. For example, sometimes assurance is provided only on certain environmental indicators, rather than on the entirety of the report (this is covered in greater detail in the next subsection). The same lack of standardization and consistency present throughout CSR reporting is particularly important to note in this section due to the contrast between CSR and financial statement audits.

Integrity Assurance for Specific Contextual Elements – Findings

Scoring for Integrity Assurance for specific Contextual Elements is based on the nature of the group providing the assurance for each Element. One point is awarded for each of the eight Elements specifically verified by a credible external provider (such as a specialized integrity assurance provider, a public accounting/auditing company, or another independent group such as the Carbon Disclosure Project), even if that verification is not accompanied by a formal statement of assurance. A total of 0.5 points is awarded for each of the Elements verified by an in-house company department, and 0 points are awarded if the company does not mention verification of an Element (or if the company does not report about that Element at all).

Once again, a (slight) majority of companies scored in the lowest range, between 0 and 2.0 points, indicating that overall very little of the content of the report was verified, or that it was verified by internal sources. An additional 130 companies (21 percent) scored between 2.5 and 4.0 points. A total of 172 companies scored 4.5 or higher, which means that all these companies had at least one Element specifically verified by an external source, with 114 companies (19 percent) scoring between 4.5 and 6.0 points and 58 (9 percent) scoring between 6.5 and 8 points. A comparison of Figures 11 and 12 shows that more companies receive very low scores on the assurance statement than on the Integrity Assurance for specific Contextual Elements. This indicates that there are a significant number of companies aware of integrity assurance as an important issue that are not yet willing to include a formal statement of assurance in their report.



12 | LOOKING TO THE FUTURE

Our analysis of corporate social responsibility reports issued by major companies around the world in the year 2012 indicates that there continues to be a wide range in the scope and quality of the information provided. These findings reflect a lack of standardization with respect to reporting requirements. This is to be expected given the challenges involved in standardizing information in such a complex and multifaceted area that spans topics as diverse as human rights, bribery and corruption, philanthropy, and the environment.²⁰ Despite the fact that governments, market regulators, and exchanges, as well as industry groups and nonprofits, have stepped in to provide companies reporting guidance and frameworks, there is still uncertainty about what constitutes an effective CSR report. The lack of standardization makes it difficult for companies to benchmark and improve their performance and for stakeholders to compare reports.

A high-quality CSR report can play a critical role in building and sustaining a company's reputation. The information in these reports is increasingly used by a company's internal and external stakeholders, including institutional investors,²¹ civil society organizations, regulators, and the news media.²² Financial analysts often view adverse public opinion on corporate social performance as a measure of long-term reputational risk to a company's market value. Moreover, CSR reports have become a competitive tool in reaching the company's intended audiences when compared with its peers.

However, stakeholders often distrust the information provided in CSR reports.²³ Independent assurance regarding the information provided by the company and the processes used to gather that information could help overcome such distrust,²⁴ but our findings show that only 36 percent of companies from our sample provided a formal independent integrity assurance statement for their report.²⁵ Additionally, our findings show that companies that do seek assurance vary in their approach. For example, some companies choose a narrower approach where they assure only a portion of the information in their sustainability reports, while other companies choose a more comprehensive approach. This lack of standardization

²⁰Hahn, R. (2012). Standardizing social responsibility? New perspectives on guidance documents and management system standards for sustainable development. *IEEE - Transactions on Engineering Management*, 59(4), 717-727 (doi: 10.1109/TEM.2012.2183639). Available at SSRN: <http://ssrn.com/abstract=1980657>

²¹Available at www.unpri.org

²²Lingán, J., & Wyman, L. (2013). Exploring civil society perspectives on sustainability reporting and sustainability reporting policies. Stakeholder Forum For a Sustainable Future, Working Paper. Retrieved April 15, 2014 from <http://www.stakeholderforum.org/fileadmin/files/jeannet%20csra%20paper%20february%202014.pdf>

²³PwC, *op. cit.*

²⁴Lingán, J., & Wyman, L. (2013), *op. cit.*

²⁵This is slightly lower than the 43 percent that cite a valid integrity assurance provider because some reports cite a provider but do not include a formal statement of assurance.

makes it difficult for stakeholders to compare the quality of reports.²⁶ Our findings suggest that companies need to make greater efforts with respect to independent assurance if they wish to make their CSR reports more credible.

Companies have been routinely publishing financial information—warts and all—under strict regulatory standards. Both the investment community and the public at large have come to accept this practice. A “new norm” is developing, whereby the public has come to expect similar high standards with regard to a firm’s corporate social responsibility disclosure. Companies that are issuing CSR reports can serve their own purposes better if they are more ambitious in meeting the information needs of their audiences. The goal should be to provide comprehensive, relevant, specific, and detailed information about the company’s environmental, social, and governance issues, and have that information assured by an independent provider.

A key question currently is what information should be included in a CSR report and how best to present that information and verify its accuracy. Initiatives such as the Corporate Reporting Dialogue aim to harmonize and simplify reporting guidelines and frameworks.²⁷ These efforts should also help to increase the use of external assurance in the reporting process. Yet there is still a long way to go before the market reaches consensus about the content requirements of CSR reports and the best ways to incorporate mechanisms such as third-party assurance that enhance the credibility of disclosed information.

In the meantime, the CSR-S Monitor can help move this process forward. The Monitor provides internal corporate accountability officers an external and independent evaluation tool for improved corporate social responsibility reporting. We believe that as more companies see improved corporate social responsibility status as a competitive advantage, they will seek to improve their CSR reporting as one facet of that strategy.

²⁶ACCA and the Net Balance Foundation. (2012). *The state of sustainability report assurance in the ASX 100: A joint report from ACCA and the Net Balance Foundation*. Retrieved April 15, 2014 from <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/sustainability-reporting/tech-tp-ssra.pdf>

²⁷<http://www.theiirc.org/2014/06/17/corporate-reporting-dialogue-launched-responding-to-calls-for-alignment-in-corporate-reporting/>

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APPENDIX ^{28 29}

COMPANY NAME	OVERALL RANK		
Barrick Gold Corporation	1	Mitsui & Co., Ltd.	40
Sanofi	2	Alcoa Inc.	41
Anglo American PLC	3	Exxon Mobil Corporation	42
Alcatel-Lucent	4	British American Tobacco plc	43
Deutsche Telekom AG	5	Pirelli & C. S.p.A.	44
Baxter International Inc.	6	Vodafone Group Plc	45
Intel Corporation	7	Gas Natural SDG, S.A.	45
Ford Motor Company	8	PPR S.A.	47
Samsung Electronics Co., Ltd.	9	Repsol, S.A.	48
Taiwan Semiconductor Manufacturing Company Ltd.	10	Infosys Limited	49
Nokia Corporation	11	Carrefour SA	50
Bayer Aktiengesellschaft	12	ASML HOLDING N.V.	51
Fibria Celulose S.A.	13	MOL Magyar Olaj- es Gazipari Nyrt.	52
Gold Fields Limited	14	Sharp Corporation	53
STMicroelectronics N.V.	15	Merck & Co., Inc.	54
Hitachi, Ltd.	16	SKF AB	55
Groupe Danone S.A.	17	Mars, Incorporated	56
LG Electronics, Inc.	18	Tiffany & Co.	57
Hewlett-Packard Company	19	Roche Holding AG	58
Enel S.p.A.	20	Sony Corporation	59
Diageo plc	21	Nestle S.A.	60
Fiat S.p.A.	22	Royal DSM N.V.	61
Kimberly-Clark Corporation	23	Hess Corporation	62
Endesa, S.A.	24	BHP Billiton Limited	63
Ferrovial S.A.	25	H&M Hennes & Mauritz AB	64
Newmont Mining Corporation	26	Banco Bradesco S.A.	65
Advanced Micro Devices, Inc.	27	PSA Peugeot Citroen S.A.	66
Koninklijke Philips N.V.	28	TELUS CORPORATION	66
Medtronic, Inc.	29	Teck Resources Limited	68
Iberdrola, S.A.	30	Telefonica, S.A.	69
United Parcel Service, Inc.	31	Ecopetrol S.A.	70
Aviva plc	32	CEMEX, S.A.B. de C.V.	71
Svenska Cellulosa Aktiebolaget	33	Wesfarmers Limited	72
Cisco Systems, Inc.	34	Volkswagen AG	73
ArcelorMittal	35	Motorola Solutions, Inc.	74
Acciona, S.A.	36	Air France-KLM Group	75
Orange S.A.	37	Assicurazioni Generali S.p.A.	76
Coca-Cola Company [The]	38	Compagnie de Saint-Gobain SA	77
Puma AG Rudolf Dassler Sport	39	Koninklijke Ahold N.V.	78
		RWE AG	78
		Marks & Spencer Group plc	80

Landesbank Baden-Wuerttemberg	81	Bank of America Corporation	124
Lonmin Plc	82	Bombardier Inc.	125
Daimler AG	83	Staples, Inc.	126
Stora Enso Oyj	84	Veolia Environnement S.A.	127
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A.P. Moller-Maersk A/S	87	Wal-Mart Stores, Inc.	130
Standard Bank Group Limited	88	BNP Paribas SA	131
Kesko Corporation	89	UBS AG	132
Mondi Limited	90	Abbott Laboratories	133
Mazda Motor Corporation	91	CVS Caremark Corporation	133
CRH plc	92	Microsoft Corporation	135
BT Group plc	93	Telefonaktiebolaget LM Ericsson	136
Nedbank Group Limited	94	Sumitomo Chemical Company, Ltd.	136
Deutsche Post AG	95	Rio Tinto plc	138
State Street Corporation	96	BG Group Plc	139
GlaxoSmithKline Plc	97	Toshiba Corporation	140
Impala Platinum Holdings Limited	98	Dell Inc.	141
Xstrata plc	98	PTT Public Company Limited	142
Intesa Sanpaolo S.p.A.	98	EMC Corporation	143
E.ON SE	101	Akzo Nobel N.V.	144
Royal Bank of Canada	102	Acer Incorporated	145
Woolworths Limited	103	SAP AG	146
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UniCredit S.p.A.	104	Northern Trust Corporation	148
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WM Morrison Supermarkets PLC	109	Grupa LOTOS S.A.	152
Coca-Cola Enterprises Inc.	110	Toyota Motor Corporation	152
Indian Oil Corporation Limited	111	Lafarge S.A.	154
3M Company	112	Statoil ASA	155
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Woodside Petroleum Ltd.	115	AGL Energy Limited	158
Linde AG	116	Citigroup Inc.	159
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Progress Energy, Inc.	170	Kellogg Company	209
De Beers Consolidated Mines Limited	171	PG&E Corporation	209
GS Caltex Corporation	172	Air Products & Chemicals, Inc.	211
Asahi Kasei Corporation	173	Target Corporation	211
Glencore International plc	173	Koninklijke KPN N.V.	213
Siam Cement Public Company Limited [The]	175	Molson Coors Brewing Company	214
Bunge Limited	176	Nippon Yusen Kabushiki Kaisha	215
European Aeronautic Defence & Space Company EADS N.V.	177	Abertis Infraestructuras S.A.	216
Vale S.A.	178	Bristol-Myers Squibb Company	217
Nippon Telegraph & Telephone Corporation	179	Nexen Corporation	218
Texas Instruments Incorporated	180	Telstra Corporation Ltd.	219
Lagardere SCA	181	Southwest Airlines Co.	220
OMV Aktiengesellschaft	182	ITOCHU Corporation	220
Kingfisher plc	183	ING Groep N.V.	222
Praxair, Inc.	184	Pinnacle West Capital Corporation	223
Hellenic Telecommunications Organization S.A.	185	Hon Hai Precision Industry Co., Ltd.	223
PTT Global Chemical Public Company Limited	186	Deutsche Lufthansa AG	225
Credit Agricole S.A.	187	KB Financial Group Inc.	226
Eli Lilly & Company	188	Wyndham Worldwide Corporation	227
Nordea Bank AB	189	Marubeni Corporation	228
Morgan Stanley	190	Korea Electric Power Corporation	229
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Campbell Soup Company	193	Ricoh Company, Ltd.	232
Monsanto Company	194	Allstate Corporation [The]	233
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International Paper Company	197	ACS, Actividades de Construccion y Servicios, S.A.	236
AB Volvo	197	Seiko Epson Corporation	237
LVMH Moet Hennessy Louis Vuitton SA	199	Outokumpu Oyj	238
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		Xerox Corporation	245
		Best Buy Co., Inc.	245

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T&D Holdings, Inc.	416	Bank of Nova Scotia [The]	457
China Mobile Communications Corporation	417	Whirlpool Corporation	458
Agricultural Bank of China Limited	418	AES Corporation [The]	459
Union Pacific Corporation	419	Renault S.A.	459
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Halliburton Company	420	British Airways	462
Taisei Corporation	422	City Lodge Hotels Limited	463
Navistar International Corporation	423	Computer Sciences Corporation	463
Adecco S.A.	423	Pitney Bowes Inc.	463
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PPG Industries, Inc.	426	Nucor Corporation	467
China Southern Power Grid Co., Ltd.	427	Tesco plc	468
R.R. Donnelley & Sons Company	428	Old Mutual plc	469
Eaton Corporation plc	429	PNC Financial Services Group, Inc. [The]	470
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Aon PLC	431	National Oilwell Varco, Inc.	472
Commonwealth Bank of Australia	432	Sodexo S.A.	473
OAO Gazprom	433	ARAMARK Holdings Corporation	474
Johnson Controls, Inc.	433	Unilever N.V.	475
Deutsche Borse AG	435	Time Warner Inc.	476
Apache Corporation	436	Continental Aktiengesellschaft	477
Chevron Corporation	437	National Bank of Abu Dhabi	478
Fuji Electric Co., Ltd.	438	Potash Corporation of Saskatchewan Inc.	478
China State Construction Engineering Corporation	438	China National Petroleum Corporation	478
Contact Energy Limited	440	Chesapeake Energy Corporation	481
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Segro plc	450	LYONDELLBASELL INDUSTRIES N.V.	490
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²⁸Score on the Integrity Assurance section was used as a tie-breaker where applicable.

²⁹Our source for company information, Corporate Affiliations, converts non-English characters in company names to English characters, so our list does as well.



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