OPPORTUNITIES AND OBSTACLES FOR CORPORATE SOCIAL RESPONSIBILITY REPORTING IN DEVELOPING COUNTRIES

Dara O'Rourke
University of California, Berkeley

for the Corporate Social Responsibility Practice of the World Bank Group

March 2004

THE WORLD BANK

IFC
INTERNATIONAL FINANCE CORPORATION
World Bank Group

Table of Contents

Acronyms and Abbreviations

AA1000	AccountAbility 1000 Assurance Standard
BSR	Business for Social Responsibility
CalPERS	California Public Employees' Retirement System
CSR	Corporate Social Responsibility
EPA	Environmental Protection Agency
EITI	Extractive Industries Transparency Initiative
ETI	Ethical Trading Initiative
EU	European Union
FLA	Fair Labor Association
FWF	Fair Wear Foundation
GFT250	Top 250 Firms in the Global Fortune 500
GRI	Global Reporting Initiative
MNC	Multinational Corporation
NGO	Non-Governmental Organization
NPRI	National Pollutant Release Inventory
NRE	Nouvelles Regulations Economiques
OECD	Organisation for Economic Cooperation and Development
PDA	Personal Digital Assistant
PR	Public Relations
PRTR	Pollutant Release and Transfer Registers
PWYP	Publish What You Pay
SAI	Social Accountability International
SBS	Social Balance Sheets
SEC	Securities and Exchange Commission
SME	Small and Medium-sized Enterprise
SRI	Socially Responsible Investment
TRI	Toxic Release Inventory
WBCSD	World Business Council for Sustainable Development
WRAP	Worldwide Responsible Apparel Production
WRC	Worker Rights Consortium

Executive Summary

Governments seeking to advance sustainable development are increasingly turning to policies and strategies that encourage, support, mandate, or directly demonstrate more socially and environmentally sound business practices. A central component of these policies involves promoting increased transparency of economic activities. This disclosure is designed to support market-based incentives (such as product differentiation), public awareness and pressures, and government enforcement. Transparency mechanisms can be advanced on at least two different levels: disclosure of government inspection and factory audit reports, or disclosure of Corporate Social Responsibility (CSR) practices, including both the positive and negative impacts of business operations on labor standards, the environment, economic development, human rights, and governance issues. This report focuses on CSR reporting.

Encouraging Corporate Social Responsibility reporting, or more specifically public disclosure of the social and environmental impacts of firm practices is becoming an increasingly important governmental and non-governmental policy strategy. CSR reporting is seen as a linchpin of efforts to evaluate the impacts of corporate activities, to identify best practices, and to promote continuous improvements in firm performance. CSR reporting has been taken up by governments to support efforts to regulate the adverse impacts of economic activities, to promote more socially responsible business practices, and to support development goals.

BACKGROUND TO THIS REPORT

Because of the potential societal benefits associated with CSR reporting, the World Bank is now evaluating whether encouraging CSR reporting might be of interest and benefit to developing country governments. If sufficient data were available, it is possible that developing countries could leverage the CSR achievements of local firms to attract investment and export opportunities, and also use CSR reporting of multinational corporations to support local economic development efforts. The extent to which a market exists for this information, and how investors and manufacturers respond to this information requires further study. Similarly, attempts to aggregate firm level data on CSR performance for use at a national or international level are still quite new.

However, in order to begin to evaluate these issues, the World Bank commissioned this study of transparency and CSR reporting. This paper analyzes:

- Current CSR reporting activities in developed and developing countries;
- Characteristics of companies most likely to report;
- Existing and potential uses of data generated by CSR reporting;
- Criteria for evaluating CSR reporting systems;
- Impacts of CSR reporting on stakeholder decision-making in developing countries;
- Impacts of CSR reporting for development objectives;
- Challenges and obstacles to effective CSR reporting;
- Conditions necessary to support the implementation of CSR reporting; and,

- Potential public sector roles to strengthen and support implementation of CSR reporting in developing countries.

The focus of this study is on CSR reporting in supply chain industries with high social or environmental impacts. The study considers cases from a wide range of industries and issue areas: environment, health, labor rights, governance, and social impacts. The paper evaluates current reporting initiatives, challenges and problems with these initiatives, and strategies for improving reporting systems. The report also discusses how CSR activities and reporting might better address local development priorities.

The paper concludes with a preliminary proposal—designed largely to begin a discussion—for a pilot program to advance CSR reporting in developing countries. The pilot program is proposed in part to develop a reporting system that explicitly focuses on developing country issues and concerns and that produces information that is "material" to local stakeholders such as workers, community members, and local firms. The pilot may also seek to test the hypothesis that CSR reporting can substantively support development goals. The proposed pilot program focuses on the apparel and mining sectors as examples of challenging industries which are experiencing increasing demands for corporate disclosure, and seeks to advance new roles for developing country governments in promoting local socially responsible development.

Above all, this report seeks to begin a dialogue regarding CSR reporting and to advance efforts to promote transparency and social accountability in the global economy.

CURRENT TRENDS IN CSR REPORTING

Corporate reporting—whether mandated or voluntary—on environmental, social, labor, and human rights issues is a relatively new phenomenon. While a small number of firms have irregularly published information on their nonfinancial performance, more systematic and standardized systems of social and environmental reporting only emerged in the late-1980s and early-1990s.

Since the 1980s, governments, firms, and NGOs around the world have developed a wide range of reporting systems with goals as diverse as reducing pollution, mitigating health and safety risks, spotlighting (and thus rooting out) corruption, improving public service delivery, and protecting civil rights. With each new initiative in public reporting, public demands for fuller information and a deeper "right-to-know" appear to solidify.

These initiatives have been driven by a range of pressures and demands from: consumers, NGOs, unions, investors, governments, community members, and firms themselves.

GOVERNMENT MANDATED REPORTING

There are a large number of governments currently experimenting with or implementing new reporting requirements for corporations. These programs often simply require reporting of factual information in a standardized format on a regular basis. Information is then presented in a manner to allow the public (and government officials) to compare the performance of firms and make decisions based on that information. Financial and environmental reporting are the most advanced of these systems, with some governments requiring or facilitating the public release of factory-level audit information. However, social, human rights, and governance reporting are all emerging very rapidly around the world.

A number of countries are now strengthening and expanding financial reporting requirements to include more stringent disclosures on environmental, labor, and human rights "liabilities" and "risks" that might have a material impact on current or future profits (and thus stock prices) of publicly traded firms. Governments are also strengthening environmental disclosure laws, now generally referred to as Pollutant Release and Transfer Registers (PRTRs). While much newer, there are also now a range of government facilitated social reporting initiatives.

VOLUNTARY REPORTING

Surveys of global firms regarding their public reporting have found that 45 percent of the world's largest firms now produce some form of nonfinancial report, compared to 35 percent of these firms in 1999. As one study found, in 1993, only

13 percent of the top 100 firms in the countries studied produced a health, safety, or environmental report. By 1996, that number had risen to 17 percent, in 1999, 24 percent of firms produced reports, and by 2002, 28 percent of top 100 firms produced reports.

Firms are also increasingly employing independent auditors to verify or assure the data presented in their reports. Third party verification increased gradually during this period from approximately 15 percent of reporters in 1996 to 27 percent in 2002.

There are however, clear geographical and sectoral variations in reporting. A survey conducted by KPMG found that 72 percent of Japanese firms published environmental or social reports, 49 percent of UK firms, and only 36 percent of US firms. The electronics and auto industries had very high reporting rates (90 percent of the firms in one survey) compared to financial services (only 27 percent reporting).

Not surprisingly, large, branded manufacturing firms are currently the most likely to voluntarily report on CSR issues. These firms are most "reputation sensitive" and thus most at risk of critical information or "bad news" about poor practices.

NGOs are also advancing a range of multi-stakeholder initiatives regarding CSR reporting, and raising questions about the issues firms should report on, and how they should report.

IMPACTS OF CSR REPORTING

A critical question of course is whether current reporting initiatives are having any impact. Do they make a difference in consumer preferences and purchases? Do they influence investors away from poor performers and towards good performers? Do they influence firm decision-making at any point along a supply chain? Is the information used by government agencies to more effectively regulate firms or to provide technical assistance? Is information used to support local development decision-making? Essentially, does reporting have any impact on consumers, firms, governments, or other key stakeholders in advanced industrialized countries, and more importantly, does reporting support development goals in developing countries? And if reporting does make a difference, when and under what conditions is it most effective?

Recent research indicates that investors and consumers do respond to information on corporate social responsibility. Investors don't like to be surprised with bad news, or with news that is divergent from existing information on a company. Consumers appear to use bad news to avoid or punish companies, and less often use good news to select products and firms to reward. However, both groups would benefit from more systematic and comparable sources of information.

METRICS OF CSR

With hundreds of corporations now producing reports, a wide range of laws being implemented around the world, and dozens of non-governmental initiatives on transparency and reporting emerging, there is staggering variation in what is reported, in what forms, and for which audiences. Current CSR reporting initiatives disclose information on:

- Environmental Performance;
- Labor Rights;
- Health and Safety Practices;
- Human Rights;
- Community Economic Development and Social Impacts;
- Corporate Governance;
- Corporate Payments to Governments;
- Stakeholder Engagement;
- Supply Chain Management; and,
- Corporate Planning and Policies.

KEY CHALLENGES

There are a number of major challenges to making CSR reporting effective. Questions remain in different sectors and countries on what to report, in what form, to what level of detail, to what audiences, and for what uses. There are also weaknesses and problems with current systems of CSR reporting, and important barriers to expanding public disclosure systems around the world. These include problems of:

- Metrics and Materiality;
- Timeliness and Usefulness of Information;

- Incentives to Disclose;
- Supply Chain Monitoring;
- Costs to Information Producers and Users;
- Analyzing and Translating Information for End Users.

MOVING FORWARD

There is no single reporting system or model of corporate transparency that fits all social or environmental problems. However, there are some basic principles which can support efforts at advancing and improving CSR reporting. First, reporting initiatives should seek to increase the quality of information disclosed. Second, they should work to increase the uses of the information and the benefits to users of the information. Third, they should create mechanisms for learning and continuously improving disclosure systems.

These goals can be supported through explicit efforts to target information to specific stakeholders and decision-making processes. Information should be reported in formats useful to specific users. And efforts should be made to verify that information is used by stakeholders to inform their decisions.

GOVERNMENT ROLES IN CSR REPORTING

To date, CSR reporting has largely been driven from the north, often by large multinational firms, private investors, or non-governmental organizations. Nonetheless, there are important roles for governments, and particularly developing country governments, to play in further advancing reporting systems.

The World Bank has previously grouped government roles in supporting corporate social responsibility into five categories of action: mandating, facilitating, partnering, endorsing, and demonstrating. Each of these strategies of action can support improvements in CSR reporting. Governments, and their citizens, however, must decide how they can most effectively support an environment for socially responsible business, and specifically advance CSR reporting.

A PROPOSED PILOT PROJECT

There is clear potential for government action, particularly in developing countries, to advance and strengthen CSR reporting. However, in thinking about designing an appropriate and effective disclosure system in a developing country, it is also critical to recognize that there are no perfect systems, no easily replicable programs, and no one-size-fits-all standards for reporting.

By starting with a small set of core indicators, verifying that they are material to stakeholders, evaluating uses of the information, and soliciting feedback on the quality of the data, it would be possible to gradually expand and deepen CSR indicators to include sector specific issues. By having reporting be driven by local concerns and capacities, it would also be possible to gradually connect to and compare against global reporting schemes.

Government agencies and NGOs could play a key role in verifying CSR reporting information, and gradually working to improve the credibility and accountability of reporting.

Finally, a government agency could work to aggregate data, and to produce a national CSR report. This information would support future comparisons of country-level performance on CSR issues. The program could also help local firms establish and demonstrate their social and environmental performance, and facilitate socially and environmentally responsible firms connecting into high value supply chains.

1. Introduction

There is a growing global trend towards both government mandated and voluntary corporate disclosure of information on the environmental, labor, human rights, and social impacts of business practices. The goal of this reporting, grouped here under the rubric of Corporate Social Responsibility (CSR) reporting, is to generate new and better information on the performance of firms, to support more informed decision-making by key stakeholders, and ultimately to create new incentives for firms to reduce adverse impacts of their activities. Public access to this information is hypothesized to support market incentives, reputational pressures, and new forms of regulation motivating firms to improve practices.

Governments seeking to advance more sustainable development are increasingly turning to policies and strategies that encourage, support, mandate, or demonstrate more socially and environmentally sound business practices. A central component of these policies involves promoting increased transparency of firm activities. Transparency mechanisms can be advanced on at least two different levels: disclosure of government inspection and factory audit information, or disclosure of broader Corporate Social Responsibility (CSR) practices, including both the positive and negative impacts of business operations on labor standards, the environment, economic development, human rights, and governance issues.

Public disclosure programs represent a relatively new strategy of corporate governance and have been employed only recently in developing nations. This paper reviews both government-mandated, and voluntary disclosure programs in developed and developing nations, describing a number of leading programs, and assessing what is reported, in what forms, and to what audiences. The paper also reviews challenges and weaknesses of existing reporting programs, and barriers to expanding and strengthening the scope and breadth of disclosure efforts. The paper then lays out a range of roles and functions governments can play in strengthening CSR reporting. The paper concludes with a preliminary proposal—designed largely to begin a discussion—for a pilot program to advance CSR reporting in developing countries.

1.1 BACKGROUND TO THE STUDY

In April 2002, the World Bank Group's Corporate Social Responsibility Practice initiated a program of technical assistance to developing country governments on the policies and instruments they can usefully deploy to strengthen Corporate Social Responsibility (CSR). Examples of roles the public sector has played to strengthen CSR are few, particularly in developing countries. However, to gain a better understanding of existing practices, the World Bank commissioned a baseline study of public sector roles in strengthening CSR. From this study emerged a framework for analyzing five primary categories of public sector roles: mandating, facilitating, endorsing, partnering, and demonstrating. From June 2002 to November 2003, the World Bank provided technical assistance to countries whose national governments sought to explore these potential roles in supporting CSR, including Vietnam, the Philippines, Angola, and El Salvador.

One key aspect of this work involves reporting the social and environmental performance of corporations. CSR reporting is seen as a linchpin of efforts to evaluate the impacts of corporate practices, to identify best practices, to promote continuous improvements in firm performance, and to enable local stakeholders to make more informed decisions about development options.

CSR reporting involves corporate disclosure of both the positive and negative impacts of business operations on labor standards, the environment, economic development, and human rights. CSR reporting has come a long way since the 1980s when reporting focused almost entirely on occupational health and safety and environmental issues. In addition to a general increase in the overall number of companies producing CSR reports, the past five years have seen rapid growth and expansion of CSR reporting to include a broad focus on social, economic, and governance issues.

Because of the potential societal benefits associated with CSR reporting, the World Bank is now evaluating whether encouraging CSR reporting might be of interest and benefit to developing country governments. If sufficient data were available, it is possible that developing countries could leverage the CSR achievements of local firms and attract investment and export opportunities. The extent to which a market exists for this information, and how investors and manufacturers respond to this information requires further study. Similarly, how firm level data on CSR performance might be aggregated for use at a national level is still unclear.

In order to begin to evaluate these issues, the World Bank commissioned this study of transparency and CSR reporting to evaluate:

- Current CSR reporting activities in developed and developing countries and other relevant domestic disclosure initiatives underway;
- Characteristics of companies most likely to report;
- Potential market demand for data generated by CSR reporting among firms, investors, consumers, and local stakeholders;
- Whether CSR reporting could be an effective mechanism for strengthening CSR in developing countries;
- Whether CSR reporting can support development goals;
- Criteria for evaluating CSR reporting systems in a given country;
- Challenges and obstacles to effective CSR reporting among diverse stakeholders (e.g., concerns about transparency, reliability, protectionism, etc.);
- Conditions necessary to support the implementation of CSR reporting among domestic companies in a developing country context;
- Potential public sector roles to strengthen and support implementation of CSR reporting in developing countries.

The focus of this study is on CSR reporting in supply chain industries with high social or environmental impacts. The study considers cases from a wide range of industries and issue areas: environment, health, labor rights, governance, and social impacts. In the proposed pilot program we discuss the apparel and mining sectors as examples of challenging industries which are experiencing increasing demands for corporate disclosure.

Above all, this report seeks to begin a dialogue regarding CSR reporting and specifically on how best to make reporting work. The paper begins this discussion by presenting a framework for examining the issues, assumptions, and feasibility of CSR reporting in developing countries.

1.2 STRUCTURE OF THE REPORT

This report follows a straightforward stucture. We begin with background on the emerging field of CSR reporting, and growing public concerns about corporate practices that have led to increased demands for corporate disclosure of information. We then discuss different stakeholder groups "driving" specific forms of CSR reporting, and the resulting programs, laws, and voluntary initiatives emerging around the world to meet these demands for fuller public information on firm practices and impacts.

The paper then examines recent research evaluating the impacts of corporate reporting of environmental and social practices. In particular we look at stock market and investor responses to corporate disclosures, and broader community and consumer responses to public information on corporate performance.

The paper then discusses existing metrics for evaluating Corporate Social Responsibility, challenges to current CSR measurement and reporting, and strategies for improving measurement and reporting.

We then turn to a discussion of government roles in CSR reporting—from mandating, to facilitating, to partnering, to endorsing, to demonstrating—and how developing country governments might advance these strategies in their own contexts.

Finally, the paper presents a proposal for a pilot program for CSR reporting in a developing country. This includes a step-by-step plan for establishing requirements for reporting, including what to report—possible "Core Indicators"—and strategies for collating, publishing, and using this information to allow key stakeholders to benchmark firms, identify leaders and laggards, and use the information to motivate improved practices.

1.3 THE EMERGING FIELD OF CSR REPORTING

With the globalization of information flows, and the ability of organizations to transmit information literally at the speed of the Internet, companies and countries are increasingly being tracked not only for their economic performance, but also for their social, environmental, labor, and human rights policies and impacts. Socially responsible firms are now listed in sustainability indexes, screened investment funds, and ethical consumer web sites. And socially irresponsible firms are being labeled as "sweatshop" producers, environmental polluters, corrupt actors, or worse in the media and on NGO web sites.

Entire countries are now even sometimes labeled as socially irresponsible locations of production: Burma is widely regarded as a pariah country for its internal political repression and human rights abuses; China is critiqued as a site of "sweatshop" production; Pakistan is viewed by some as a haven for exploiters of child labor; Angola for corrupt mining and oil extraction practices.

And it is not only advocacy groups which are now critically evaluating the performance of companies and countries. In 2002 for instance, the California Public Employees' Retirement System (CalPERS), which manages more than $151 billion in assets, revised its procedures for evaluating developing countries for equity investments. New guidelines analyzed both traditional "market factors" and new "country factors," such as transparency, labor practices, and political stability. Based on these social and political factors, CalPERS recently ended its investments in several countries in Southeast Asia.[1]

Corporations themselves are also increasingly making investment and location decisions based on evaluations of social and environmental risks and country conditions. A recent survey of multinational firms reported that many firms now have lists of countries that are off-limits to sourcing, with over half of the firms surveyed employing country selection criteria that include social indicators.[2] 18 of 19 firms surveyed had policies against sourcing from Burma, which may not be surprising. However, thirty other countries also showed up on company "no sourcing" lists.

A recent World Bank survey of 107 multinational corporations in the extractive, agribusiness and manufacturing sectors found that over 45 percent of firms surveyed chose countries for investment or operation based at least in part on CSR issues, and 36 percent of respondents had actually withdrawn from a country because of CSR concerns. Over 80 percent of companies reported analyzing the CSR performance of potential partner firms in developing countries, and over 50 percent had chosen certain partners over others because of CSR concerns. Fully 88 percent of firms reported that CSR issues are "more influential" or "much more influential" now than five years ago.[3]

Companies are responding to pressures to prove they are responsible actors by not only avoiding "bad" countries, but also by positively affirming their commitments to socially responsible practices, implementing a broad range of CSR activities, developing codes of conduct and monitoring systems, and publishing information to demonstrate this commitment.

British Petroleum (BP), for example, recently reaffirmed its policies against corrupt business practices in developing countries, but went further by actually backing up this policy with a pledge to publish exactly what it was paying developing country governments for oil concessions. John Browne, the CEO of BP, asserted that he was interested in advancing "radical openness" for his company's operations. Nike recently disclosed the average monthly wages of workers in its supply chain factories around the world, and made public the names and locations of garment factories producing goods for US universities—data that was all previously considered confidential business information.

A number of developing country governments have also taken steps towards greater transparency by providing public information on their revenues, budgets, and expenditures. Participatory budgeting initiatives in Brazil and India, diamond revenue disclosure in Botswana, and oil revenue disclosure programs advanced through the new Extraction Industries Transparency Initiative are all examples of new trends towards disclosure of information seldom before made public.

These surprising cases of public reporting might seem to go against current trends in the global economy. The general public's view of multinational corporations (MNCs) in this post-Enron world is increasingly skeptical and cynical about unaccountable, non-transparent, and often deceptive firms. However, many firms are now responding to exactly these concerns, and to a growing number of stakeholders demanding that global businesses be socially responsible, publicly accountable, and transparent. Companies are increasingly being asked to publicly report on their environmental, social, and ethical risks, how they are working to manage and reduce these risks, and how these risks might affect their short- and long-term value. In areas as diverse as food safety, drinking water quality, medical practices, toxic releases from industrial facilities, Sport Utility Vehicle rollover risks, and health hazards faced by workers, disclosure is growing as a strategy to inform the public about risks they might face, and to incentivize firms to reduce these risks.[4]

It should be noted that disclosure has been advanced as a strategy not just to identify risks or "bad actors," but also to support a positive agenda for socially responsible business, ethical consumption, sustainable community development, and more democratic political processes. Countries are increasingly viewing disclosure of corporate practices as a strategy of both regulation and incentivizing improved environmental, social, and human rights performance.

1.4 POTENTIAL FUTURES FOR CSR REPORTING

It is not hard to imagine a future level of disclosure and public access to corporate data that would truly empower a new kind of economy, new forms of public accountability, and new levels of corporate social responsibility.

Imagine walking into your local mall, pointing your cell phone or personal digital assistant (PDA) at the tag on a pair of shoes or jeans, pulling up data on the environmental, labor, and human rights impacts of the product, and then making a purchasing decision. Or using your PDA or the Internet to compare two similar toys for their connections to child labor, two computers for their environmental recyclability, or two brands of coffee for their impacts on farm workers' health, and then choosing the one that satisfies your personal ethical commitments. Or more simply, identifying countries that inspire confidence that a product is made in humane and sustainable conditions.

This vision of fuller public access to information on the ethical impacts and performance of different products and firms is not science fiction. It is technically feasible today.[5] Electronic and radio frequency tags, advanced supply chain management and tracking systems, and increased monitoring of global supply chains for environmental, labor, and human rights issues has brought us to the edge of a revolution in disclosure of the "stories" of products' lives and a fuller accounting of the real costs of production in the global economy.

However, there remain critical barriers to this fuller public reporting of product impacts and costs. Despite important advances over the last several years in voluntary reporting systems, public access to systematic information on business practices remains limited. Very little information is available on non-financial performance that is standardized, comprehensive, or comparable across factories, brands, or countries.

Standardized reporting is critical to the future of corporate social responsibility, as it will allow stakeholders to document CSR practices, compare and differentiate firms, support market responses, and institutionalize mechanisms for continuous improvement. And ultimately, more systematic CSR reporting may also be central to developing country strategies for advancing sustainable economic development. For increasingly, firms and countries will be judged not only by the price of their products, but also on their social and environmental performance. For more and more consumers, sales will be based at least in part on CSR concerns. Documenting performance to meet these concerns will be critical to accessing these markets.

2. Drivers of CSR Reporting

"Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants."

—*Louis Brandeis, 1932.*

The primary drivers for CSR reporting have come from a range of social actors and interests: public demands for a "right-to-know" about the impacts of corporate activities, consumer concerns about environmental and social impacts of specific products, government attempts to use disclosure as a strategy of regulation, and financial institution demands for fuller disclosure of non-financial risks. Reporting is in some cases mandated by government agencies (such as for toxic release inventories), required of firms who participate voluntarily in trade associations (such as the World Business Council for Sustainable Development (WBCSD)) or multi-stakeholder initiatives (such as the Fair Labor Association (FLA)), requested by financial institutions (such as socially responsible investment funds), or simply a response to consumer, worker, or community requests for information. Disclosure has become a strategy for both creating and responding to market incentives for improved performance, and a means for mitigating risks of market sanction.

2.1 THEORIES OF INFORMATION DISCLOSURE

CSR reporting supports basic market dynamics. One of the central assumptions of market economics is that full information is required for the efficient functioning of markets. Information disclosure strategies attempt to deal with the "market failures" of information asymmetry and externalities. Faulty or incomplete information, it is hypothesized, may lead stakeholders to make economic or social decisions which are actually not in their best interest (and thus fail to maximize their utility).[6]

The basic premise of information disclosure programs is thus to provide interested parties with more and better information upon which to base their decisions. As the WBCSD asserts, "If business believes in a free market where people have choices, companies must accept responsibility for informing consumers about the social and environmental effects of those choices."[7]

In slightly more theoretical terms, there is also a Coasian efficiency argument for increased transparency.[8] Disclosure of information on externalities will increase information available to impacted parties, which can support negotiations over the fair distribution of those impacts. The more information available, the greater chance of an efficient allocation of the costs and benefits of an economic activity. Furthermore, public disclosure of externalities is hypothesized to support the more rapid identification of solutions to externalities, either by stimulating preventive corporate actions (to avoid costly disclosures), or by motivating citizen actions to pressure for solutions to environmental and social problems. Providing fuller information to key stakeholders is also likely to lead to different choices by consumers, investors, employees, external stakeholders, and even competitors, thus potentially shifting market incentives and firm actions.[9]

A critical aspect of information asymmetry problems is that individuals (and particularly poor people) are less likely to have the resources to gather information on firm practices and impacts than firms themselves. There is thus a central role for governments to play in facilitating or mandating disclosure that provides equal information to all stakeholders.

2.2 GOVERNMENT USES OF INFORMATION

There is also a regulatory aspect to information disclosure systems. Governments around the world have turned recently to public reporting systems as a complement to traditional command-and-control regulatory mechanisms. This has been motivated in part by continuing critiques of current systems of labor and environmental regulation.[10] These critiques have grown louder in the face of new challenges of regulating global firms and mobile supply chains. Traditional regulations and the government-implemented monitoring and enforcement systems upon which they depend, are arguably being outpaced by changes in the global economy.

Governments are thus looking for new strategies to more effectively regulate the environmental, labor, and social impacts of industry. Governments appear to be particularly interested in disclosure systems that may also be more cost-effective, flexible, and decentralized, and that build on market mechanisms and public participation.

2.3 CONSUMER CONCERNS

Growing concerns among the public about the environmental and social impacts of the products they buy, the places they work, and the communities they live in, have also led to new demands for corporate disclosure. The on-going globalization of information flows has allowed labor, environmental, and human rights groups to raise public awareness about the negative impacts of production and to target individual company practices. Globalization of branding, and the interconnections between high-value supply chains and low-cost sites of production, have given rise to a mushrooming field of labels, certifications, and disclosure schemes.[11]

On-going media accounts of corporate scandals, pollution incidents, health problems, and stories of sweatshops have created new reputational pressures on multinational corporations. Brands, which represent a critical currency in the global economy, are under attack from activists around the world. Advocacy groups have become increasingly sophisticated and effective in their corporate research and information dissemination campaigns to create market pressures on MNCs to change their practices.

However, it remains extremely difficult (if not impossible) for consumers and investors to distinguish the performance of similar firms based on existing information. Consumers for instance, cannot systematically compare the performance of Nike versus adidas, BP versus Shell, or International Paper versus Boise Cascade. Firms are thus taking steps to develop systems of reporting that can effectively communicate their commitments, policies, actions, and performance.

2.4 INVESTOR CONCERNS

Firms must also increasingly demonstrate their social and environmental performance to investors – both traditional mainstream investors, and growing numbers of socially responsible investors. The financial sector today demands much fuller information on risks and liabilities, including non-financial risks. In fact, a number of countries now require this disclosure to reduce risks and liabilities for retirement and pension funds. Research has shown important correlations between environmental performance and financial results.[12] Non-financial risks are increasingly crucial to firm performance. Investors thus demand better measures of management practices and systems for handling current and future liabilities.[13] This fuller reporting of CSR issues provides information for investors to select superior environmental or social performers, and to avoid poor performers.

Financial markets have increased their interest in CSR reporting due to the growth in demand for socially responsible investments (SRI) by institutional and individual investors. Several prominent SRI indices have been established over the last few years, including the FTS4Good index in London and the Dow Jones Sustainability Index in New York. Questionnaires, interviews, and surveys conducted for these indexes, as well as for SRI rating firms, SRI research firms, and screened mutual funds, have forced corporations to be more transparent about their social and environmental performance. Investor requests for CSR information have gained motivational force as the socially responsible investment community has expanded to now manage some $3 trillion in assets in the US alone. These investors are increasingly working together to motivate standardized reporting. As just one example, in 2000, a group of financial investors controlling over $140 billion in assets sent a letter to the CEOs of the 500 largest firms in the US urging them to report their performance on sustainability measures proposed by the Global Reporting Initiative.[14]

2.5 CORPORATE INTERESTS IN REPORTING

There are actually a number of benefits of these demands on firms to report information that they had previously either not tracked, or at least not made public. First, the process of developing reporting systems, measuring performance, and tracking changes over time can support the development of information systems that improve internal management of risks, stakeholder concerns, and bottom-line issues. If done right, reporting can lead to significant internal learning within a firm. Companies can also learn about best practices in their industries, new ways of operation, and better systems of management. Reporting can also support self-regulation to prevent future liabilities and risks.[15] By measuring, managing, and reporting on problems in their supply chains, firms can work to minimize actual risks to profitability, maintain or create market access, and manage problems as they emerge.[16]

Fuller public disclosure of CSR practices can also help to improve a company's reputation and brand value. A positive public image, backed up by transparent operations, can help to recruit and retain top quality employees (who are increasingly concerned about social, environmental, and ethical issues), get a company listed in socially or environmentally screened funds, and improve relations with stakeholders such as host communities. Public transparency may be the single most effective way to win back trust and respond to the current credibility crisis for MNCs operating around the world.

Public disclosure may also improve firm-NGO relations, and the quality of public participation in corporate issues. With better information, the public can play a more effective role in addressing environmental and social problems, and better understand the opportunities and constraints on businesses.

2.6 OTHER STAKEHOLDER INTERESTS

There are numerous other stakeholders who can benefit from improved corporate reporting. In developing countries, local community members often lack information on the potential environmental and health impacts of the industries operating in their neighborhoods. Workers rarely have access to information on the real risks they face in accepting employment in industrial facilities. And local governments almost never publicly calculate the costs and benefits of specific economic activities and their impacts on broader development goals. Providing fuller (or in most cases any) information on the environmental, social, and economic impacts of business activities would allow developing country stakeholders to make more informed decisions about individual and collective development alternatives. Clearly not all investments or jobs are equal. Developing country stakeholders should have information available on which to make informed decisions about development alternatives.

3. Trends in CSR Reporting

"Pressures for transparency will undoubtedly intensify moving forward."

—Business for Social Responsibility, 2002

Corporate reporting—whether mandated or voluntary—on environmental, social, labor, and human rights issues is a relatively new phenomenon. While a small number of firms have irregularly published information on their non-financial performance, more systematic and standardized systems of social and environmental reporting only really emerged in the late-1980s and early-1990s.

Public reporting initiatives received increased attention after the catastrophes in Bhopal, India, and Valdez, Alaska in the 1980s. The Bhopal chemical disaster, and a similar accident at a Union Carbide facility in West Virginia, led the US Congress to pass the Emergency Planning and Community Right-to-Know Act of 1986 which mandated corporate disclosure of emissions of toxic chemicals through the Toxic Release Inventory (TRI). The Exxon Valdez oil spill prompted a group of socially responsible investment firms, public pension funds, and environmentalists to establish the Valdez Principles, later renamed the CERES Principles, which called for voluntary reporting of key environmental information.

Since the passage of the TRI and the development of the CERES principles, governments, firms, and NGOs around the world have developed a wide range of reporting systems with goals as diverse as reducing pollution, mitigating health and safety risks, spotlighting corruption, improving public service delivery, and protecting civil rights.[17] With each new initiative in public reporting, public demands for fuller information and a deeper "right-to-know" appear to solidify.

3.1. GOVERNMENT MANDATED REPORTING

There are a large number of governments currently experimenting with or implementing new reporting requirements for corporations. These programs often simply require reporting of factual information in a standardized format on a regular basis. Information is then presented in a manner to allow the public (and government officials) to compare the performance of firms and make decisions based on that information. Financial and environmental reporting are the most advanced of these systems. However, social, human rights, and governance reporting are all emerging rapidly around the world.

3.1.1 Financial Disclosure Requirements

The earliest CSR-related reporting requirements originated in financial disclosure laws designed to provide information to investors, such as U.S. Securities and Exchange Commission (SEC) filing requirements. Under the U.S. Securities Act of 1934 (regulation S-K, Items 101, 103, and 303) publicly traded firms are required to disclose "material information"—whether financial or non-financial—such as environmental liabilities, costs of complying with environmental and other laws, costs of not complying with these laws, pending legal proceedings on environmental or other issues, and any known trends or uncertainties that might affect the company profits such as environmental risks, changes in laws, revocation of permits, etc.[18]

Despite these statutory requirements, there is currently a low level of compliance among publicly traded firms in the US with non-financial disclosure requirements. A 1998 EPA study on disclosure of environmental legal proceedings in 10-K statements found a non-reporting rate of over 74 percent, and only 16 percent of the firms engaged in civil or administrative legal proceedings properly disclosed those proceedings.[19]

A number of countries are now strengthening and expanding financial reporting requirements to include more stringent disclosures on environmental, labor, and human rights "liabilities" and "risks" that might have a material impact on current or future profits (and thus stock prices) of publicly traded firms. The French government for instance, promulgated the Nouvelles Regulations Economiques (NRE) in 2001 which requires mandatory disclosure of social and environmental issues in annual financial reports for all firms listed on the "premier marche" stock exchange. The NRE established indicators against which firms must report on labor, health and safety, environmental, social, human rights, and community engagement issues. 2002 was the first year publicly traded companies were required to report on these indicators, leading to a notable rise in "voluntary" CSR reporting in France.

Another example is the 2001 revision of British pension fund regulations, which require pension funds to disclose the extent to which CSR issues are considered in their investment decisions. This requirement seems to have motivated an increase in requests for CSR information from financial analysts and a subsequent increase in CSR reporting among UK firms. The proposed "CORE Bill" on corporate responsibility in the UK would build on these efforts to require mandatory social and environmental reporting for UK listed firms.[20] A current review of Company Law in the UK is also examining these issues, and assessing the types of information that should be considered "material" for social and environmental disclosure.

In 2002, the Johannesburg Stock Exchange (JSE) became the first exchange to require all listed companies to comply with a code of conduct that stipulates disclosure of non-financial information in the form of "Integrated Sustainability Reporting." This involves mandatory "disclosure of non-financial information" that is "governed by the principles of reliability, relevance, clarity, comparability, timeliness and verifiability with reference to the Global Reporting Initiative Sustainability Reporting Guidelines..." This decision by the JSE marks the first time a major stock exchange has recognized sustainability reporting according to the GRI Guidelines.

3.1.2 Environmental Disclosure

Other early reporting initiatives originated in environmental disclosure laws, now generally referred to as Pollutant Release and Transfer Registers (PRTRs). PRTRs such as the US Toxic Release Inventory (TRI) created in 1986, the Canadian National Pollutant Release Inventory (NPRI) created in 1993, and the Mexican Registro de Emisiones y Transferencia de Contaminantes (RETC) created in 1996, require public reporting of detailed information on the types, locations, and amounts of specific chemicals released or transferred by industrial facilities into the environment.[21]

Both the US TRI and the Canadian NPRI systems require public disclosure of on-site and off-site pollutant releases and transfers from firms operating within their borders. The Mexican RETC currently involves only voluntary reporting, although the government is taking steps towards mandated reporting.[22] At their base, programs such as the TRI are simply pollution accounting systems which require manufacturing firms of a certain size to report their annual emissions of toxic chemicals to the Environmental Protection Agency (EPA).[23] Emissions are self-reported and then compiled by the EPA and stored in a database that is publicly available through the Internet.[24] The EPA does little to check the accuracy of emissions reports, inspecting only approximately three percent of firms in a given year. Reported data do not claim to represent actual measures of emissions, but are based on industry estimates of releases and transfers.[25]

Despite seemingly lax regulation and enforcement, parties on all sides of the toxics debate—from chemical manufacturers to regulators to environmentalists—have acknowledged the success of the TRI. Dow Chemical environmental manager Millard Etling asserts that the TRI's "mandatory disclosure has done more than all other legislation put together in getting companies to voluntarily reduce emissions."[26] Former Vice-President Al Gore proclaimed that "Putting information about local pollution into the hands of the public is the single most effective, common-sense tool available for protecting human health and the environment." Carol Browner, former head of the EPA, argued that the TRI "is quite simply one of the most effective means we have in this country for protecting the health of our people, the health of our environment." Environmentalists go further, calling the TRI "one of the most successful environmental laws in US history,"[27] noted for having done "more to reduce toxic emissions than all of our regulations taken together."[28]

Intermediary groups have been critical to the functioning and effectiveness of programs like the TRI. NGOs that analyze PRTR data play a pivotal role in magnifying pressures from public reporting. The "Scorecard" project sponsored by Environmental Defense,[29] the Right-to-Know Network[30], and the Pollution Watch Scorecard in Canada[31], all make PRTR data more comparable and understandable, and provide simple tools for the public to compare firms within an area, generate lists of the worst polluters in a region, and even generate automated faxes to factory managers inquiring about emissions.

The success of PRTRs in North America has led to their spread around the world. In 2001, the United Nations Economic Commission for Europe promulgated a "Convention on Access to Information, Public Participation in Decision Making, and Access to Justice in Environmental Matters," known as the Aarhus Convention. An international protocol on PRTRs was adopted by parties to the Aarhus Convention in May 2003 which seeks "to enhance public access to information through the establishment of coherent, nationwide pollutant release and transfer registers (PRTRs)." The protocol recommends that national PRTR's be mandatory, with annual reporting of multimedia (air, water, land) emissions, from specific facilities, and for specific pollutant releases and transfers.

A number of developing countries have also experimented with environmental disclosure systems. Recognizing the many barriers and limitations to enforcing their own environmental laws, the Indonesian Environmental Agency (BAPEDEL) decided in 1995 to create a simple pollution disclosure system called PROPER. The idea of PROPER was to "create incentives for compliance through honor and shame"[32] by publicly rating the environmental performance of factories. PROPER assigned a color-coded rating—black, red, blue, green, and gold (in order from worst to best)—to factories based on their compliance with environmental standards. Ratings were based on monthly emissions reports filed by firms and corroborated through spot checks by the environmental agency.

This simple, fairly inexpensive program resulted in significant reductions in pollution. All of the "black" rated firms improved to red or blue between 1995 and 1997, 46 percent of the red firms improved to blue, and 11 percent of the blue improved to green.[33] Factory managers reported that bad PROPER ratings increased pressure from communities, NGOs and the media, a major motivation for improving environmental performance. Information from PROPER ratings also helped managers make better decisions about pollution reduction as the ratings served as an environmental audit of the factory. The PROPER rating system also helped to strengthen BAPEDEL, as the agency had to improve the technical capacity and public accountability of its monitoring.

Similar programs supporting public reporting of environmental information have been, or are currently being developed in the Philippines, China, Mexico, India, Colombia, Bangladesh, Australia, Mexico, Canada, Denmark, Czech Republic, Thailand, the Netherlands, Norway, and Sweden. The European Union has recently promulgated a related "Integrated Pollution Prevention and Control Directive" which requires firms to report pollutant emission data to the European Commission.

3.1.3 Social Reporting

The Belgian government recently adopted the world's first social reporting and labeling law. In order the win the right to display this social label, firms must certify that factories in their production networks meet ILO core labor standards, and then allow government accredited auditors to inspect these factories.

While much newer, there have also been a range of government social reporting initiatives emerging in developing countries. For example, new systems of "participatory budgeting" in Brazil and India have sought to provide information to average citizens on where and how government funds are expended. In Rajasthan, India, campaigns by a local NGO to combat local corruption and to include citizens in auditing government officials have led to experiments in providing citizens with detailed information on government contracts and expenditures.[34] Representatives of the Workers Party in Porto Alegre, Brazil have developed similar institutional reforms to make budgeting processes more transparent and participatory.[35]

Botswana also stands out for its efforts to be more transparent about economic activities, government revenues, and expenditures. In a region renowned for corruption and conflict, Botswana has been listed by Transparency International as the most transparent and least corrupt country in Africa. To avoid being branded as a producer of "conflict diamonds," Botswana has established systems for regulating the diamond trade through increased public reporting of both revenues from diamond production and state expenditures of these revenues. Botswana currently boasts spending almost 27 percent of its budget on education expenses (among the highest per capita education spending in the world).

3.2 "VOLUNTARY" REPORTING

"Some may argue that reporting makes the company more transparent, and therefore exposed to more criticism…we believe that today it is the lack of transparency that is more risky, particularly in the wake of recent corporate scandals."—WBCSD, 2002

There has been a rapid growth in "voluntary" corporate codes of conduct and reporting initiatives over the last 10 years. Almost half of the world's largest firms now regularly report on CSR issues.

3.2.1 Leading Firms

KPMG has surveyed global firms—both the top 250 companies in the Global Fortune 500 (referred to as the GFT250) and the top 100 companies in each of 19 countries—regarding their public reporting every three years since 1993. This survey recently found that 45 percent of the GFT250 now produce some form of non-financial report, compared to 35 percent of these firms in 1999. As KPMG notes, social and environmental reporting "is becoming mainstream business."[36] In 1993, only 13 percent of the top 100 firms in the countries studied produced a health, safety, or environmental report. That number had risen to 17 percent by 1996, 24 percent by 1999, and 28 percent of top 100 firms produced reports by 2002.

Firms are also increasingly employing independent auditors to verify or assure the data presented in their reports. Third party verification increased gradually during this period from approximately 15 percent of reporters in 1996, to 18 percent in 1999, to 27 percent in 2002. The UK and Japan led all countries in the rates at which their firms employed third party verification of CSR reports.

The 2003 Benchmark Survey produced by the European "csr network"[37] found similar trends in corporate reporting. 48 percent of the top 100 firms in the world produced public reports on social or environmental issues in 2002. The csr network evaluated this reporting according to 32 categories and found that:

- 25 percent of companies surveyed produced integrated social and environmental reports;
- 23 percent of companies produced only environmental reports;

Table 1—Global Firms Voluntarily Reporting

	1993	1996	1999	2002
Non-Financial Reporting by the Global Fortune Top 250			35%	45%
Non-Financial Reporting by the Top 100 Companies in 19 Countries	13%	17%	24%	28%
Independent Verification of Reports		15%	18%	27%

Source: KPMG International Survey 2002

- 26 percent of reporting companies published their position with respect to human rights;
- 48 percent of reporting companies disclosed health and safety information;
- 40 percent of reporting companies included independent assurance of their findings (up from 18 percent in 2000);
- 32 percent of firms now have stakeholder engagement processes;
- 75 percent of reporting companies now report their greenhouse gas emissions; and,
- 37 percent of reporting companies made reference to the Global Reporting Initiative (GRI).

3.2.2 Geographic and Sectoral Variation

In both the KPMG and csr network surveys, there were clear geographical and sectoral variations in reporting. KPMG noted that 72 percent of Japanese firms published environmental or social reports, 49 percent of UK firms, and only 36 percent of US firms. The csr network found 70 percent of Japanese firms, 69 percent of European firms, and only 18 percent of US firms reporting.

The high rate of reporting among Japanese firms is likely due to government guidelines on environmental reporting. Growth in reporting in France (from 4 percent in 1999 to 21 percent in 2002) and the United Kingdom (from 32 percent in 1999 to 49 percent in 2002) is likely due to new regulations (being developed or already implemented) requiring reporting by publicly listed firms. This rapid growth in reporting clearly shows the potential of governments to motivate (or mandate) reporting. Reporting is increasing in most countries, with the notable exception of the United States, where corporate reporting has oscillated from a rate of 44 percent in 1996, to only 30 percent in 1999, back up to 36 percent in 2002. The csr network noted that 62 percent of non-reporting companies in their survey were based in the US.

These surveys also found variations in reporting by industrial sector. The electronics and auto industries had very high reporting rates (90 percent of the firms in the csr network survey) compared to financial services (only 27 percent reporting). Interestingly, the KPMG survey also found very high reporting rates in the mining sector. 100 percent of GFT250 mining firms produced CSR reports in 2002, while 33 percent of top 100 mining firms produced reports. As is consistent with other research, larger multinational firms report more frequently than smaller domestic firms.[38]

There is also variation in participation in reporting schemes across countries. Some developing countries are taking a lead in supporting voluntary CSR reporting. Brazil for instance, has developed a national system of "Social Balance Sheets," that although still voluntary, are now quite common among large publicly traded firms.[39] The Social Balance Sheets (SBS) report direct and indirect social and environmental impacts of a company's operations, including employee benefits and labor conditions, ethical codes, product life-cycle impacts, philanthropic investments, etc. More than 500 companies now produce SBS's annually in Brazil, and leading Brazilian NGOs give an award to the company with the best SBS each year.

3.2.3 Characteristics of Firms Most Likely to Report

Based on recent evaluations of firm reporting practices such as the KPMG and csr network surveys, and consumer polling data on firms under pressure to report, it is not surprising that large, branded manufacturing firms are currently the most likely to voluntarily report on CSR issues. These firms are most "reputation sensitive" and thus most at risk of information or bad news about poor practices. Furthermore, according to polls conducted by Marymount University, consumers believe that manufacturers, and not retailers, are responsible for the social and environmental impacts of products.[40]

That said, it is interesting to note from the KPMG surveys that national firms in developing countries are also increasingly reporting. Here again though, we see higher reporting rates within industries that have been targeted by advocacy groups around controversial issues such as human rights and environmental impacts of mining.

These trends would seem to indicate that in the future even small firms that connect into the supply chains of high-profile brands and retailers will be under pressure to report their CSR practices.

3.2.4 NGO and Multi-Stakeholder Reporting Initiatives

Despite the overall growth in rates of disclosure, some NGOs remain critical of both the breadth and depth of corporate reporting. In a survey of member companies, Business for Social Responsibility found that while firms are under increasing pressure to publish social and environmental information, only a few share information on conditions in supplier factories, and none of their respondents provided comprehensive data on the effectiveness of their CSR programs or included external stakeholders in the development of their reporting programs.[41] NGOs have thus sought to expand the universe of firms reporting, the issues they report on, and how they report, through a range of multi-stakeholder initiatives.

The Global Reporting Initiative

A new NGO, the Global Reporting Initiative (GRI), has emerged as one attempt to respond to these reporting debates and problems of standardization. Founded in 1997 in the US, and now based in Amsterdam, the GRI seeks to advance globally applicable guidelines for voluntary self-reporting of economic, environmental and social performance of firms. The GRI is working to establish a global standard for corporate reporting, creating a system analogous to financial reporting procedures for environmental and social issues. GRI has both general "core guidelines" for sustainability reporting that are meant to be applicable to all firms, and is now developing "sector supplements" that provide guidelines for specific industries. These guidelines aim to support and guide a globally accepted CSR reporting framework. As Allen White, the former Executive Director explains, the goal of the GRI is "to make sustainability reporting as routine as financial reporting."[42] While still quite young, over 300 companies from 26 countries have referenced the GRI guidelines in their reporting.

A number of firms however, have complained that the GRI standards for reporting are "setting the bar unrealistically high…[with] a unique blend of measures that were onerous to collect whilst being uninformative."[43] Some firms complain of too many indicators (50 core indicators) that are too difficult to measure and report. While some NGOs and trade groups have complained conversely that the GRI is in essence too weak as it focuses primarily on policy indicators (i.e., whether a company has a policy on a topic or not), rather than actual measures of performance.[44] Nonetheless, the GRI continues to lead efforts to develop a global standard for reporting.

Verification and Assurance

An increasingly important adjunct to reporting involves efforts to "verify" or "assure" the information presented in CSR reports. A new "assurance" industry has emerged over the last several years to audit corporate reports and attest to their content. The British NGO AccountAbility has developed an assurance standard call AA1000[45] which seeks to improve the quality, consistency, and comparability of reporting information by advancing a standard for assessing, attesting to, and improving the credibility of CSR reporting. This standard is based around the basic principles of: materiality, completeness, and responsiveness.

Labor Practices Reporting

Other multi-stakeholder initiatives are also emerging to advance CSR evaluation and reporting. Growing public awareness and activist pressures around "sweatshop" issues have led to a recent profusion of programs in the US and Europe to establish standardized codes of conduct, systems of monitoring, and public reporting. Six major initiatives of this type have emerged: the Fair Labor Association (FLA), Social Accountability International (SAI), the Worldwide Responsible Apparel Production (WRAP) certification program, the Workers Rights Consortium (WRC), the Ethical Trading Initiative (ETI), and the Fair Wear Foundation (FWF). Each of these programs has a code of conduct informed largely by ILO core standards, and a system in place for monitoring compliance with their codes. A small army of monitors including accounting firms, professional service firms, and small non-profit organizations are emerging to provide third party monitoring and verification services. These non-governmental regulatory systems collect, analyze, and make public different types of information. Some are completely confidential, providing information only to corporate managers. Others are fully transparent, with all investigation reports made public.

The WRAP certification program, for instance, currently provides virtually no information to the public, even on factories audited or certified. SAI currently lists certified factories on its web site and is in discussions about making public information on the resolution of complaints at SA8000 certified factories. The ETI employs a kind of "club transparency" for its audits. Members of the ETI—including NGOs and union representatives—can review audit reports and aggregate data. However, this information is not available to the general public. The WRC has committed to full public disclosure of monitoring results. Currently, all inspection reports are made public through its web site and media releases. These reports provide detailed analyses of individual factories, and insights into problems common in apparel suppliers. The WRC has also developed a database of factory locations for member universities.[46] The FLA recently unveiled a new transparency initiative that provides "tracking charts" of individual factories (without names or locations), detailing noncompliance findings by FLA-accredited monitors and tracking progress of participating brands in remediating these problems.[47]

Clearly, these initiatives are at the very early stages of development, are trying to recruit new participants, and are thus often reluctant to be fully transparent about their processes or audit results. Companies remain concerned about disclosing information on factory locations or conditions that might be used by their competitors or critics. Disclosure is thus still quite limited in these programs.

One critical piece of information that has been made public by several of these initiatives is the names and locations of factories sourcing for multinational brands and retailers. The student anti-sweatshop movement in the US has made this a central demand of their campaigns, and has been successful in winning fuller disclosure of factory locations from university licensees. It is now possible to identify factories producing for leading colleges. Several brands have also voluntarily disclosed this information, although the vast majority still do not.

Firm Reporting

A small number of firms are also beginning to make public summaries of their external audit reports. Nike has published summaries of external audits (under a program dubbed Transparency 101), aggregate data on factories producing university-logo goods, and factory locations.[48] Nike also published a "corporate responsibility report" in 2002 in line with GRI reporting guidelines. Adidas recently published a report disclosing the country locations of supplier factories, the number that have been audited, and the number of contracts terminated due to failures to comply with the company's code. Adidas has also developed a "supplier scoring system" and releases summary data on scores for factories in Asia, the Americas, and Europe. Otto Versand similarly collects audit results (based on the SAI system) of its suppliers and analyzes compliance patterns across countries. These firms and others are gathering very rich data on factory practices and labor and environmental compliance around the world. However, to date, very little of this information has been made public.

3.2.5 International Initiatives

At the international level, the OECD guidelines for multinational enterprises were significantly revised in 2001[49] and now require much greater transparency. The Guidelines remain the only comprehensive, multilaterally endorsed code of conduct for MNCs, and establish a range of non-binding standards and principles for corporate practice including recommendations for advancing corporate social accountability through disclosing environmental and social performance information.[50]

The United Nations is also advancing voluntary codes and reporting procedures through the Global Compact initiative, created by the UN General Secretary in 2000. The Global Compact is in the words of the UN "not a regulatory instrument or code of conduct, but a value-based platform designed to promote institutional learning. It utilizes the power of transparency and dialogue to identify and disseminate good practices based on universal principles."[51] Towards this end, the Global Compact asks companies to commit to respecting nine principles, including respect for human rights, labor rights (basically the ILO core standards), and the environment, and to report annually on their progress on advancing these principles. The Global Compact and GRI now work together, with GRI reports qualifying for Global Compact annual reporting.

Table 2—Labor Monitoring and Reporting Initiatives

	Fair Labor Association (FLA) *www.fairlabor.org*	***Social Accountability International (SA8000)*** *www.sa8000.org*	***Worldwide Responsible Apparel Production (WRAP)*** *www.wrapapparel.org*	***Worker Rights Consortium (WRC)*** *www.workersrights.org*	***Ethical Trading Initiative (ETI)*** *www.ethicaltrade.org*	***Fair Wear Foundation*** *www.fairwear.nl*
Scope	Apparel and footwear companies. Licensees of affiliated universities.	Factories producing a wide range of products.	Apparel industry.	University Licensed Goods.	Wide range of industries: agriculture, wine, apparel, electronics, etc.	Apparel industry (initially only firms sourcing to Dutch retailers).
Reporting	All internal and external monitoring reports be provided to the FLA staff. The FLA evaluate audits, jointly develop remediation plans, and then publish summary reports of audit remediation results.	Audit reports go to the companies and to SAI. Other parties can only receive them after having signed a confidentiality agreement with the company and the audit company.	Audit reports are provided to factories and the WRAP board.	Firms do not directly report to the WRC. The WRC sends investigation teams to areas of controversy and conducts its own evaluations.	Firms report the results of auditing and pilot studies to the ETI board and member organizations.	Companies submit audit reports and corrective action plans to the FWF office.
Public Disclosure	Annual reports on each company based on internal and external monitoring. Participating companies are publicly listed on website. No disclosure of locations of certified factories.	Public disclosure of factories granted certification.	No public reporting. No mention of sites that receive, fail, or lose certification.	Full public reporting of investigation findings.	Disclosure of aggregate results to the public. Detailed reporting only available to members of the ETI.	Disclosure of brands participating in FWF, the countries of operation, and the number of suppliers in each country. Business data and worker interviews are kept confidential.

Source: Organizational web sites.

Another interesting initiative seeking to advance transparency and reporting is the Publish What You Pay (PWYP) campaign.[52] PWYP is a coalition of over 130 NGOs from 35 countries advocating for multinational corporations to publicly report on payments (such as royalties, signature bonuses, and tax payments) to developing country governments for oil, gas, and mineral concessions. The goal of this campaign is to mandate reporting that supports citizen efforts to hold developing country governments accountable for the uses of revenues from natural resource extraction. The coalition has argued that reporting should be mandatory for all firms as companies that unilaterally report financial payments to governments may have their licenses revoked and awarded to less transparent or less scrupulous companies.

PWYP seeks to create better information for both investors in developed countries and for citizens of developing countries to know how much revenue is being generated from the exploitation of their national resources. PWYP seeks explicitly to put pressure on reputationally sensitive oil, gas, and mining firms to prove that they are not bribing corrupt officials or diverting funds that should be used for local development purposes. The PWYP coalition is also now advancing demands for governments to "publish what they earn" from resource extraction. The coalition recently drafted an amendment to a proposed EU "Transparency Obligations Directive" that would require the disclosure of payments by companies listed in the EU to any government, public body, or public official.

The UK government has responded in part to the demands of the PWYP coalition by developing a pilot program called the Extractive Industries Transparency Initiative (EITI). The EITI will involve 5 to 8 voluntary country-level pilot systems of transparency and reporting on payments to governments and revenues from extraction of natural resources. Anglo American, British Petroleum, Newmont, Rio Tinto, Shell, and Statoil are all participating in the project, as are the governments of Azerbaijan, East Timor, Ghana, Indonesia, Nigeria, Sierra Leone, and Trinidad & Tabago.

4. Impacts of CSR Reporting

A critical question of course is whether current reporting initiatives are having any impact. Do they make a difference in consumer preferences and purchases? Do they influence investors to avoid poor performers (and higher risks), and to invest in good performers? Do they influence firm decision-making at any point along a supply chain? Is the information used by government agencies to more effectively regulate or provide technical assistance? Does the information benefit local development goals? Essentially, does reporting have any impact on consumers, firms, governments, workers, or other key stakeholders? And if reporting does make a difference, when and under what conditions is it most effective?

As a number of researchers have discovered, it is extremely difficult to evaluate the effectiveness of CSR reporting initiatives on their own. First, these initiatives are still quite young, so there is limited data to evaluate their impacts over time. Second, transparency initiatives are often tied up in larger packages of reforms. Socially responsible, "high-road" management practices may include CSR reporting, but it is often difficult to isolate and evaluate these impacts.

There are of course clear examples of ineffective CSR reporting. Many corporations still produce reports that are flawed, unreliable, unsystematic, unverifiable, immaterial to key stakeholders, and largely designed as public relations. This reporting can actually have negative value—serving to confuse or deceive stakeholders, and costing firms time and money that could be spent actually improving practices. This has led at least one researcher to conclude that, "little evidence to date exists of social and sustainability reporting providing an effective tool in making a real difference to corporate decisions, practices and outcomes."[53]

While accepting that there is ineffective (and even deceptive) reporting. There also appears to be some reporting that is quite serious and that can have positive impacts. A number of anecdotal accounts claim that reporting can help companies better measure, manage, and communicate their performance.[54] Researchers thus continue to look for data to systematically evaluate the impacts of reporting, and to make the "business case" for reporting. Early research that has been conducted points to interesting, albeit tentative findings on the impacts of reporting on investors, consumers, and local stakeholders such as workers and community members.

4.1 INVESTOR RESPONSES

The public face of corporate performance is often a simple measure: a company's stock price. This single number often contains public (or really Wall Street) expectations about current profitability, management practices, worker productivity, market prospects, and future risks and liabilities. It is thus important to look at how investors—and stock prices—respond to the release of information on corporate environmental and social practices.

Through an "event study" of corporate environmental disclosures (in the form of annual Toxic Release Inventory releases), media coverage, and stock market responses, research has found that "firms reporting TRI pollution figures experienced negative, statistically significant abnormal returns upon the first release of the information."[55] Researchers have found that the market does not just punish polluting firms, but rather punishes firms with the greatest discrepancies between existing information and reported results. As the EPA has explained, "firms were not solely punished or rewarded based on levels of emissions, but on level of disclosure and magnitude."[56] Investors it seems don't like to be surprised with bad news, or with news that is divergent from existing information on a company.

Researchers have found similar dynamics in stock market responses to public disclosures of labor practices. One event study of public reports of "sweatshop" practices found that public reports of poor practices "cause firms' stock prices to fall, sometimes substantially."[57] Interestingly, this study also found that stock prices reacted positively to actions and reports of positive actions on labor practices. Negative sweatshop news resulted in substantial losses in stock prices. Positive reports resulted in statistically significant positive returns. Other researchers have shown that capital markets in developing countries similarly react rapidly to good and bad environmental information.[58]

A recent survey conducted for the World Bank also has shown that multinational enterprises do track the performance of their partners in developing countries, and the climate and conditions of countries. An increasing number of these multinational firms are choosing to not invest in or partner with "bad" companies, and to avoid countries altogether that don't enforce CSR-related regulations.[59]

There are of course limitations to investor responses to information on labor and environmental practices. The lack of systematic, standardized information on firm practices (except for mandatory pollutant release information in some countries) make investor responses often somewhat random and based on sporadic news reports. Simplified, standardized metrics of performance and reporting would support investor decision-making. This information would also help consumers make more informed decisions about the companies they want to support or avoid.

4.2 CONSUMER RESPONSES

Over three quarters of consumers polled in the US assert that they would avoid purchasing products if they knew they were made under poor working conditions. Eighty six percent of these respondents claim they would pay an extra dollar on a $20 garment if it was guaranteed to be made in a legitimate, sweat-free factory.[60] Surveys conducted by other researchers report even higher "willingness to pay" for "sweat-free" garments among consumers, with 76 percent of respondents in one survey asserting they would pay 25 percent more for a $20 garment if it were certified to not be made in a sweatshop, and respondents in another survey claiming they would pay 28 percent more on a $10 item, and 15 percent more on a $100 item.[61] Researchers assert that these findings indicate that "consumers are prepared to alter their shopping behavior in order to help deter the practice of sweatshop labor."[62]

However, despite these very high numbers who claim they would avoid bad products and pay more for good products, the actual data on "ethical consumption" shows that only a small percentage of consumers actually implement these concerns in the marketplace. A recent study in the UK showed that ethical consumption currently represents only about two percent of market transactions, with "ethical boycotts"—avoiding bad firms—a leading aspect of ethical consumption.[63] Other research has shown that approximately five percent of the public strictly follows ethical concerns in their purchasing.[64]

One might ask whether the failure of consumers to actually buy socially responsible products is due to an unwillingness to pay more when they pull out their wallets. That is, though no one wants to admit in a survey that they would buy products made in a sweatshop, in the privacy of their own purchases they buy the best deal.

Or perhaps, as some have argued, consumers lack credible information on the environmental and social impacts of the products they buy, which inhibits their ability to purchase their desired level of social responsibility. Do consumers simply need credible labels and standard performance criteria to support their "willingness to pay more" and their desire to "buy different"? Would additional, and better information lead to more consumers avoiding bad products and purchasing good products? Or would this information just confuse consumers further with claims and counter-claims?

Unfortunately there is limited empirical research on these questions. Evidence from approximately 20 years of "green consumer" campaigns indicates that people do think and care about ethical, social, environmental, and health concerns. Again, roughly three quarters of people polled in OECD countries call themselves environmentalists and report that they would purchase a green product over an environmentally problematic product. However, again only 10-12 percent of consumers actually go out of their way to purchase environmentally sound products.[65] Debates continue on explaining this divide between stated preferences and actions.

On many of the central issues of corporate responsibility, it also appears that "bad news" is more influential than good news. That is, consumers use the disclosure of bad news to help them screen out and avoid socially irresponsible companies. So it is quite common now for consumers to report that they regularly boycott a company. In the UK, over 50 percent of respondents in a recent poll claimed they had punished a firm by boycotting it in the last year.[66] Positive information about a company's practices appears to have a less clear influence on purchasing patterns.[67]

Consumers thus remain something of a contradiction. They report significant concern for CSR issues. But only a small percentage proactively seek out good firms or products. They do however punish firms for bad practices. This threat of bad news, and the growing likelihood for bad news to surface from far-flung, global supply chains may be leading some firms to be proactive, to evaluate their supply chains, and to communicate performance clearly, rather than waiting for information to emerge on its own.

4.3 OTHER STAKEHOLDER RESPONSES

Other stakeholders, such as workers—both employees of MNCs and of local firms—and community members impacted by corporate activities, also respond to CSR reporting and other public information on corporate activities and impacts.

In one recent international survey of MNCs, top CEOs reported that employee retention was the most important impact of a positive corporate reputation, and that transparency was a key factor in determining this reputation. 71 percent of CEOs cited recruiting and retaining employees as the top business benefit of CSR activities and communications.[68]

Local community members are also often very interested in information that helps them evaluate the environmental and social impacts of firms. The Indonesian "PROPER" program (discussed above in section 3.1.2) and similar programs around the world have shown high demand among community members for even the most basic information on corporate practices and impacts. Disclosure of this information can support community awareness of the benefits and costs of economic development activities, and can facilitate community mobilizations and demands for solutions to environmental and social problems caused by firm activities. The "Publish What You Pay" campaign has also highlighted strong demand among community members for information on what MNCs are paying their governments for oil, mining, and other concessions.

With all of these different stakeholders and different uses of CSR information, questions remain regarding what information firms should be reporting? In what forms? For which stakeholders? And whether this information could be made systematic and comparable across firms and countries?

5. Key Metrics of Corporate Social Responsibility

"For tomorrow's corporate sustainability reporting to be effective, and so to survive, requires, in short, that it communicates information that is 'material' to stakeholders in their efforts to make coherent decisions and take planned and timely actions relevant to their interests."

—*Simon Zadek, 2003*

With hundreds of corporations now producing reports, a wide range of laws being implemented around the world, and dozens of non-governmental initiatives on transparency and reporting emerging, there is staggering variation in what is reported, in what forms, and for which audiences. The Lawyers Committee for Human Rights reports over 2000 different indicators of labor standards used in corporate codes and monitoring systems.[69] This range and variation in reporting can cause information overload and actually increase difficulties for comparing factories, brands, or countries.

As Zadek argues, it is critical to determine what matters most to stakeholders, and to report these "material" facts in formats that are understandable, useful, and comparable.[70] CSR reporting is in fact in some danger now of reporting too much data that is not meaningful to critical stakeholders. The many audiences for CSR information are overwhelmed with information, and simultaneously over-stretched for time and resources to evaluate this information. It is thus critical that information is reported in the simplest, most direct, easy to understand and comparable formats.

The first question for CSR reporting is simply what to measure and report? Stakeholders are increasingly concerned about not only current firm performance, but also processes for managing risks and remediating problems identified in a supply chain. A number of reporting schemes are immersed in heated debates about exactly what information should be considered "material." The US courts have held (in regards to financial disclosure) that a fact is material "if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote"[71] or in making other critical decisions. AccountAbility similarly defines material information as information that allows a firm's "stakeholders to be able to make informed judgments, decisions, and actions."[72]

These definitions unfortunately don't help much in narrowing the scope of information that might be included in CSR reports. Information considered "material" by different government agencies, firms, and NGOs has included a wide range of indicators of financial, environmental, social, and human rights performance and policies. These include, but are not limited to data on:

Environmental Performance:

- Compliance with environmental laws (rates of non-compliance, fines, legal proceedings, etc.);
- Emissions of toxic chemicals to air, water, and land;
- Emissions of greenhouse gases;
- Material flows—energy, raw materials, water, land, etc. ;
- Product life-cycle assessment;
- Environmental management systems (e.g., ISO 14000);
- Disclosure of environmental risks to local community members.

Respect for Labor Rights:

- Policies on freedom of association, collective bargaining, non-discrimination, child labor, and forced labor;
- Facilitation of freedom of association and rates of unionization;
- Formal agreements with independent trade unions;
- Wages (comparable to industry average, prevailing wage, or "living wage");
- Employee benefits provided;
- Working hours.

Health and Safety Practices:

- Rates of occupational injuries, diseases, and fatalities;
- Lost time from injuries;
- Hazard communication programs;
- Training on health and safety;
- Joint employee-management health and safety committees.

Respect for Human Rights:

- Countries of operation with problematic human rights records;
- Role of government or military in factory operations;
- Political and economic rights guaranteed to employees.

Community Economic Development and Social Impacts:

- Percent of profits reinvested in community from which profits earned;
- Percent of profits paid into a local community development trust;
- Impacts on local development patterns of investments/suppliers.

Corporate Governance:

- Internal accountability procedures;
- Composition of the Board;
- Management compensation;
- Disclosure of potential conflicts of interest.

Corporate Payments to Governments:

- Payments for contracts or concessions;
- Corporate taxes and royalty payments;
- Donations to candidates for political office or political parties.

Stakeholder Engagement:

- Policies and procedures for engagement;
- Frequency and forms of engagement;
- Information that is accessible and understandable to stakeholders.

Supply Chain Management:

- Locations of factories/farms/mines in supply chain;
- Number of workers in supply chain;
- Code implementation and monitoring program;
- Systems for measuring and monitoring performance;
- Compliance staff numbers and budgets;
- Process for verification of reported data.

Forward-looking Information:

- Scenario planning to avoid specific problems;
- Plans for dealing with future risks.

6. Challenges of Reporting

There are a number of major challenges to making CSR reporting effective. Questions remain in different sectors and countries on what to report, in what form, to what level of detail, to what audiences, and for what uses. There are real challenges—even for those committed to reporting—to design information systems that are accessible, easy to understand, useful, and rigorous.

There are also weaknesses and problems with current systems of CSR reporting, and important barriers to expanding public disclosure systems around the world. On the one hand is the problem alluded to above, that corporations are disclosing both too much data and not enough material information that is useful to stakeholders. If CSR reports are not perceived as useful, few firms will bother to invest the time and resources to produce them, and even fewer stakeholders will read them.

6.1 METRICS AND MATERIALITY

Primitive metrics for many CSR issues, and continuing disagreements on key measures of performance, have led to reports using widely varying indicators, some of which are vague, unclear, irrelevant to major impacts, misleading, or worse. There is also the related problem of CSR reporting being captured by marketing and PR departments of companies.[73] Some CSR reporting has become focused largely on "reputation assurance" and public relations rather than material reporting that can help improve management practices or stakeholder decisions. Cases of firms gaming reporting or misrepresenting practices and conditions, all too common now in financial reporting as well, create the danger of eroding public faith in all CSR reporting.

6.2 INCENTIVES TO DISCLOSE

At the same time, there are clear barriers to firms openly reporting problems, mistakes, pollution, etc., in their operations. Firms are inclined to focus more on the "good news" of corporate philanthropy and voluntary initiatives, than bad news in their supply chains. And the "business case" for more material CSR reporting remains elusive, as costs are concentrated on a few disclosers, and benefits to investors, workers, community members, etc., are diffuse and often limited.[74] Nonetheless, there are increasing pressures on "brand" firms to disclose key information to their stakeholders to build trust and/or protect their reputations.

6.3 SUPPLY CHAINS

The nature of certain business models, particularly global supply chain relations, create further barriers to firms reporting key information on conditions down their production networks (such as wages, working conditions, hours of work, injuries, etc.) The complex and shifting structure of global supply chains makes it extremely difficult for outside organizations (and sometimes even buyers) to track the locations of production for global products, let alone conditions in these facilities.

6.4 COSTS

Firms face costs of both gathering and disseminating information, and potential costs from public responses to their reporting. Some early reporters have faced increased criticism from frank disclosure of their challenges.[75] Costs also appear to increase as reporting gets more detailed and comprehensive. These costs create significant incentives for firms either to avoid reporting altogether, or to produce CSR reports that are simply PR.

There are also costs to users of CSR information. The groups that often benefit most from disclosure systems, such as neighbors of polluting factories, workers in mines, or consumers of hazardous products, rarely have the time or resources to gather information or to verify that information is accurate and credible. This results in only a small number of stakeholders actually looking at publicly reported information or demanding improved reporting.

6.5 ANALYZING REPORTING

Stakeholder groups also sometimes need assistance to analyze data presented in CSR reports. Technical (and financial) information sometimes needs to be translated—such as from pounds of chemical X released, or wages of workers in country Y—into meaningful information, such as the risk posed by the releases of the chemical or the implications for livelihoods of workers. Translating complex information into simple-to-understand indicators requires resources, time, and technical capacities.

Third-party intermediary organizations are thus critical for collecting, comparing, analyzing, interpreting, reformatting, explaining, and disseminating raw information from environmental, health and safety, and social reports. These groups need resources and staff to do this analysis and dissemination.

6.6 CONSUMERS

Finally, many stakeholders are frustrated by the continuing inability of citizens to simply compare the social and environmental performance of specific firms. A lack of consistency and comparability in reporting schemes, and a profusion of general information that is not material, has limited the ability of average citizens and consumers to use information to inform their day-to-day decisions. The goal of many groups to create mechanisms for evaluating and labeling products and processes remains a distant reality.

7. Strategies for Improving Reporting

"Careful analysis of the character of the information problem as well as user and discloser costs and benefits is needed to determine whether transparency is a promising regulatory approach. Substantial benefits to users, the presence of third party organizations to press for system improvement, and economic or political dynamics that lead some disclosers to promote improved transparency are all factors that influence sustainability" of reporting.

—Archon Fung, Mary Graham, and David Weil, Harvard University.

There is no single reporting system or model of corporate transparency that fits all social or environmental problems. However, there are some basic principles which can support efforts to advance and improve CSR reporting. First, reporting initiatives should seek to increase the quality of information disclosed. Second, they should work to increase the uses of the information and the benefits to users. Third, they should create mechanisms for learning and continuously improving disclosure systems.

These goals can be supported through explicit efforts to target information to specific stakeholders and decision-making processes. Information should be reported in formats useful to specific users. And efforts should be made to verify that information is used by stakeholders to inform their decisions.

7.1 STANDARDIZED METRICS

Continued work is needed on standardized metrics and indicators for reporting. However, metrics in general should be:

- Agreed upon by key stakeholders (representing what matters to them);
- Factual, accurate, and verifiable;
- Reported at regular intervals in relatively simple language or data;
- Comparable across locations, firms, and products;
- Flexible/dynamic, so that metrics can change over time;
- Usable by key stakeholders;
- Easily accessible.

7.2 INCENTIVES FOR CONTINUOUS IMPROVEMENT

Efforts are also needed to support continuous improvements in reporting. As mentioned, intermediary groups are critical to analyzing and deploying information, and perhaps more importantly, to creating demands for improved reporting. Stakeholder groups with built-in incentives for using, analyzing, and monitoring the quality of the information are central to the long-term sustainability of reporting schemes.[76] In financial disclosure, investors play this role of demanding high quality, verifiable information upon which to base their investments. In environmental disclosure (such as the TRI), environmental groups use the data, translate it for wider consumption, and keep pressure on the government and firms to improve reporting. No equivalent group currently exists for CSR reporting in developing countries, or indeed social reporting.

Disclosure systems can also be designed to create incentives and benefits for leading disclosers. Governments can foster certain kinds of disclosure through a range of traditional economic incentives, and through regulatory flexibility mechanisms. Finally, in any system of disclosure it is critical to establish mechanisms to track changes in reporting practices over time, the impacts of this reporting, and whether learning is occurring from reporting. All of these strategies can be supported or directly advanced through government actions.

8. Government Roles in CSR Reporting

"The market does not provide sufficient incentives for companies to report on their social and environmental impacts on a voluntary basis."

—Deborah Doane, New Economics Foundation.

To date, CSR reporting has largely been driven from the north, often by large multinational firms, private investors, or non-governmental organizations. Nonetheless, there are important roles for governments, and particularly developing country governments, to play in further advancing reporting systems.

The World Bank has previously grouped government roles in supporting corporate social responsibility into five categories of action: mandating, facilitating, partnering, endorsing, and demonstrating.[77] Each of these strategies of action can support the kinds of improvements discussed above. Governments, and their citizens, however, must decide how they can most effectively support an environment for socially responsible business, and specifically advance CSR reporting.

The following section lays out essentially a menu of actions governments might take to advance CSR reporting.

8.1 MANDATING

Governments can legally mandate reporting requirements through company law, stock listing regulations, pension fund regulations, or direct disclosure laws. These laws can set precise standards for corporate reporting, including lists of metrics, formats for reporting, and frequency of reporting. Governments can also set other laws—such as tax laws, labor standards, environmental regulations, etc.—that establish measurement and reporting requirements.

Governments can then monitor this reporting, both by evaluating reporting data and comparing it to physical inspections of facility performance. Government agencies can work to ensure the quality of reported data by requiring external, third-party verification procedures, quality assurance standards, and regulations for auditors of CSR reports. Government agencies can then oversee these verification and assurance procedures and hold auditors accountable.

Governments can also mandate sanctions for nondisclosure or false disclosures of CSR data to create incentives for full and accurate reporting.

8.2 FACILITATING

Governments can also work to facilitate CSR reporting through the development of voluntary guidelines for reporting. A government agency might work with trade associations, firms, or multi-stakeholder organizations to design voluntary programs. The government could then play a facilitating role in assisting in the collection, collation and dissemination of CSR information.

Government agencies could then work to support users of CSR information both inside and outside firms. One strategy for facilitating firm learning would involve disseminating information from reporting through a program of technical assistance to firms to learn about "best practices" in their industry. Government technical assistance might also support improved participation of small and medium-sized enterprises (SMEs) in reporting systems. Governments can also support and motivate increased dialogue with the business community to ensure CSR reporting is in line with government priorities and policies.

Governments might go even further to tie reporting and performance to tax incentives, export promotion assistance, export quotas, buyer-supplier matching, or direct production subsidies. Trade and investment promotion could significantly motivate and facilitate reporting.

Government efforts can also support citizens and NGOs who seek to use CSR information to motivate laggards to improve performance.

Perhaps the most important form of facilitation would involve building a stable and transparent environment for socially responsible business within a country. This would involve basic efforts to improve the openness and accountability of governance structures and economic markets.

8.3 PARTNERING

Governments can also play a positive role through partnering with specific groups to support reporting. By engaging multi-stakeholder initiatives or individual firms, government agencies can act as partners in the development of reporting initiatives. Government agencies can also establish and support simple networks of reporting firms in order to facilitate learning on environmental or social problems and strategic responses.

Government agencies might also "partner" by providing government collected data (or links to government databases) to non-governmental disclosure systems. Government data on enforcement actions, compliance rates, numbers of inspections, etc., could be very useful to civil society assessments of firm performance.

Governments can also partner in convening stakeholders, helping to open dialogues and decision-making processes to stakeholders, and to facilitate learning.

8.4 ENDORSING

Governments can focus more on endorsing disclosure through positive efforts to increase awareness of CSR issues by commending, supporting, and honoring firms that are transparent. Government agencies can support award programs, disseminate information on "leading" firms, and otherwise lend credibility and legitimacy to company efforts. Governments can create a wide range of incentives and rewards for firms that act responsibly and take a leadership position on reporting.

Governments can also help to better inform the public, and particularly consumers, about the performance of firms. Government statements and reports can help transparent firms distinguish themselves in the marketplace. Government agencies can also work with financial and sustainability rating agencies to highlight superior performance of firms within a country.

Over the long-term, governments might also use endorsing strategies to market a region or country that supports a positive climate for socially responsible firms, that hosts firms that produce sustainable, fair trade, or socially responsible goods, and that publicly reports on conditions and practices in their country.

8.5 DEMONSTRATING

Finally, governments can directly demonstrate the principles of increased transparency by publicly disclosing material information on their own activities. Governments are in many countries either the largest, or one of the largest: employers; consumers of goods and services; owners of land, mineral rights, buildings, vehicles, etc.; and users of energy and other resources. Over the last several years, a number of governments have thus begun initiatives to provide information to the public on the impacts of this consumption, employment, and resource management.

Some governments are now taking a leading role in "walking the talk" to show private sector entities—from whom they are demanding increased transparency—that government agencies can be held to similar standards. These initiatives range from simple disclosure of raw data on the environmental, social, and economic impacts of government agency operations, to structured reporting of performance information, to reporting on the effectiveness of government policies and programs, to progress reports (with trend data over time) on government efforts to achieve sustainability goals.

In recognition of these varied initiatives, the Global Reporting Initiative (GRI) has begun a project to learn from and help standardize public agency sustainability reporting.[78] A number of governments are now sponsoring this work and experimenting with GRI reports for their operations, in order to demonstrate the benefits of reporting for other government agencies, private sector actors, and the public.

9. A Draft Pilot Program for CSR Reporting

There is clear potential for government action, particularly in developing countries, to advance and strengthen CSR reporting. However, in thinking about designing an appropriate and effective disclosure system in a developing country, it is also critical to recognize that there are no perfect systems, no easily replicable programs, and no one-size-fits-all standards for reporting.

Countries must begin by experimenting with pilot programs in reporting that build on existing capacities and concerns, and that are tailored to local industries and development goals. A CSR reporting system is also more likely to succeed if it can build on areas of mutual interest between stakeholders in the developing and developed world. Successful initiatives in environmental disclosure (PRTRs, PROPER, etc.), anti-sweatshop monitoring and disclosure (the FLA, WRC, etc.), and anti-corruption disclosure (the Extractive Industries Transparency Initiative, Publish What You Pay, etc.) all seek to connect developed and developing country firms, NGOs, workers, communities, and government agencies interested in addressing a difficult problem.

These initiatives advance fairly simple programs for systematic release of standardized information, and then publicly compare the performance of factories, firms, or governments. Programs seek to force out information about business practices into the public sphere, foster public debate about acceptable labor, environmental, and social standards, enlist a wide range of actors in evaluating business practices, build the capacity of stakeholders to participate in dialogues about solutions, and use multiple mechanisms to incentivize firms to improve their performance. All of these initiatives however, hinge on the dynamic of producing rich information that allows key stakeholders to compare the performance of economic actors, and in more refined systems to benchmark good performers, identify and target the worst performers, and motivate improvements among all actors.

As noted above, governments can play widely varying roles in these initiatives, from mandating disclosure, to overseeing verification and assurance, collating information, disseminating data, convening stakeholders, facilitating dialogues, supporting intermediary groups to use the data, commending leaders, learning from disclosure, and leading by example.

But how might a government actually take steps to advance CSR reporting, or to experiment with reporting as a strategy of governance and economic development? Below, is a preliminary proposal for advancing CSR reporting in a developing country, with specific mention of two industrial sectors: apparel and mining. This proposal is meant as a starting point for thinking about actual steps needed to pilot test CSR reporting in a developing country.

9.1 STEP-BY-STEP ACTIONS FOR A PILOT PROGRAM ON CSR REPORTING

Countries interested in CSR reporting might:

- Interview local stakeholders and investors about the information they need to make critical decisions;

- Establish a central coordinating office to set guidelines for reporting, then collect, collate, quality check, and compare information on facility performance;
- Require firms to publicly disclose locations of factories/mines;
- Require firms to annually report performance criteria (described below) in a standardized format;
- Establish a central database accessible over the Internet which would contain performance information on factories/mines, and simple means for comparing firms along selected criteria, such as wages, health & safety, labor practices, environmental performance, etc.;
- Create mechanisms for public comparison of firm performance (that could for example, lead to the publication of lists of leading and laggard firms in each sector);
- Publish lists of "best practices" and the firms that employ them;
- Publish a CSR Sourcing book of leading local firms and distribute this to multinational corporations, investors, and trade associations for assistance in matching MNCs with local suppliers that meet their CSR standards;
- Use publicity to motivate firms to improve performance to match the best practices identified in their industry. Spotlight, publicly commend, and support leading firms;
- Support capacity building of non-governmental groups to verify reporting;
- Establish a process for ground-truthing factory/mine performance information by workers themselves;
- Aggregate firm level performance data to show overall compliance rates, regional variations, improvements over time, and best practices in social and environmental performance within the country. Include this information in investment marketing to foreign firms.

An effective pilot project should be designed as an open system that invites key stakeholders to take part in discussions about measures of performance and systems of reporting. For the sake of providing a starting point for this discussion, firms might disclose a number of standard "core indicators" of facility performance, and indicators specific to sectoral issues and concerns.

9.2 POSSIBLE "CORE INDICATORS"

1. Name and location of factory/mine and number of employees;
2. Incidence of violations of local laws, penalties, legal proceedings, etc. in the last year;
3. Wages and benefits paid to workers (averages, minimum, highest), and incidence of violations of minimum wage laws;
4. Working hours and overtime worked. Incidence of violations of maximum working hour laws and overtime pay laws;
5. Policies for identification and elimination of harassment and discrimination. Data on diversity in management and work areas;
6. Policies for identification and elimination of child, forced, and compulsory labor (including system for determining accurate age of workers);
7. Indicators of respect for workers rights to freedom of association (such as percent of workers in a union, union-management relations, work stoppages, lock-outs, strikes, etc.);
8. Health and safety performance (rates of accidents, injuries, occupational diseases, and deaths);
9. Environmental impacts: estimates of air and water emissions of toxic chemicals, environmental penalties, settlements, fines, and violations;
10. Policies for monitoring compliance with local laws and codes of conduct.

9.3 POSSIBLE SECTOR-SPECIFIC INDICATORS

- In the apparel sector—including garments and footwear—stakeholders are particularly concerned about: wages (does the company pay a "living wage"); hours of work; forced overtime; freedom of association and the right to form unions; sexual harassment; and health and safety (exposures to glues, solvents, accidents, repetitive stress injuries, etc.). The government could convene a stakeholder group to determine exactly which measures would be most appropriate for this sector.

- In the mining industry, stakeholders are particularly concerned about: payments to local governments for concessions; health and safety (how many miners die per year); wages; freedom of association; local community development impacts (does the community benefit from the extraction of local natural resources); and local environmental impacts. The government could convene a stakeholder group to determine exactly which measures would be most appropriate for this sector.

In the pilot program it would make sense to begin with simple indicators, hopefully including information that is already being collected in supply chain compliance programs or that is already required by government regulations, and then to gradually focus and improve this information over time.

9.4 CONCLUSIONS

By starting with a small set of core indicators, verifying that they are material to stakeholders, evaluating uses of the information, and soliciting feedback on the quality of the data, it would be possible to gradually expand and deepen CSR indicators to include sector specific issues. By having the reporting driven by local concerns and capacities, it would also be possible to gradually connect to and compare with global reporting schemes such as the GRI.

Government agencies and NGOs might play a role in verifying CSR reporting information, and gradually working to improve the credibility and accountability of reporting.

Finally, a government agency could work to aggregate data, and to produce a national CSR report. This information would support future comparisons of country-level performance on CSR issues. The program could also help local firms establish and demonstrate their social and environmental performance, and facilitate socially and environmentally responsible firms connecting into high value supply chains.

10. References

Afsah, Shakeb, Allen Blackman, and Damayanti Ratunanda (2000), "How Do Public Disclosure Pollution Control Programs Work? Evidence from Indonesia," Resources for the Future, Discussion Paper No. 00-44.

Afsah, Shakeb and Damayanti Ratunanda (1999), "Environmental Performance Measurement and Reporting in Developing Countries: The Case of Indonesia's Program for Pollution Control Evaluation and Rating (PROPER)," in M. Bennett and P.J. Sheffield (eds.) *Sustainable Measures: Evaluation and Reporting of Environmental and Social Performance,* London: Greenleaf Publishing, pp:185-201.

Baiocchi, Gianpaolo (2003), "Participation, Activism, and Politics: The Porto Alegre Experiment," in A. Fung and E.O. Wright (eds.) *Deepening Democracy,* New York: Verso.

Baker, Mallen (2002), "The Global Reporting Initiative—Raising the Bar Too High?" *Ethical Corporation,* Oct. 16th, 2002.

Baue, William (2002), "CalPERS Divests from Four Emerging Countries," SocialFunds.com, available at: http://www.socialfunds.com/news/article.cgi?sfArticleId=790

Browner, Carol (1996), Federal Document Clearing House Political Transcripts, June 26.

Business for Social Responsibility (BSR) (2002), "Social Compliance Benchmarking: Results of Survey One," San Francisco, Sept. 17, 2002.

Commission for Environmental Cooperation of North America (CECNA) (2003), Taking Stock 2000: North American Pollutant Releases and Transfers, Montreal: CECNA.

Conroy, Michael (2001), "Can Advocacy-Led Certification Systems Transform Global Corporate Practices? Evidence and Some Theory," Political Economy Research Institute, University of Massachusetts, Amherst, Working Paper Series No. 21.

CSR Network (2003), "Material World: The 2003 Benchmark Survey of Global Reporting," Bath, England: csr network.

Doane, Deborah (2002), "Market Failures: The case for mandatory social and environmental reporting," London: New Economics Foundation.

Extractive Industries Transparency Initiative (2003), "Statement of Principles and Agreed Actions," London Conference, June 17, 2003.

Franco, Nicholas (2001), "Corporate Environmental Disclosure: Opportunities to Harness Market Forces to Improve Corporate Environmental Performance," paper presented at the American Bar Association conference on Environmental Law, March 8-11, 2001, Keystone, CO.

Fung, Archon, Mary Graham, and David Weil (2002), "The Political Economy of Transparency: What Makes Disclosure Policies Sustainable?" OPS-02-03, Institute for Government Innovation, Harvard University.

Fung, Archon, Dara O'Rourke, and Charles Sabel (2001), *Can We Put an End To Sweatshops?,* Boston: Beacon Press.

Fung, Archon and Dara O'Rourke (2000), "Reinventing Environmental Regulation from the Grassroots Up: Explaining and Expanding the Success of the Toxics Release Inventory," *Environmental Management,* vol. 25, no. 2, pp.:115-127.

Global Reporting Initiative (2004), "Public Agency Sustainability Reporting—A GRI Resource Document in Support of the Public Agency Sector Supplement Project," Amsterdam, January, available at: http://www.globalreporting.org/guidelines/resource/public.asp

Graham, Mary (2001), "Information as Risk Regulation: Lessons from Experience," RPP-2001-04, Center for Business and Government, Harvard University, Cambridge, MA.

Hearne, Shelley (1996), "Tracking Toxics: Chemical Use and the 'Right-to-Know,'" Environment 38: 4-33.

Hill & Knowlton (2003), "2003 Corporate Reputation Watch Survey," available at: www.corporatereputationwatch.com

International Institute for Environment and Development (IIED) (2002), "Baseline Study of Public Sector Roles in Strengthening Corporate Social Responsibility," paper prepared for the Corporate Social Responsibility Program, Washington, D.C.: World Bank.

Jenkins, Rob and Anne Marie Goetz (1999), "Accounts and accountability: theoretical implications of the right-to-information movement in India," *Third World Quarterly,* vol. 20, no. 3. pp.: 603-622.

Khagram, Sanjeev, Christin Mary Hokenstad, and Maria Cecilia Coutinho de Arruda, (forthcoming) "For a Clear Picture: Focus on the Brazilian Social Balance Sheet," *Harvard Business Review* - Latin America.

KPMG (2002), "International Survey of Corporate Social Responsibility Reporting," Amsterdam: KPMG.

Lawrence, A.T. and Morell, D. (1995) "Leading-Edge Environmental Management: Motivation, Opportunity, Resources, and Processes," *Research in Corporate Social Performance and Policy, Supplement 1*: 99-126.

Nadvi, Khalid, and Frank Wältring (2003), "Making Sense of Global Standards," in Hubert Schmitz (ed.), forthcoming, *Local Enterprises in the Global Economy: Issues of Governance and Upgrading,* Edward Elgar, Cheltenham.

Oldenziel, Joris, (2000), "The 2000 Review of the OECD Guidelines for Multinational Enterprises: A New Code of Conduct?" SOMO, Amsterdam.

Publish What You Pay (2003), "Frequently Asked Questions about the 'Publish What You Pay' Campaign," available at: http://www.publishwhatyoupay.org/faq.shtml

Rock, Michael (2001), "Public Disclosure of the Sweatshop Practices of American Multinational Garment/Shoe Makers/Retailers: Impacts on Their Stock Prices," Technical Paper No. 252, Washington, D.C.: Economic Policy Institute.

Roe, David (2000), "Starting Blocks for Environmental Information Policy," draft paper available at: www.edf.org/wip/starting_blocks.html

Seabrook, C. (1991), "Your Toxic Neighbors: Disclosures Spark Improvements; Pollution Law Brings A Clearer Picture; But Industry Response Still Not Enough, EPA Says," *Atlanta Journal and Constitution* (August 22): Sec. G, p. 1.

Trade Union Advisory Committee (2001), "The OECD Guidelines on Multinational Enterprises: A User's Guide," Paris.

Wade, Will (2003), "A Good Corporate Citizen? This Scanner Can Tell," *New York Times,* August 28, 2003.

White, Allen (2003), "The 2002 GRI Guidelines: Clearing Up the Misunderstandings," *Ethical Corporation,* May 21, 2003.

Wolf, S. M. (1996), "Fear and Loathing about the Public Right to Know: The Surprising Success of the Emergency Planning and Community Right-to-Know Act." *Journal of Land Use & Environmental Law* 11: 217-324.

World Bank (2003), "Race to the Top: Attracting and Enabling Global Sustainable Business," report prepared for the Corporate Social Responsibility Practice of the World Bank by Political and Economic Link Consulting and Ethical Corporation Magazine, Washington: World Bank, October 2003.

World Business Council for Sustainable Development (WBCSD) (2002), "Sustainable Development Reporting: Striking the Balance," available at www.wbcsd.org

World Resources Institute (WRI) (2000), "Pure Profit: the Financial Implications of Environmental Performance," Washington, D.C.: World Resources Institute.

Zadek, Simon (2003), "Materiality in Reporting," *Ethical Corporation,* August 7, 2003.

Notes

1. Baue, William (2002), “CalPERS Divests from Four Emerging Countries,” SocialFunds.com, available at: http://www.socialfunds.com/news/article.cgi?sfArticleId=790
2. Business for Social Responsibility (BSR) (2002), “Social Compliance Benchmarking: Results of Survey One,” San Francisco, Sept. 17, 2002.
3. World Bank (2003), “Race to the Top: Attracting and Enabling Global Sustainable Business,” report prepared for the Corporate Social Responsibility Practice of the World Bank by Political and Economic Link Consulting and Ethical Corporation Magazine, Washington: World Bank, October 2003.
4. Graham, Mary (2001), “Information as Risk Regulation: Lessons from Experience,” RPP-2001-04, Center for Business and Government, Harvard University, Cambridge, MA.
5. Wade, Will (2003), “A Good Corporate Citizen? This Scanner Can Tell,” New York Times, August 28, 2003.
6. Franco, Nicholas (2001), “Corporate Environmental Disclosure: Opportunities to Harness Market Forces to Improve Corporate Environmental Performance,” paper presented at the American Bar Association conference on Environmental Law, March 8-11, 2001, Keystone, CO, p.4.
7. World Business Council for Sustainable Development (WBCSD) (2002), “Sustainable Development Reporting: Striking the Balance,” p. 14, available at www.wbcsd.org
8. Roe, David (2000), “Starting Blocks for Environmental Information Policy,” draft paper available at: www.edf.org/wip/starting_blocks.html
9. Graham, Mary (2001), “Information as Risk Regulation: Lessons from Experience,” RPP-2001-04, Center for Business and Government, Harvard University, Cambridge, MA.
10. Nadvi, Khalid, and Frank Wältring (2003), “Making Sense of Global Standards” in Hubert Schmitz (ed.), forthcoming, Local Enterprises in the Global Economy: Issues of Governance and Upgrading, Edward Elgar, Cheltenham.
11. See for instance, Fung, Archon, Dara O’Rourke, and Charles Sabel (2001), Can We Put an End To Sweatshops?, Boston: Beacon Press; and, Conroy, Michael (2001), “Can Advocacy-Led Certification Systems Transform Global Corporate Practices? Evidence and Some Theory,” Political Economy Research Institute, University of Massachusetts, Amherst, Working Paper Series No. 21.
12. Franco, Nicholas (2001), “Corporate Environmental Disclosure: Opportunities to Harness Market Forces to Improve Corporate Environmental Performance,” paper presented at the American Bar Association conference on Environmental Law, March 8-11, 2001, Keystone, CO.
13. World Resources Institute (WRI) (2000), “Pure Profit: the Financial Implications of Environmental Performance,” Washington, D.C.: World Resources Institute.
14. Cited in Franco (2001).

15. Roe, David (2000), "Starting Blocks for Environmental Information Policy," draft paper available at: www.edf.org/wip/starting_blocks.html

16. World Business Council for Sustainable Development (WBCSD) (2002), "Sustainable Development Reporting: Striking the Balance," available at www.wbcsd.org

17. Fung, Archon, Mary Graham, and David Weil (2002), "The Political Economy of Transparency: What Makes Disclosure Policies Sustainable?" OPS-02-03, Institute for Government Innovation, Harvard University.

18. Ibid.

19. Franco, Nicholas (2001), "Corporate Environmental Disclosure: Opportunities to Harness Market Forces to Improve Corporate Environmental Performance," paper presented at the American Bar Association conference on Environmental Law, March 8–11, 2001, Keystone, CO.

20. http://www.amnesty.org.uk/business/campaigns/core/bill.shtml

21. Commission for Environmental Cooperation of North America (CECNA) (2003), Taking Stock 2000: North American Pollutant Releases and Transfers, Montreal: CECNA.

22. Currently 172 facilities in Mexico voluntarily report data on releases and transfers of listed chemicals to the government.

23. Currently approximately 23,000 firms operating in SIC codes 20–39, which employ 10 or more full-time workers, and which produce or use toxic chemicals above threshold levels report the release or transfer of some 651 chemicals to the TRI.

24. The most recent TRI data can be accessed on the World Wide Web at http://www.epa.gov/tri/. From this web site interested parties can download data on a specific factory, on emissions in a county, on national trends in releases of a specific chemical, or can compare emissions between factories in the same sector.

25. Wolf, S. M. (1996), "Fear and Loathing about the Public Right to Know: The Surprising Success of the Emergency Planning and Community Right-to-Know Act." Journal of Land Use & Environmental Law 11: 217–324.

26. Seabrook, C. (1991), "Your Toxic Neighbors: Disclosures Spark Improvements; Pollution Law Brings A Clearer Picture; But Industry Response Still Not Enough, EPA Says," Atlanta Journal and Constitution (August 22): Sec. G, p. 1.

27. Hearne, Shelley (1996), "Tracking Toxics: Chemical Use and the 'Right-to-Know,'" Environment 38: 4–33.

28. Lawrence, A.T. and Morell, D. (1995) "Leading-Edge Environmental Management: Motivation, Opportunity, Resources, and Processes," Research in Corporate Social Performance and Policy, Supplement 1: 99–126.

29. www.scorecard.org

30. www.rtk.net

31. www.pollutionwatch.org

32. Afsah, Shakeb and Damayanti Ratunanda (1999), "Environmental Performance Measurement and Reporting in Developing Countries: The Case of Indonesia's Program for Pollution Control Evaluation and Rating (PROPER)," in M. Bennett and P.J. Sheffield (eds.) Sustainable Measures: Evaluation and Reporting of Environmental and Social Performance, London: Greenleaf Publishing, pp:185-201.

33. Afsah, Shakeb, Allen Blackman, and Damayanti Ratunanda (2000), "How Do Public Disclosure Pollution Control Programs Work? Evidence from Indonesia," Resources for the Future, Discussion Paper No. 00–44.

34. Jenkins, Rob and Anne Marie Goetz (1999), “Accounts and accountability: theoretical implications of the right-to-information movement in India,” Third World Quarterly, vol. 20, no. 3. pp.: 603-622.

35. Baiocchi, Gianpaolo (2003), “Participation, Activism, and Politics: The Porto Alegre Experiment,” in A. Fung and E.O. Wright (eds.) Deepening Democracy, New York: Verso.

36. KPMG (2002), “International Survey of Corporate Social Responsibility Reporting,” Amsterdam: KPMG, p.5.

37. CSR Network (2003), “Material World: The 2003 Benchmark Survey of Global Reporting,” Bath, England: csr network.

38. KPMG (2002), “International Survey of Corporate Social Responsibility Reporting,” Amsterdam: KPMG, p. 13.

39. Khagram, Sanjeev, Christin Mary Hokenstad, and Maria Cecilia Coutinho de Arruda, (forthcoming) “For a Clear Picture: Focus on the Brazilian Social Balance Sheet,” Harvard Business Review – Latin America.

40. http://www.marymount.edu/news/garmentstudy/findings.html

41. Business for Social Responsibility (BSR) (2002), “Social Compliance Benchmarking: Results of Survey One,” San Francisco, Sept. 17, 2002.

42. White, Allen (2003), “The 2002 GRI Guidelines: Clearing Up the Misunderstandings,” Ethical Corporation, May 21, 2003.

43. Baker, Mallen (2002), “The Global Reporting Initiative – Raising the Bar Too High?” Ethical Corporation, Oct. 16th, 2002.

44. World Business Council for Sustainable Development (WBCSD) (2002), “Sustainable Development Reporting: Striking the Balance,” p. 14, available at www.wbcsd.org

45. www.accountability.org.uk

46. http://www.workersrights.org/fdd.asp

47. http://www.fairlabor.org/all/transparency/index.html

48. http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&cat=collegiate

49. See for commentary, Trade Union Advisory Committee (2001), “The OECD Guidelines on Multinational Enterprises: A User’s Guide,” Paris. And Oldenziel, Joris, (2000), “The 2000 Review of the OECD Guidelines for Multinational Enterprises: A New Code of Conduct?” SOMO, Amsterdam.

50. It should be noted however, that key stakeholders to the Guidelines have complained of a continuing lack of transparency on current cases, and a lack of clarity on National Contact Point (NCP) procedures and case resolutions. Unions and NGOs have thus recommended the creation of a centralized on-line database or clearinghouse on the status of cases before NCPs. This “registry of cases” could provide real-time information on cases of concern to stakeholders around the world, including information on the status of the NCP process to investigate and resolve the complaint, and the final outcome. Stakeholders have also argued for greater transparency on the companies involved in specific instances, that is, “naming names” of companies.

51. www.unglobalcompact.org

52. www.publishwhatyoupay.org

53. Monaghan, Philip (2003), “Impacts of Reporting: Uncovering the ‘Voluntary vs. Mandatory’ Myth,” AccountAbility Quarterly, p. 4.

54. KPMG (2002), “International Survey of Corporate Social Responsibility Reporting,” Amsterdam: KPMG.

55. Hamilton, James (1995), "Pollution as News: Media and Stock Market Reactions to the Toxics Release Inventory Data," Journal of Economics and Environmental Management, vol. 28: 98–113.

56. EPA (1997), "Stock Performance of Environmentally Responsible Companies," Environmental Damage Valuation and Cost Benefit News, vol. IV, no. 6.

57. Rock, Michael (2001), "Public Disclosure of the Sweatshop Practices of American Multinational Garment/Shoe Makers/Retailers: Impacts on Their Stock Prices," Technical Paper No. 252, Washington, D.C.: Economic Policy Institute.

58. Dasgupta, S., B. Laplante, and N. Mamingi (1998), "Capital Market Responses to Environmental News in Developing Countries," World Bank, Washington, D.C., available at: www.worldbank.org/nipr/

59. World Bank (2003), "Race to the Top: Attracting and Enabling Global Sustainable Business," report prepared for the Corporate Social Responsibility Practice of the World Bank by Political and Economic Link Consulting and Ethical Corporation Magazine, Washington: World Bank, October 2003.

60. http://www.marymount.edu/news/garmentstudy/findings.html

61. Elliott, Kim and Richard Freeman (2000), "White Hats or Don Quixotes? Human Rights Vigilantes in the Global Economy," Cambridge, MA: NBER.

62. http://www.marymount.edu/news/garmentstudy/findings.html

63. The Co-operative Bank (2003), The Ethical Consumer Report 2003, London.

64. Doane, Deborah (2002), "Market Failures: The case for mandatory social and environmental reporting," London: New Economics Foundation.

65. Makower, Joel (2000), "Whatever Happened to Green Consumers?" Organic Consumer Association, July/August, available at: http://www.organicconsumers.org/Organic/greenism.cfm

66. The Co-operative Bank (2003), The Ethical Consumer Report 2003, London.

67. Elliott, Kim and Richard Freeman (2000), "White Hats or Don Quixotes? Human Rights Vigilantes in the Global Economy," Cambridge, MA: NBER.

68. Hill & Knowlton (2003), "2003 Corporate Reputation Watch Survey," available at: www.corporatereputationwatch.com

69. http://workersrights.lchr.org/

70. Zadek, Simon (2003), "Materiality in Reporting," Ethical Corporation, August 7, 2003.

71. Franco, Nicholas (2001), "Corporate Environmental Disclosure: Opportunities to Harness Market Forces to Improve Corporate Environmental Performance," paper presented at the American Bar Association conference on Environmental Law, March 8-11, 2001, Keystone, CO.

72. www.accountability.org.uk

73. Doane, Deborah (2002), "Market Failures: The case for mandatory social and environmental reporting," London: New Economics Foundation.

74. Fung, Archon, Mary Graham, and David Weil (2002), "The Political Economy of Transparency: What Makes Disclosure Policies Sustainable?" OPS-02-03, Institute for Government Innovation, Harvard University.

75. As one example, Reebok was criticized in the media for reporting problems in their factories in Indonesia, despite the firm being forthcoming about these problems and investing funds to resolve them.

76. Fung, Archon, Mary Graham, and David Weil (2002), "The Political Economy of Transparency: What Makes Disclosure Policies Sustainable?" OPS-02-03, Institute for Government Innovation, Harvard University.

77. International Institute for Environment and Development (IIED) (2002), "Baseline Study of Public Sector Roles in Strengthening Corporate Social Responsibility," paper prepared for the Corporate Social Responsibility Program, Washington, D.C.: World Bank.

78. Global Reporting Initiative (2004), "Public Agency Sustainability Reporting – A GRI Resource Document in Support of the Public Agency Sector Supplement Project," Amsterdam, January, available at: http://www.globalreporting.org/guidelines/resource/public.asp