

European Companies Lead Trend for More Socially Responsible Disclosure

by Mark Van Clieaf

Increasing
Investor
Confidence

Although North American companies lag behind European companies in reporting on their corporate and social responsibility metrics, more and more North American investors – including institutional investors – are looking at corporate social responsibility (CSR) as measures to help manage investment risk.

The recent corporate governance scandals have highlighted the growing connections between corporate responsibility and shareholder value. In the U.K., new standards for reporting include financial, strategic, as well as social and environmental factors which are material to shareholder value. The Association of British Insurers published in 2001 reporting guidelines for social, ethical, and environmental factors that would be helpful to investors. The accompanying table shows the 2003 disclosures of top U.K. companies.

SustainAbility, a U.K. firm, formed a partnership with the U.N. to publish a global survey of the quality of corporate reporting about worldwide financial, environmental and social

practices. Many companies are not included in their global Top 50 because they engage in “greenwash.” That is, SustainAbility believes they self-promote their approaches to CSR without meeting established standards.

In North America, only eight companies are in the Top 50: Bristol-Myers Squibb, Baxter International, Chiquita Brands, General Motors, Suncor Energy, BC Hydro, Alcan and Procter & Gamble.

P&G’s Approach

Although CSR is not a compliance requirement, P&G is undertaking CSR and related reporting as a “way of doing business.” Procter & Gamble issued a 2003 sustainability report called, “Linking Opportunity with Responsibility.” This report talks about the Global Reporting Initiative, which established reporting standards for economic, social and environmental factors. P&G has demonstrated that it follows these standards.

CSR and sustainability initiatives will ONLY become a “way of doing business” when it is included in the accountability structure and organization design of companies. Compen-

CSR Disclosures in Europe

| 2003 Disclosure | FTSE* Top 250 Companies |
|-------------------------|-------------------------------|
| Full CSR Disclosure | 2 % |
| Moderate CSR Disclosure | 46 % |
| Limited CSR Disclosure | 41 % |
| No Disclosure | 11 % |

* The Financial Times Stock Exchange (FTSE) is the index widely used for stocks traded on the London Stock Exchange.

Source: Association of British Insurers (ABI)

sation, reward structures, and investor relations’ strategies of companies will need to be aligned with this new accountability structure and bottom line approach to corporate and investor success. ☒

For further research on best practices in organization / accountability design, and leadership assessment to drive shareholder value see www.mvcinternational.com; Mark Van Clieaf, managing director MVC Associates International; Mark@MVCInternational.com.