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2006 REVIEW OF THE REPORTING STATUS OF CORPORATE RESPONSIBILITY INDICATORS

Report by the UNCTAD secretariat

Executive summary

Since its 20th session, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) recognized the demand for increased relevance and comparability in corporate responsibility reporting. ISAR's work on this subject has been conducted with a view to contributing to the improved comparability and usefulness of such information without imposing an undue additional burden on reporting entities. To this end, at its 22nd session, ISAR identified a limited set of core indicators on corporate responsibility reporting, and undertook to review the reporting status of these indicators.

This report reviews the implementation status of the ISAR corporate responsibility indicators first identified for the 22nd session in the document TD/B/COM.2/ISAR/29 and further elaborated for the 23rd session the document TD/B/COM.2/ISAR/34. The corporate reports of 105 enterprises from 71 economies were surveyed to identify the level of reporting of the selected core indicators on corporate responsibility. The resulting data compares reporting practices between enterprises grouped by type of listing, country income and the form of the reporting.

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INTRODUCTION

At its 20th, 21st and 22nd session, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) recognized the demand for improved comparability and relevance in corporate responsibility (CR) reporting. The Group of Experts also recognized the need to provide voluntary technical guidance on such reporting within corporate annual reports. At its 22nd session in the document TD/B/COM.2/ISAR/29 (ISAR/29), ISAR identified a limited set of core indicators that enterprises could use to report on issues of corporate responsibility. It was further emphasized that such reporting should be focused on national data rather than globally or regionally consolidated data, to better reflect corporate contributions to a specific host country's development. In the agreed conclusions of the 22nd session, the Group of Experts suggested that the UNCTAD secretariat should conduct a review of enterprise reporting practices based on selected indicators.

The objectives of this survey are to: (1) provide a brief overview of recent developments in the area of corporate responsibility reporting, especially as they relate to the work of ISAR in this area; and (2) to present and analyse the results of the secretariat's survey of corporate responsibility reporting.

I. OVERVIEW OF RECENT DEVELOPMENTS IN THE AREA OF CORPORATE RESPONSIBILITY REPORTING

This section covers recent developments in the area of CR reporting, which have been marked by a continued increase in the number of enterprises issuing some form of CR report, and by a related increase in the number of investors that are integrating these issues into their investment decisions. However, it is observed that while more enterprises are producing CR reports, there is still a lack of clarity about the content and form of such reports. The "bulking up" or increasing length of CR reports, for example, is one recent trend that is seen by some as a product of the lack of clear and concise CR indicators. On the question of formats, a significant divergence in practices in observed in some countries, where a majority of enterprises are including CR information in their annual reports rather than, or in addition to, a separate CR report.

Another important development in CR reporting (discussed in more detail below) is the new draft guidelines from the Global Reporting Initiative, a multi-stakeholder initiative whose work on CR reporting is followed by a number of reporting enterprises. The new draft guidelines, known as "G3", are the first major revision to GRI guidance since 2002, and promise to address a number of weaknesses identified in the earlier 2002 guidelines.

Finally, this section examines the increasing use of CR reporting in investment decision making. A number of key developments are identified, including the launch of the United Nations Principles for Responsible Development, the continued growth of "socially responsible investment" (SRI), and the increasing incorporation of environmental, social and governance (ESG) information into the project financing approval mechanism of major financial institutions.

Growth in CR reporting

Two useful surveys on global CR reporting were published in 2005 and 2006, one produced by the accounting firm KPMG and one produced by Context, a UK-based consulting firm. In 2005, KPMG released its fifth international survey of corporate responsibility reporting, part of a series of triennial surveys begun in 1993. The survey examines the first 250 companies within the Fortune Global 500 (Global 250) as well as the largest 100 enterprises in 16 countries (National 100).[1] In 2006 the UK-based consulting firm Context, which has worked directly on a number of high profile CR reports, produced a survey based on the Financial Times Global 500 (FT 500), looking specifically at 300 companies grouped into the top 100 enterprises (FT 100) from each of the following areas: the United States, Europe and "the Rest of the World". Additional data and trends can also be identified from data obtained from the website: http://www.CorporateRegister.com, a searchable online database of thousands of corporate responsibility reports from enterprises countries around the world.

Both of these surveys found that CR reporting has become common among the enterprises in their respective survey samples. The 2005 KPMG survey found that 52 per cent of Global 250 companies, and 33 per cent of National 100 companies were issuing a CR report. These figures compare with 45 per cent and 23 per cent, respectively, in KPMG's previous 2002 survey. This suggests that the practice of CR reporting continues to grow at a significant rate and is increasingly a mainstream reporting practice.

The 2006 Context survey also found CR reporting to be widespread among the enterprises in its sample, especially those from Europe: 90 per cent of the European FT 100 produce a CR report, compared with 59 per cent of the United States FT 100 and 61 per cent for the "rest of the world". Context observes that "it is now extremely rare for a top European company not to produce some form of CR report."[2] The Context survey does note, however, that there are slightly more first-time reporters among the US based enterprises in the sample, and suggests that at the current rate of growth in CR reporting, it should only take a few years before US based enterprises and enterprises from other non-European countries, match the spread of CR reporting found in Europe.

Content of CR reports

With the existence of CR reports becoming more and more common, the attention of report preparers and users is increasingly being focused on the content and format of CR reports. The KPMG survey notes that the content of CR reports continues to broaden over time, from a relatively narrow focus on environmental reporting in the 1990s to coverage of wider issues of social and economic sustainability in the 2000s. And while attention to social and economic issues in CR reports continues to increase, KPMG's 2005 survey characterizes reporting performance on CR topics as "sketchy", suggesting that this is "possibly due to the lack of clear social indicators".[3]

This lack of clear and concise indicators has contributed to the increase in both the range of topics discussed as well as the overall size of CR reports. The Context survey found the average length of a European CR report to be 72 pages, while the length of the average US CR report was only 44 pages, and the other enterprises in the survey fell somewhere in between with an average of 64 pages. In the US, only one reporting company in the Context survey had a report over 100 pages, while in Europe almost 20 companies have reports that exceed 100 pages, and several have reports in excess of 200 pages. In 2006 the longest CR

report was produced by BHP Billiton, a global mining company, weighing in at 380 pages. The Context report argues that, "this 'bulking' of CR reports has been encouraged by emerging standards, particularly from the GRI, and by demands that companies […] address the full range of social, ethical and environmental issues."[4] Context goes on to observe that "many companies are questioning the usefulness of these obese reports, judging them incapable of performing their basic purpose such as being read and understood." Consequently, there is renewed interest among CR reporters in creating more concise and useful reports; this includes a revived discussion on issues of materiality. KPMG argues that "the decision making process for defining materiality, and therefore the content of sustainability reports, needs further attention if future reports are to fulfil the information needs, and therefore the consequent actions, of investors, customers, neighbours and the public."[5]

Complementing the demand for more concise and material reports, is the demand for more performance oriented reports. The Context survey argues that the latter issue is also the subject of increasing focus. Strengthening the link between reporting and performance on CR issues, Context argues,"…will be done by focusing reporting more closely on what companies are actually doing (rather than what they are thinking or how they are managing) and how well they have performed in the main areas. That will work more effectively as an internal tool to drive progress, as well as making it easier for analysts and others outside the company to make judgments about performance."[6]

Concerning the development dimension of CR, the KPMG survey finds that while a majority of CR reports include financial information about the enterprise, such as profits, only a minority of enterprises report on their economic impacts within a broader sustainability context. This finding is supported by the Context survey, which observes that the reporting of economic impacts is undertaken by only a minority of reporters. This is particularly true for non-European based CR reporters, of whom only about 20 per cent or less report on economic impacts, compared to the approximately 40 per cent of European CR reporters that include economic impacts in their reports.

The KPMG survey also finds that the guidelines of the Global Reporting Initiative (GRI) are cited by 40 per cent of reporters in the Global 250. However, KPMG notes that only 30 per cent of the Global 250 actually report in the form of a GRI table. The discrepancy, KPMG suggests, indicates that reporters have not fully considered GRI's reporting principles on relevance, inclusiveness and completeness. The 2006 Context survey finds that a large number of enterprises (51 per cent of the top 100 in Europe and 41 per cent in the US) include in their CR reports a GRI content index, while a further 10 per cent in Europe and 2 per cent in the US are actually reporting "in accordance" with GRI, i.e. fully complying with the GRI guidelines. While the GRI guidelines remain the most common means for reporting enterprises to select topics, these guidelines have not been adopted by a majority of large enterprises: more than two thirds of the enterprises in the Context survey, for example, do not provide a GRI contents index.

Form of CR reports

Concerning the form of CR reports, the majority of CR reporting enterprises in most countries continue to produce separate CR reports. However, there has been a noticeable increase in the number of enterprises including CR information within their annual financial reports. Of the 2,008 CR reports in the CorporateRegister.com database for the year 2005,

93 per cent consisted of separate CR reports, while 7 per cent were sections within an annual financial report. This compares with 2002 figures, where 97 per cent consisted of separate CR reports, and 3 per cent were sections within an annual financial report.[7] The KPMG survey only began tracking the inclusion of CR sections in annual financial reports in its 2005 survey, so while it cannot make comparisons to earlier surveys, it does find a significant number (12 per cent of Global 250 companies) are including CR information as part of their annual financial reports. In some countries this practice is particularly widespread. Of the 16 countries examined in the KPMG survey, South Africa stands out by a wide margin as a leader in the incorporation of CR reporting into annual financial reports: while 18 per cent of South Africa's largest 100 enterprises issue a separate CR report, a further 62 per cent report on CR issues within their annual financial reports. This is compared to the 8 per cent average for the National 100 in all 16 countries in the KPMG survey. South Africa is also an interesting example as it is the only developing country among the 16 in KPMG's survey. Including the CR information presented in annual financial reports, 80 per cent of South African's top 100 companies are reporting on CR issues. This is among the highest of any country in the survey, and almost double the average for all 16 countries. This may reflect the strong emphasis that the South African government has put on the role of corporations in social and economic development. For member states of the EU, more CR information in annual reports can be expected as a result of the European Modernization Directive, which requires that non-financial performance indicators be included in annual reports beginning with reports for the year 2005.

The Global Reporting Initiative's new guidelines "G3"

As noted above, the sustainability guidelines of the GRI remain one of the most common sources of guidance for enterprises producing CR reports. In October 2006 the GRI will be launching its third version of its guidelines. Known by the abbreviation “G3”, these will be the first major revision to the guidelines since 2002. Prior to the October 2006 launch, the G3 guidelines were available in draft form for review. The format of the draft G3 are similar to GRI’s earlier guidelines and generally recommend a narrative style of disclosure, largely focused on management policies and procedures. The content of the draft G3 guidelines, however, represents a thorough revision of the original 2002 Sustainability Reporting Guidelines: only 5 of the original indicators were left unchanged in the new draft guidelines. In some cases the revision of an indicator was to improve clarity as to what companies were expected to report. In other cases, indicators were substantially rewritten. The overall number of GRI indicators has been reduced from the 97 indicators in the 2002 Guidelines, down to 79 indicators in the draft G3 guidelines. The number of "core indicators" has been reduced from 50 down to 47. In the making of the draft G3 guidelines, 27 indicators were deleted from the 2002 guidelines and 9 new indicators were added. This includes instances were several indicators were combined into just one indicator, and instances where one indicator was separated into multiple indicators. The deletions were made on the basis of several factors, including: significant overlap with other GRI indicators, difficulty in application across different countries, and lack of clarity.

Integration of corporate responsibility reporting into investor decision-making

Environmental, social and corporate governance (ESG) issues continue become increasingly integrated into investor decision making, both for large institutional investors in the equity markets, and financial institutions in the lending markets. Investment managers surveyed for Mercer’s "2006 Global Fearless Forecast Survey", especially in Europe, expect that an

increasing proportion of their institutional clients will want ESG issues integrated into investment decision-making over the next three years.[8] This supports the prediction found in the earlier 2004 survey[9] of Deloitte Touche Tohmatsu ("In the dark – What boards and executives don't know about the health of their business") which found that the majority of fund managers and equity analysts they surveyed agreed that the consideration of these issues would become an important aspect of mainstream investment decision making by 2007. These surveys reflect a general trend towards the inclusion of non-financial reporting as a supplement to financial information, particularly reporting that incorporates ESG considerations into long-term risk and performance assessments.

A key milestone in this trend toward incorporating corporate responsibility information into investor decision making came in April 2006 when UN Secretary-General Kofi Annan launched the Principles for Responsible Investment (PRI). The PRI were the product of a year long consultation process convened by the UN Secretary-General and coordinated by the United Nations Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact. The PRI cement ESG considerations as material risk factors to be incorporated by signatories on a voluntary basis into mainstream investment and engagement practices. Early signatories, with over $4 trillion in managed assets, comprise a large portion of global pension assets; these signatories include CalPERS, the Norwegian Government Pension Fund, Canada Pension Plan Investment Board, ABP, and the Guardians of New Zealand Superannuation Fund, among others.[10]

The launch of the PRI has had the effect of broadening what was once considered the niche area of socially responsible investing (SRI), a practice that incorporates ESG as well as other non-financial considerations into investment decisions. Because this investing approach bases its investment decisions on CR information as well as financial information, the growth of SRI leads to greater demand for non-financial information on CR issues. In recent years, the practice of SRI has continued to grow among both large pension funds and retail investment houses. According to the Social Investment Forum's 2005 report on SRI, 9.4 per cent of the $24.4 trillion in total assets under professional management in the United States are now involved in socially responsible investing.[11] The report also notes that SRI assets in the United States have grown 4 per cent faster over the last ten years than the entire universe of managed assets in that country; this growth includes both asset appreciation and new assets entering the market. In absolute terms, SRI assets have grown from $639 billion in 1995 to $2.29 trillion in 2005, an increase of 258 per cent; during the same years, the total universe of managed assets in the United States grew from $7 trillion to $24.4 trillion, an increase of under 249 per cent.

While the United States is the largest equity market, and has the largest SRI segment, socially responsible investing continues to grow in other parts of the world. Elsewhere in North America, the Canadian Social Investment Organization in its last survey in 2004, observed that Canadian SRI assets were valued at C$65.46 billion (approximately $58.25 billion), and had grown some 27 per cent between 2002 and 2004.[12] In Europe, which contains the largest equity markets outside the United States, SRI is also a significant segment of the equity market. According to the European Social Investment Forum (EuroSIF)'s 2006 survey,[13] the broad European SRI market is up to €1 trillion (approximately $1.3 trillion) and represents between 10 to 15 per cent of the total European funds under management in 2006. EuroSIF observes that SRI assets in the nine countries[14] surveyed have grown by 36 per cent since its last survey published in 2003. The report contends that the driving force behind SRI growth in Europe is the increasing use of ESG information by institutional investors, especially

pension funds, in the management of their assets. In Australia, managed SRI portfolios grew by 70 per cent between June 2004 and June 2005, from A$4.5 billion to A$7.67 billion (approximately $5.76 billion).[15] Australia has also witnessed the launch of the world's first certification program for managers of SRI funds. Launched in September 2005 by the Ethical Investment Association, (a professional body of fund managers and financial advisors working in the area of SRI), the certification program provides a unique logo to help investors distinguish SRI funds from other investment products.

SRI is also becoming more common in developing countries with securities exchanges. The Johannesburg Stock Exchange (JSE) of South Africa, for example, is a pioneer in this respect, having launched the first SRI index in a developing country. The JSE's SRI index was introduced in May 2004 and is composed of companies from the FTSE/JSE All Share Index that voluntarily apply for inclusion in the index. Applicants are judged based on their environmental, social, economic and governance performance. CR reporting plays an important part in this process, with the JSE advising potential participants to report regularly, clearly and comprehensively on CR issues. The resulting index has helped to promote investment in South Africa, as noted by an executive from one enterprise in the JSE SRI index, who says that the index has helped by "…raising the profile not only of companies that embrace the practice [of sustainability], but also of South Africa as an investment destination for responsible investors."[16]

In Brazil, BOVESPA, the principal stock exchange, launched its own SRI index in late 2005. The Corporate Sustainability Index, or *Índice de Sustentabilidade Empresarial* (ISE) in Portuguese, was launched in December 2005. The index is composed of a maximum of 40 enterprises selected from among the BOVESPA's 150 most actively trade securities in terms of liquidity. The criteria for selection are similar to those of the JSE's SRI index, and include an evaluation of performance on environmental, social, economic and governance issues. The quality of enterprise reports on CR issues is an important consideration in this process.

Brazil and South Africa are two pioneering examples of SRI in developing countries, but other examples do exist and new SRI funds and indices in developing countries continue to be developed. The International Finance Corporation (IFC) estimates that SRI assets in developing countries have already reached $2.7 billion.[17] The growth of SRI can be expected continue to grow in emerging markets, as well as demand for improved reporting on issues of corporate responsibility. The Association for Sustainable and Responsible Investment in Asia (ASrIA) in a 2006 report, concluded that one of the principle obstacles to the development of SRI in developing countries is the lack of credible, standardized data on business practices related to social and environmental concerns.[18] In an attempt to meet this need for improved information, the IFC launched in 2006 its "Capturing Value Programme". This program provides grants of up to $500,000 to research houses, rating firms, index providers, and similar organizations, to develop new specialized environmental and social information services geared to sustainable and responsible investment in publicly-listed emerging market firms. The aim of this programme is to facilitate an increase in investment in emerging markets from pension funds and other investors worldwide. By meeting the information gap identified by the ASrIA's report, this IFC programme could be expected to lead to further growth of SRI in developing countries.

Financial institutions in the lending markets also continue to increase their integration of ESG issues into decisions to extend financing to enterprises. In February 2006, the IFC adopted new environmental and social standards for its activities. The new standards build upon the

environmental and social requirements that the IFC previously applied to private sector projects it finances in the developing world. A new policy on disclosure was also adopted at the same time and will increase the disclosure of ESG information by the IFC itself, as well as its client companies. Lars Thunell, the IFC's Executive Vice President, said, "We aim, with these new policies, to increase the development impact of projects in which we invest. We also seek to give companies operating projects in emerging markets the capacity to manage fully their environmental and social risks and to compete better in a global economy."[19]

The IFC's standards are closely linked to those of the Equator Principles. These are a set of environmental and social guidelines, based on the IFC's standards, that are now applied by leading commercial financial institutions which collectively represent approximately 80 per cent of global project finance. Participating financial institutions commit to financing only those projects that comply with the ESG standards of the Equator Principles. Following the announcement of the revised IFC standards, the Equator Principles were themselves updated in July 2006. Among the new revisions, each of the financial institutions that adheres to the Equator Principles will now be required to report on an annual basis on the progress and performance in implementing the principles. The Managing Director of Employee Relations and Social and Environmental Responsibility for Banco do Brasil, a major Brazilian bank that has adopted the Equator Principles, said of the new revision: "Society expects the financial agents to make sure that the allocation of resources takes into consideration the integration of the business aspects related to the preservation of the environment and the respect of social matters. The revision of the Equator Principles is, therefore, an important landmark in compliance with society's increasing expectations of the social and environmental responsibility of the financial sector."[20]

II. STATUS OF IMPLEMENTATION OF CORPORATE RESPONSIBILITY REPORTING AT THE COMPANY LEVEL

A. Background and methodology

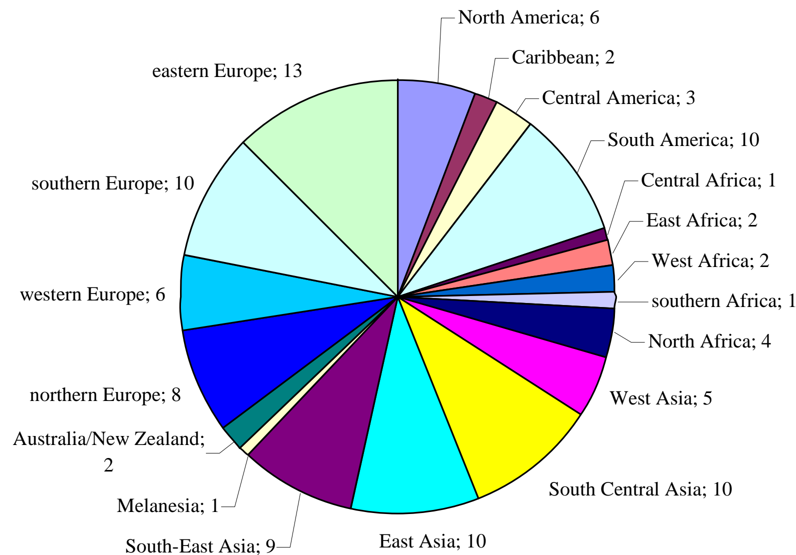
The purpose of the survey is to evaluate the level of reporting on the corporate responsibility indicators identified during the 22nd session of ISAR in the paper TD/B/COM.2/ISAR/29 “Guidance on Corporate Responsibility Indicators in Annual Reports” (ISAR/29). That document selected 17 core indicators that enterprises could use in reporting on corporate responsibility issues in annual reports. A summary of these 17 core indicators can be found in Table 1 below. In addition to the indicators found in this table, the survey also includes one additional test indicator, “local purchasing”, that reflects the value of goods or services purchased by an enterprise within the host economy. During the initial stages of the survey, it was noticed that a number of enterprises were reporting this information, and therefore it was decided to include it in the survey to determine the extent to which it was being reported.

Table 1. Selected indicators on corporate responsibility

Group	Sub-Group	Indicator
Contribution to economic development		1. Total sales. 2. Value of imports vs exports. 3. Total workforce. 4. Employee wages and benefits. 5. Payments to government. 6. Labour productivity.
Human rights	*Security*	7. Number of enterprise operations with armed security.
Labour practices	*Equal Opportunity* *Workforce Turnover* *Collective Bargaining*	8. Number of female employees and ratio of male to female wages and benefits. 9. Total number and rate of employee turnover. 10. Percentage of employees covered by collective bargaining agreements.
Human resource development		11. Average hours of training. 12. Expenditure on employee training.
Health and safety		13. Expenditure on employee health and safety. 14. Work days lost due to accidents, injuries and illness.
Community support		15. Voluntary contributions to civil society.
Value chain		16. Number of dependent enterprises in the value chain.
Corruption		17. Number of convictions for violations of corruption related laws or regulations and amount of fines paid/payable.

These 17 indicators, plus the one additional indicator on local purchasing, were tested against the actual reporting practices of a large sample of enterprises from around the world. The sample of enterprises examined in the survey was comprised of leading enterprises making a significant contribution to the economy in which they are based. The survey examined 105 enterprises from 71 economies, with a broad regional distribution (see Figure 1 below).

Figure 1. Distribution of the 105 enterprises by region
(Number indicates the number of enterprises surveyed)



Enterprises selected for the survey were drawn from the top ten largest enterprises found within each region; the relative size of the enterprises was determined using sales and market capitalization data. The enterprises included in the survey represent a wide range of industries including: energy, financial services, telecommunications, pharmaceuticals, manufacturing, and retail, among others. The survey included publicly listed enterprises, privately held enterprises and SOEs. The enterprises were based in both high income and middle and lower income countries, and represent both locally listed enterprises as well as internationally listed ones (see Figure 2 below). The sample includes a significant number of state owned enterprises (See the inner box of Figure 2). Nine of the enterprises in the survey (all from low or middle income countries) were not listed and therefore do not appear in Figure 2; of these, seven were privately held, and two were non-listed SOEs.

Figure 2. Distribution of the 96 listed enterprises by type of listing and country income

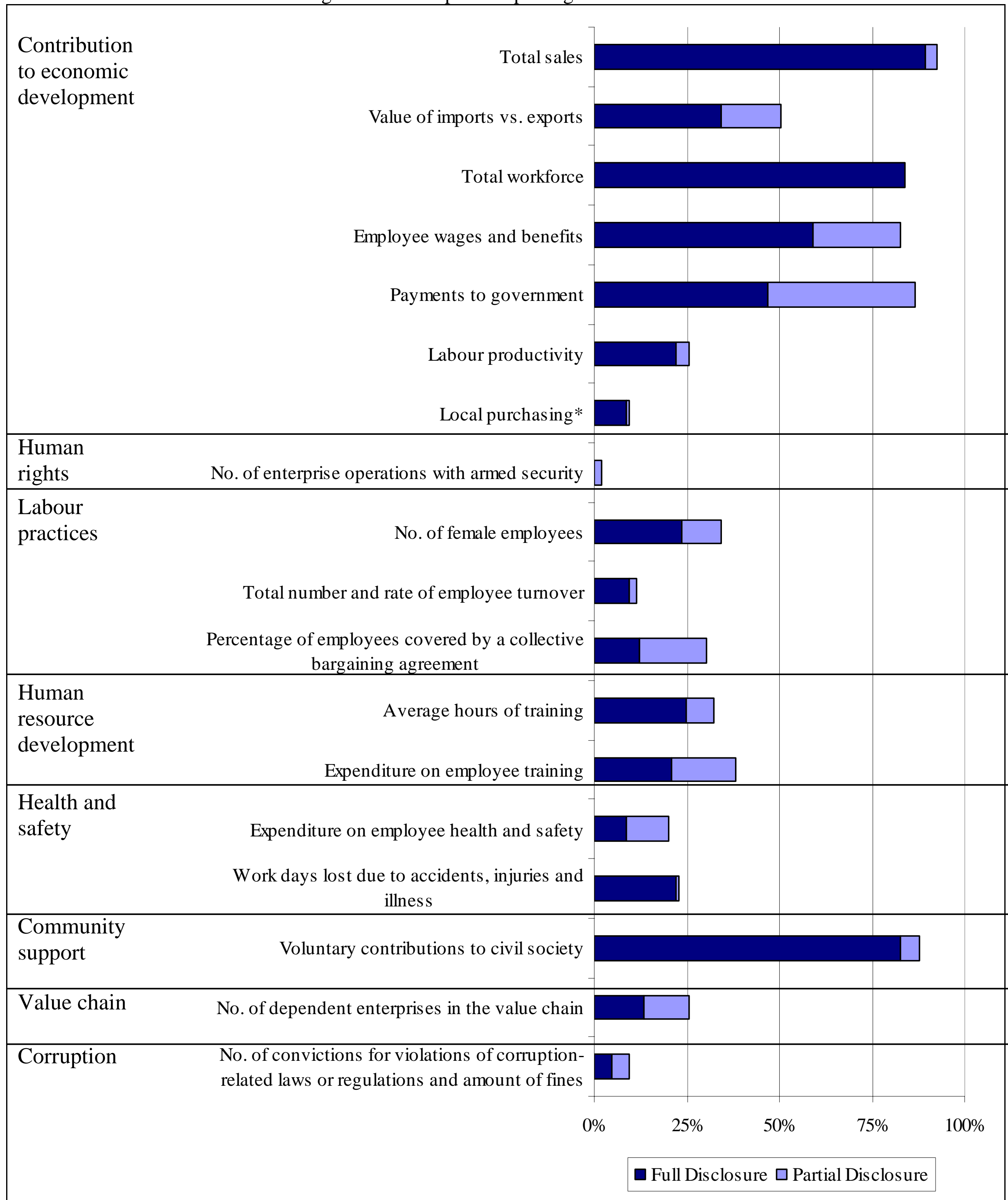
	OECD and other high income	SOE		Low and middle income
Only local listing	5	1	8	23
International listing	33	3	10	35

The review of corporate reporting is based primarily on three sources of corporate reporting: separate CR reports, annual financial reports, and additional information provided on company websites. As noted below, the reporting of the CR indicators was classified as either “full” or “partial”. This classification reflects the different ways in which enterprises report on the same matters, with some enterprises reporting more completely on each indicator, and others that provide some but not all of information. For example, when considering the indicator "employee wages and benefits", an enterprise that reports on the total amount of employee wages, but not on the value of benefits, would be considered to have had partial disclosure. Another methodological approach affecting the survey was that the focus of the survey was on ‘national’ reporting. This focus on national reporting in the area of CR follows from the deliberations of the 22nd session of ISAR, where it was emphasised that globally consolidated figures that do not allow for disaggregation, are of little value to users of the reports who require information on an enterprise’s activities in a particular country.

B. Main findings of the survey

The main findings of the survey are displayed in Figure 3 (below) which provides an overview of the prevalence of each of the selected CR indicators. Complete details of the findings can also be found in Annex I.

Figure 3. Main findings of survey on corporate responsibility reporting
Percentage of 105 enterprises reporting selected CR indicators



*New indicator tested in survey

General overview

The main findings of the survey show that 25 per cent or more of the 105 enterprises surveyed provide at least partial information on 12 of the 17 indicators originally identified in

ISAR/29. The rate of reporting is much higher in the case of the selected indicators in the category "Contribution to Economic Development", where 4 of the 6 indicators (excluding the test indicator on local purchasing) are addressed, at least in part, by more than 75 per cent of the enterprises surveyed, and 5 of the 6 by at least 50 per cent. The lowest reported indicator in this category "labour productivity" was still the subject of reporting for 25 per cent of the enterprises surveyed. The new test indicator "local purchasing" was not widely reported on, however, as discussed in more detail below, there were slightly more enterprises in low- and middle-income countries reporting on this matter.

It is useful to explain the lack of 100 per cent disclosure for the first indicator "total sales", as it has relevance to the issue of nationally-oriented reports. Given the nearly universal reporting of financial and operating results, it is curious to see that less than 100 per cent of enterprises report on "total sales". The answer, however, lies in the methodology of the CR survey, which focused specifically on national reporting, and the reporting practices of some subsidiaries of TNCs. While many of these subsidiaries produce a range of nationally oriented corporate reporting, in a small minority of cases (less than 10 per cent of the survey sample) national sales figures are not provided. This was found in particular among some companies in the natural resource extraction business, which reported the *volume* of material sold but not the actual *value* of the material sold.

Outside of the category of "contribution to economic development" the most commonly reported indicator was "voluntary contributions to civil society", which was reported on by more than 80 per cent of enterprises in the survey. Among the least commonly reported indicators were three which were reported on by less than 10 per cent of the enterprises in the survey. These three were: "number of enterprises with armed security" with only 2 per cent of enterprises reporting partial information for this indicator; the indicator "number of convictions for violations of corruption-related laws or regulations and amount of fines" which was reported on by 5 per cent of the enterprises; and "expenditure on employee health and safety", which was reported on by 9 per cent of the enterprises, but was partially reported on by a further 11 per cent. The information behind these indicators has not traditionally been the subject of public reporting, therefore the results of the survey may reflect the relatively small number of leading companies in CR reporting that are developing best practice on these matters.

C. Comparison of CR reporting between internationally-listed companies and only locally listed companies

Figure 4 presents the average frequency of disclosure within each category and compares the reporting practices of enterprises listed on international exchanges with those listed only on a local or national exchange. For this figure, full and partial reporting have been combined as one figure to facilitate a general comparison. The dark centre line in Figure 4 represents all enterprises in the survey and provides an overview of the reporting practices for the different categories.

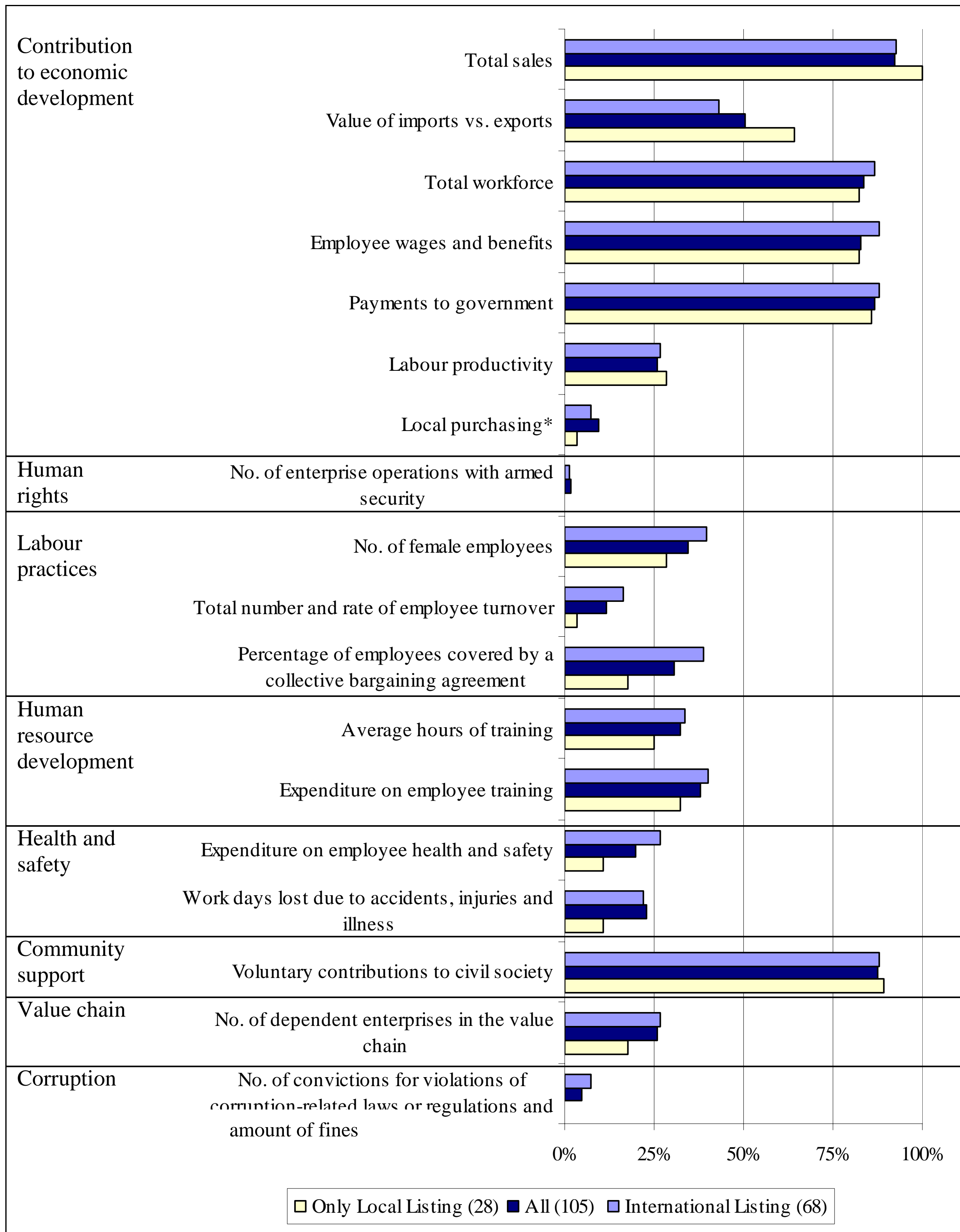
One general observation is that while internationally listed enterprises tend to have higher rates of reporting for *most* of the selected indicators, they do not have higher rates of reporting for *all* of the indicators. Specifically, locally listed enterprises tend to have significantly higher rates of reporting on the indicators "total sales" and "value of imports vs. exports" found in the category "contribution to economic development". This difference in reporting practices may be the result the difference between companies that focus primarily

on one national market, and companies that focus on multiple markets around the world. Locally listed enterprises tend to focus on one national market, and therefore tend to provide more nationally oriented economic data. In contrast, internationally listed enterprises are often globally active TNCs and therefore tend to provide more globally or regionally consolidated reports.

Outside of the category “contribution to economic development” the internationally listed enterprises tend to have significantly higher rates of reporting for all indicators, except “voluntary contributions to civil society”, which is reported on by nearly the same number of enterprises in both groups. For some of the indicators, at least part of the higher rate of reporting for enterprises listed on international exchanges is due to the listing requirements of the major international financial markets: the indicator on “percentage of employees covered by a collective bargaining agreement” for example, is often reported by enterprises listed in the United States, due to a US Securities and Exchange Commission requirement to report on “information regarding the relationship between management and labor unions” (Item 6-D in Form 20-F).

Figure 4. Comparison between internationally-listed companies and only locally listed companies

Percentage of enterprises reporting selected CR indicators; both full and partial disclosure
(Number in parentheses indicates sample size)



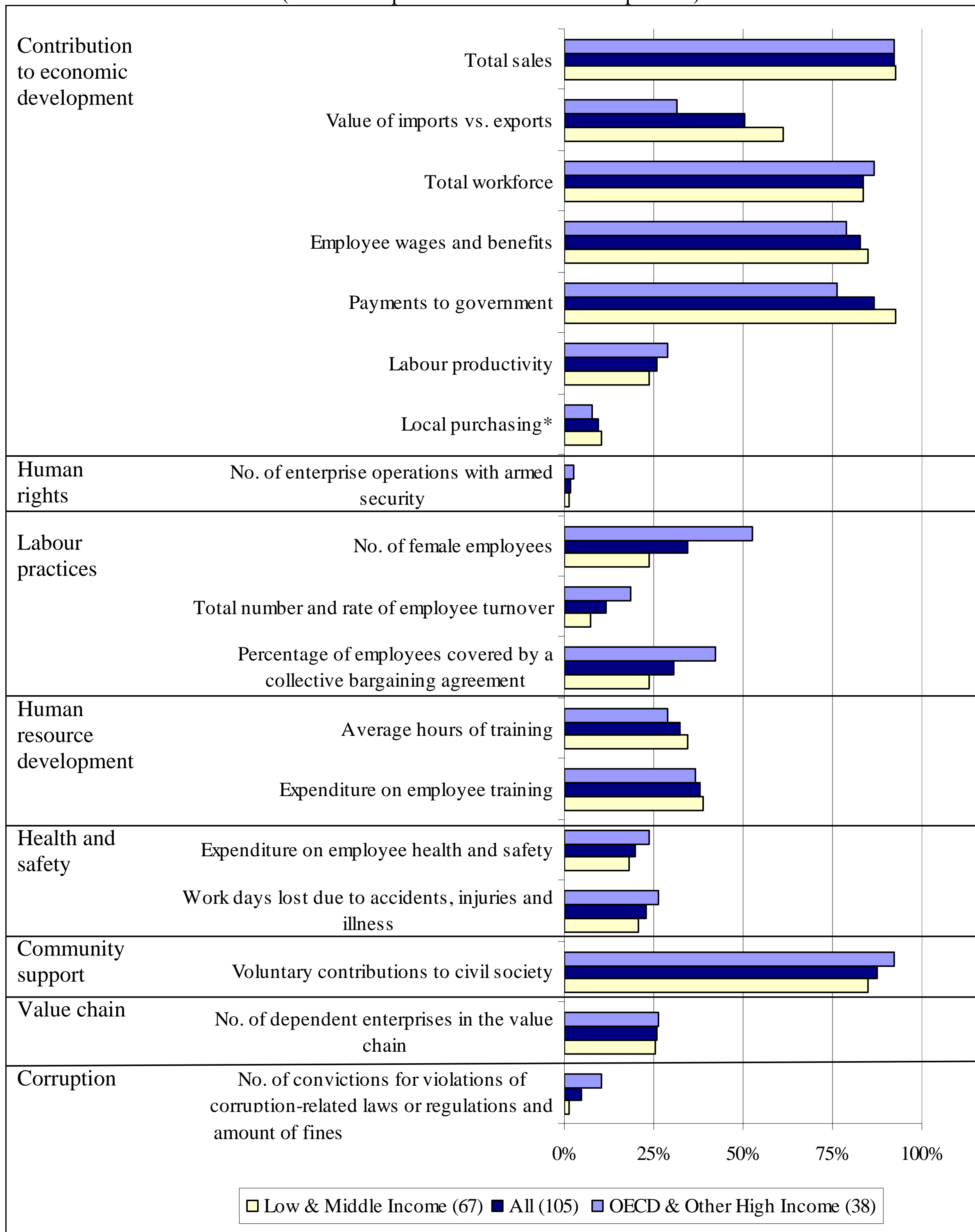
D. Comparison of CR reporting between enterprises from high-income and low- and middle-income countries

Figure 5 compares the reporting practices of enterprises based in high income countries with those based in middle and lower income countries. For this figure, full and partial reporting have been combined as one figure to facilitate a general comparison. The dark centre line in Figure 5 represents all enterprises in the survey and provides an overview of the reporting practices for the different categories.

Analyzing enterprise reporting based on country income level produces a much more mixed set of findings than those found in the analysis based on type of listing. For many indicators, countries from low and middle income countries have a higher rate of reporting. This is particularly true for the indicators in the two categories “contribution to economic development” and “human resource development”. At the same time, enterprises from high-income countries tend to have a higher rate of reporting for the indicators in the three categories “labour practices”, “health and safety” and “corruption”. This difference in reporting practices may reflect differences in demands among stakeholders: in low and middle income countries, there may be more demand for information on contribution to economic development, while in high income countries, there may be greater demand for information on the non-economic impacts of enterprises. These differences in stakeholder demands, may in turn may reflect different developmental priorities, with developing countries having a greater focus on economic development issues (e.g. job creation and poverty reduction), and developed countries having a greater focus on social and environmental issues (e.g. labour practices and emissions).

Figure 5. Comparison between enterprises from high-income countries and low- and middle-income countries

Percentage of enterprises reporting selected CR indicators – both full and partial disclosure
(Number in parentheses indicates sample size)



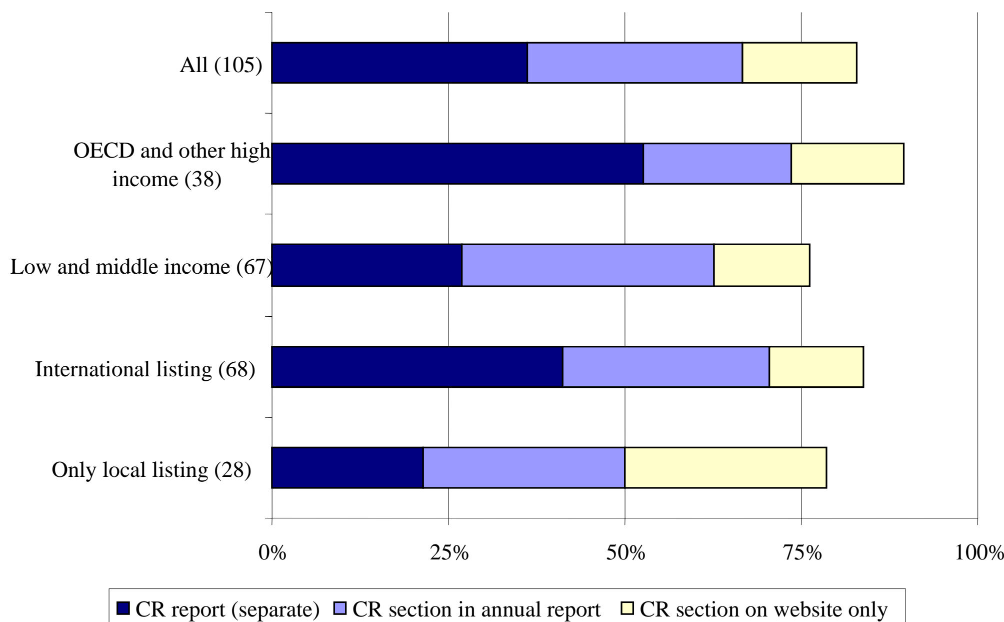
E. The reporting context: prevalence and forms of CR reporting

In order to better understand the overall rate of CR reporting as well as the location of that reporting, Figure 6 below provides an overview of the percentage of enterprises in the survey reporting CR information, along with the location of that information, e.g. CR reports separate from the annual report, CR sections in the annual report, and CR sections on the website only.[21] This analysis shows that most of the enterprises in the survey are reporting on CR issues, with a large portion of them reporting on these issues either in a separate CR report (most common for enterprises from high income countries) or in a section of the annual report (most common for enterprises from low and middle income countries). Reporting CR information only on a company's website is most common among only locally listed enterprises.

This finding is similar to the results of KPMG and the Corporate Register discussed above. According to the KPMG data, 52 per cent of Global 250 enterprises produce a separate CR report, with an additional 12 per cent producing a CR section in their annual financial reports. As most of the Global 250 originate from high income countries, this finding compares closely with the result of this survey, where 53 per cent of enterprises in high income countries were found to have separate CR reports and a further 21 per cent were found to have CR sections within their annual financial reports. It should be noted, however, that methodological differences between this survey and those of KPMG and the Corporate Register can account for some significant differences. For example, the CorporateRegister.com website only tracks CR sections in annual reports if those sections are at least six pages in length. In this survey, CR sections within annual reports were counted regardless of length, as long as they appeared as distinct sections focused on an established topic of CR.

Figure 6. Enterprises reporting CR information and the location of that information

(Number of enterprises in parentheses)



III. CONCLUSIONS

This report is the first ISAR review of the reporting status of corporate responsibility indicators based on the indicators identified during the 22nd session of ISAR in the paper TD/B/COM.2/ISAR/29 "Guidance on Corporate Responsibility Indicators in Annual Reports" (ISAR/29). The corporate reports of 105 enterprises from 71 economies were surveyed to identify the prevalence of the corporate responsibility indicators identified in ISAR/29. The resulting data has been analyzed based on type of enterprise listing and country income. The survey also includes an analysis of the location of that information.

Recent trends indicate that CR reporting has become a mainstream practice among large enterprises, and that social issues, along with environmental and governance issues, are increasingly being integrated into investment decision making, especially among large institutional investors. Both reflecting and reinforcing this trend are a number of new international instruments, such as the United Nations Principles for Responsible Investment. One area of ongoing weakness, however, is the lack of harmonization of existing reporting practices and the need for improvement in the areas of comparability and materiality.

The findings of this analysis of the reporting practices show that 12 of the 17 selected indicators in ISAR/29 are reported, at least partially, by a 25 per cent or more of the enterprises in the survey. Reporting rates for the selected indicators in the category of "Contribution to Economic Development" were generally the highest among all enterprises, with 5 out of 6 of the selected indicators being reported on, at least partially, by 50 per cent or more of enterprises.

Further analysis on the CR reporting practices of enterprises can serve as a useful tool for refining and finalizing the selected indicators found in ISAR/29, and the methodology for reporting the indicators found in ISAR/34. This detailed examination of reporting practices also provides valuable examples of good practices that could be highlighted in case studies to assist enterprises in the practical application of reporting the selected indicators.

ANNEX

DETAILS OF FULL AND PARTIAL DISCLOSURE FOR CR INDICATORS

(Number of enterprises in parentheses)

Indicator	All (105)		International listing (68)		Only local listing (28)		OECD and other high income (38)		Low and middle income (67)		SOE (24)	
	Full	**Partial**	**Full**	**Partial**	**Full**	**Partial**	**Full**	**Partial**	**Full**	**Partial**	**Full**	**Partial**
Contribution to economic development (in per cent)*												
Total sales	**90**	3	**93**	1	**93**	7	**92**	0	**88**	4	**96**	4
Value of imports vs. exports	**34**	16	**32**	10	**43**	21	**18**	13	**43**	18	**38**	21
Total workforce	**84**	0	**87**	0	**82**	0	**87**	0	**84**	0	**88**	0
Employee wages and benefits	**59**	24	**59**	28	**68**	14	**39**	39	**70**	15	**83**	17
Payments to government	**47**	40	**44**	44	**54**	32	**32**	45	**55**	37	**75**	17
Labour productivity	**22**	4	**21**	6	**29**	0	**21**	8	**22**	1	**29**	0
Local purchasing*	**9**	1	**7**	0	**4**	0	**8**	0	**9**	1	**8**	0
Human rights (in per cent)												
No. of enterprise operations with armed security	**0**	2	**0**	1	**0**	0	**0**	3	**0**	1	**0**	0
Labour practices (in per cent)												
No. of female employees	**24**	10	**26**	13	**25**	4	**37**	16	**16**	7	**13**	0
Total number and rate of employee turnover	**10**	2	**15**	1	**0**	4	**16**	3	**6**	1	**13**	0

Indicator	All (105)		International listing (68)		Only local listing (28)		OECD and other high income (38)		Low and middle income (67)		SOE (24)	
	Full	**Partial**	**Full**	**Partial**	**Full**	**Partial**	**Full**	**Partial**	**Full**	**Partial**	**Full**	**Partial**
Percentage of employees covered by a collective bargaining agreement	**12**	18	**18**	22	**4**	14	**18**	24	**9**	15	**4**	17
Human capital development (in per cent)												
Average hours of training	**25**	8	**26**	7	**14**	11	**26**	3	**24**	10	**17**	8
Expenditure on employee training	**21**	17	**22**	19	**18**	14	**13**	24	**25**	13	**21**	13
Health and safety (in per cent)												
Expenditure on employee health and safety	**9**	11	**9**	18	**11**	0	**5**	18	**10**	7	**8**	8
Work days lost due to accidents, injuries and illness	**22**	1	**22**	0	**11**	0	**26**	0	**19**	1	**8**	4
Community support (in per cent)												
Voluntary contributions to civil society	**83**	5	**84**	4	**82**	7	**84**	8	**82**	3	**58**	17
Value chain (in per cent)												
No. of dependent enterprises in the value chain	**13**	12	**16**	12	**7**	11	**18**	8	**10**	15	**0**	29
Corruption (in per cent)												
No. of convictions for violations of corruption-related laws or regulations and amount of fines	**5**	0	**7**	0	**0**	0	**11**	0	**1**	0	**4**	0

*Due to rounding errors, the numbers in this table may not match exactly the charts in the main body of the document.

ENDNOTES

[1] Company size is measured by sales for the Global 250, and revenues for the National 100. The National 100 group is made up of the largest 100 companies from 16 different countries (i.e. 100 x 16 = 1,600). The 16 countries are: the United Kingdom, Japan, Italy, France, Spain, the Netherlands, Australia, Denmark, Finland, Norway, Germany, South Africa, Belgium, Canada, Sweden, and the United States of America. KPMG, "International Survey of Corporate Responsibility Reporting 2005". Available from www.kpmg.com.
[2] Context (2006). "Reporting in Context: Global Corporate Responsibility Reporting Trends 2006" www.econtext.co.uk, page 11.
[3] KPMG and the Universiteit van Amsterdam (2005). "KPMG International Survey of Corporate Responsibility Reporting 2005". www.kpmg.com, page 5.
[4] Context, *op. cit.,* page 5.
[5] KPMG, *op. cit.,* page 20.
[6] Context, *op. cit.,* page 9.
[7] The CorporateRegister.com tracks CR sections in an annual financial reports if the CR section is at least six pages long.
[8] Mercer Investment Consulting (2006). "2006 Global Fearless Forecast Survey" www.merceric.com.
[9] Deloitte Touche Tohmatsu and the Economist Intelligence Unit. (2004). "In the dark – What boards and executives don't know about the health of their business". www.deloitte.com.
[10] United Nations Principles for Responsible Investment, www.unpri.org.
[11] SIF (2006). "2005 Report on Socially Responsible Investing Trends in the United States: 10 Year Review". Social Investment Forum. www.socialinvest.org.
[12] Please see www.socialinvestment.ca.
[13] EuroSIF (2006). "European SRI Study 2006", European Social Investment Forum, www.eurosif.org.
[14] The countries included in the EuroSIF survey are: Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland and the United Kingdom.
[15] EIA. (2005). "Sustainable Responsible Investment in Australia – 2005". Ethical Investment Association. www.eia.org.au.
[16] JSE. (2006). "SRI Index: Quotes from Some of the Constituents". Johannesburg Stock Exchange, April 25. Quote by Adv Selby Baqwa, Group Executive, Enterprise Governance and Compliance, Nedbank Group. www.jse.co.za/sri.
[17] IFC estimate quoted in SIF (2006). See note 6 above.
[18] ASrIA. (2006). "Taking Stock: Adding Sustainability Variables to Asian Sectoral Analysis". Association for Sustainable and Responsible Investment in Asia. www.asria.org.
[19] IFC (2006). "IFC Adopts New Environmental and Social Standards". Press release. www.ifc.org.
[20] July 2006. "Financial Institutions Announce Revision of Equator Principles". www.equator-principles.com.
[21] Enterprises that publish separate CR reports typically make reference to these reports in their annual report and their website. The distinction made here is between enterprises that use a separate CR report, and those that publish CR information in their annual report *without* a separate CR report. Website only publication indicates that the company does not publish CR information in a separate CR report or its annual report, but does publish such information on its website.