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# Investment and Enterprise Responsibility Review

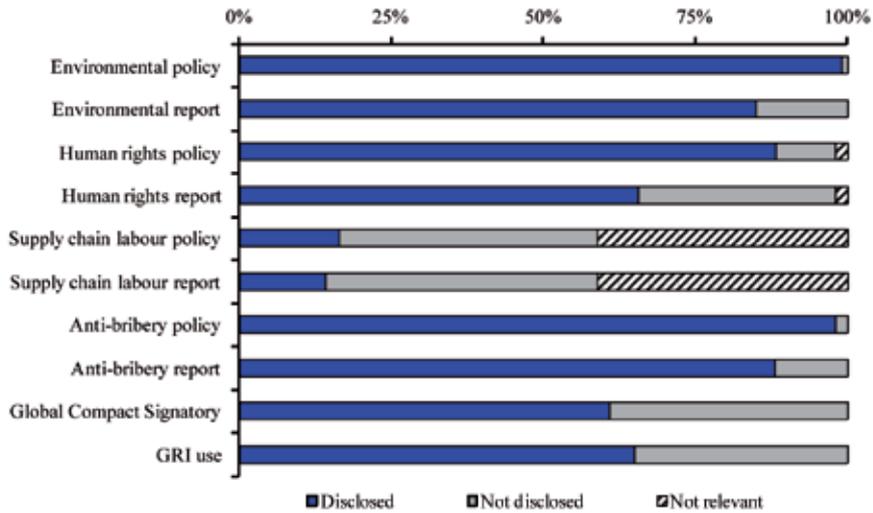
*Analysis of investor  
and enterprise  
policies on corporate  
social responsibility*



UNITED NATIONS

## CHAPTER I: THE LARGEST TNCs AND CORPORATE SOCIAL

Figure 1.1 CSR practices among the 100 largest TNCs (Percentage of firms disclosing each item)



Source: UNCTAD, based on data from EIRIS.

Chapter I examines the range of CSR subjects addressed in the policies and reports of the world's largest 100 TNCs.

Nearly all of the 100 largest TNCs have policies and reporting practices regarding environmental issues and anti-bribery. However, one of the weakest and also most complex areas of TNC policy development on CSR issues concerns supply chain practices.

## CHAPTER II: THE LARGEST INSTITUTIONAL INVESTORS AND RESPONSIBLE INVESTMENT

Figure II.4. Responsible investment practices and number of funds (Number of pension funds, max. = 100)

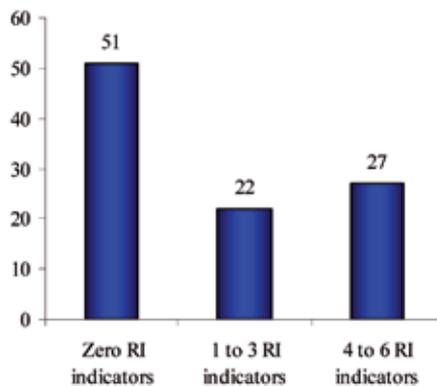
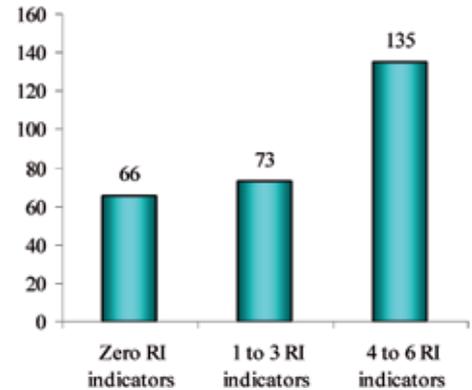


Figure II.5. Responsible investment practices and average assets per fund (\$ billions)



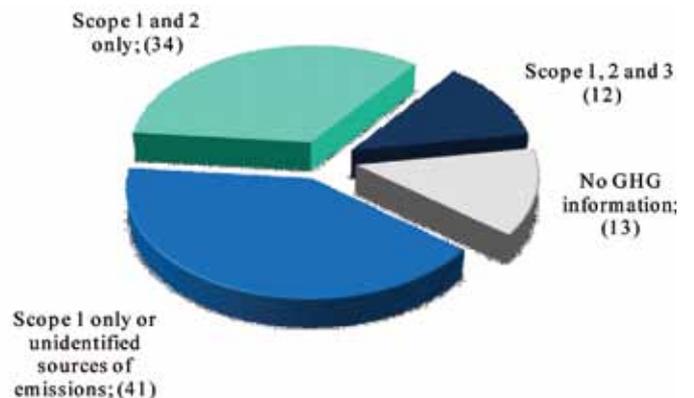
Chapter II examines the activities of the world's 100 largest pension funds against six responsible investment indicators.

As shown in figure II.5, larger funds (i.e. those with higher average assets) tend to be the early and more active adopters of responsible investment practices.

Source: UNCTAD, based on data from Griffith Business School

## CHAPTER III: THE LARGEST TNCs AND CLIMATE CHANGE-RELATED DISCLOSURE

Figure III.3. Use of the Greenhouse Gas Protocol "scopes" in emissions reporting (Number of enterprises, max = 100)



Source: UNCTAD, based on data from Ernst & Young.

Chapter III provides a deeper analysis of current environmental and climate change reporting practices adopted by the world's 100 largest TNCs.

Figure III.3 demonstrates that while most of the sampled TNCs report on greenhouse gas emissions, significant inconsistencies in the quality and comprehensiveness of reporting exist.



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*Taken as a whole, the Review's snapshot of TNC and investor activity not only gives us a general picture of what is happening now, but it also leaves us with an understanding of the ongoing demand placed on enterprises to meet a range of social and environmental expectations. The data and analysis in this review aim to inform further discussion on the ways companies and investors manage, measure and report their environmental, social and governance (ESG) performance, and to encourage business leaders and public policymakers to further advance responsible business practices.*

*In the wake of the BP oil disaster in the Gulf of Mexico, questions have been raised about the meaningfulness of voluntary corporate responsibility communications and the analysis of these by responsible investors. This report makes clear that both CSR communications and ESG analyses must now improve, to better indicate the contributions and impacts of business, rather than simply offer an engagement with the issues.*

(Excerpt from the Preface by Supachai Panitchpakdi, Secretary-General, UNCTAD)



*The data show that both corporate reporting and investor engagement on business responsibilities are now widespread around the world yet remain variable in both form and quality.*

*This finding suggests there is now a need for more guidance in the public interest, involving further dialogue with and between governments. Private policies on sustainable development are becoming such a feature of international trade and investment that we need to bring governments to the table and work out what standards and policies will work best for all and then how we can promote them.*

(Jem Bendell, Guest Co-Editor and Contributor and Associate Professor with the Asia Pacific Centre for Sustainable Enterprise, Griffith Business School, Australia)



*The report incorporates data prepared for UNCTAD by EIRIS, United Kingdom; Griffith Business School, Australia; and Ernst & Young, Netherlands.*

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TO DOWNLOAD THE FULL REPORT, PLEASE VISIT: [WWW.UNCTAD.ORG/CSR](http://WWW.UNCTAD.ORG/CSR)

## Key messages

Transnational corporations (TNCs) play an ever more important role in sustainable development as conduits of capital, technology and management know-how. Increasingly, TNCs are being called upon to address broader environmental, social and governance (ESG) issues. At the same time, large, globally active investment institutions are becoming increasingly aware of the potential impact of a range of non-financial issues (e.g. climate change, human rights, corporate governance practices) of an investment proposition.

This review of the current state of practices in the area of corporate social responsibility (CSR) among the world's 100 largest TNCs and responsible investment among the 100 largest institutional investors reveals a number of important insights:

- (a) **Private policy on a large enough scale can have an impact similar to or greater than public policy.** *As a result, CSR has emerged as an important area of soft law self-regulation (or "soft-regulation"). CSR can present policymakers with new options and tools for addressing key development challenges.*
- (b) **Most large TNCs now recognize the importance of CSR yet the standard of communication varies widely.** *There is a role for policymakers to enhance the quality of communications. Various policy options exist such as supporting the harmonization of CSR reporting, and mandating such standardized reporting through stock exchange listing requirements.*
- (c) **Responsible investment practices (efforts by investors to incorporate ESG issues into investment decisions and to engage with investee companies to encourage ESG practices) have become common features of the world's 100 largest pension funds.** *Regulators can work to strengthen the mechanisms through which institutional shareholders are able to influence the ESG practices of the companies in which they invest, while also encouraging investors to formally articulate their stance on ESG issues in public reports.*
- (d) **At least basic climate change-related information is now reported by most large TNCs. However significant inconsistencies and inadequacies among company reports undermine the comparability and usefulness of this information.** *Unless reporting is produced in a consistent and comparable manner, it is difficult for policymakers, investors and other stakeholders to use it to make informed decisions. Policymakers could promote an internationally harmonized approach to the way companies explain, calculate and define climate change-related emissions.*
- (e) **A number of voluntary initiatives are taking a leading role in designing and facilitating CSR and responsible investment instruments, encouraging improved corporate communication on ESG issues and creating important benchmarks, based on universally agreed principles.** *Policymakers can become involved in these initiatives with the aims of promoting sustainable development goals and identifying useful tools to complement government rules.*