

Measuring Corporate Social Responsibility: The Global and Indian Ranking Bodies and their Parameters

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Abstract:

The last decade has seen some radical changes in the manner corporate social responsibility (CSR) were managed in India and also across the globe. India, in the year 2013 became one of the first countries to enforce a law to improve the level of CSR in the country. United Nations in 2017, developed a CSR structure for companies to follow, which can be pursued along with the business objectives. There are several organizations globally, which track the CSR initiatives taken by the companies and rank them for their efforts. This paper identifies from the available literature, the global and Indian organizations which are involved in developing such rankings. It discusses the parameters which are considered by these organizations, to develop such rankings. The paper also lists the top performing companies as ranked by these organizations

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Introduction

The existence of Corporate Social Responsibility has been traced in company documents in the early 1950's (Carroll, 2008). In the last couple of decades, it has been taken seriously by the organizations, government and society (Rosamaria & Robert, 2011). It is much more institutionalised in the current scenario with the governments across the globe coming up with several initiatives, including setting up regulatory bodies and laws to improve the management of CSR activities in their respective countries (Hohnen, 2007). Companies in order, to develop a sense of trust and brand image, should themselves should take initiatives to measure their CSR activities (Sawhny, 2008). There are several studies surrounding the measurement of CSR proposes but, all of them propose a different

set or parameters. (Aupperle et al., 1985). This paper is an attempt to discuss the parameters set by the different regulatory bodies which measures CSR activities of companies.

There has always been a confusion surrounding the constituents of CSR (Dahlsrud, 2008). There has been no global understanding on the definition of CSR (Sheehy, 2015). These aberrations in the concept of CSR make it difficult for organizations which intend to measure (Hopkins, 2005) and compare the CSR activities conducted by companies.

The purpose of this chapter is to study the existing literature and list the global and Indian ranking bodies which are involved in the measurement of CSR activities and spending by the companies. The chapter summarizes the parameters that are considered by these bodies

while ranking the companies for their CSR contribution. It also lists the global and Indian top performing companies in terms of CSR as ranked by these ranking bodies.

I. MEASURING CSR

The CSR construct is difficult to measure (Galant & Cadez, 2017). Many researchers have tried developing methods to measure the same. Generally, there are two popular methods to measure CSR (Ahmed and Uchida, 2009):

1. Reputation index
2. Content analysis

Reputation Index - In this format, the index is prepared by knowledgeable observers. These observers develop several parameters based on the social responsibility of the organizations. Then, they evaluate each organization under these criteria. Karake (1998) explained that this method of rating is quite useful as the same “rater” is involved in rating different organizations.

Content Analysis- is a process wherein the different CSR initiatives of the organization, which are recorded in several documents, are coded. Then, the narratives are kept into groups, finally these qualitative data is used to convert them into qualitative scales (Weber, 1998; Holder-Webb., 2007).

II. INTERNATIONAL CSR RANKING BODIES

A. *Business in the Community (BiTC)*

BiTC or Business in the community is a UK based organization which has developed an index to rank companies involved in corporate social responsibility. This organization prefers using the terminology “corporate responsibility” and they define it as-

“a company’s positive impact on society and the environment, through its operations, products or services and through its interaction with key stakeholders such as employees, customers, investors, communities and suppliers.” (Business in the community, 2003)

BiTC is involved in the ranking of all organizations which are listed in the FTSE 100(Financial Times Stock Exchange), FTSE 200 and the Dow Jones Sustainability. The ranking also includes companies who are not listed with the above mentioned organizations but have a significant business presence in the UK.

The BiTC ranking index consists of four components:

BiTC determines with its framework:

- a. The effectiveness of the corporate strategy by measuring
 - I. How the company values are influenced by the business activities?
 - II. How the activities are tied to risk management, development of policies etc?
- b. The level of integration between the day to day operations and the corporate responsibility of the company. Here they measure whether the corporate responsibility is aligned to the strategic decision making of the making of the company or is it considered to be a stand- alone initiative?
- c. The level of integration between the company and its stakeholders. The different processes in the company are reviewed. Here they consider four areas, which are defined in the following way :
 - I. **Community**- which is defined as the crossing point between the company and the society, at large. This can be influenced by the development of a company product or process at a local or international platform.
 - II. **Environment**- is defined as the way that the ecosystem and the natural resources are influenced by the functioning of the company.
 - III. **Responsibility**- is defined as the initiatives of the organization to protect the resources for the generation to come.

- IV. Responsibility at the marketplace- is defined as upholding the business practice benchmarks in the development, purchase selling and marketing of its products and services.
- V. Responsibility at the workplace- is defined as the development of a workplace environment which encourages personal and employment rights.
- d. The performance and the impact of the company spread over the areas such as the social and environment areas. The participating companies submit their contribution towards the following six impact areas:
- I. global warming- This is compulsory
 - II. waste management- This is also compulsory.
- Any two out of the following:
- I. product safety,
 - II. occupational health and safety,
 - III. human rights in the supply chain,
 - IV. diversity in the workplace, and community investment

The remaining two areas are left to the discretion of the company. These two areas should be related to the kind of business that the company is involved.

In the year 2018, Lloyds Banking Group was awarded the “Responsible Business of the Year”. They were awarded for their transparent social responsibility practices. The group has lent more than 500 million to promote energy efficient real estate developments. They also reported a five percent improvement in the number of women in the senior position. They also managed to reduce the carbon emissions by 14 percent in the last 3 years.

B. FTSE4good

The FTSE4Good index series has been developed by the Financial Times Stock

Exchange Group (FTSE). For companies to be evaluated under the FTSE4Good Index Series, they have to be listed under one of these: the FTSE-All Share Index (UK) or FTSE All-World Developed Index (Global). If a company is listed in any one of these, then the second level of criteria comes into play. The second level requires the company to meet requirement in three verticals:

- i. Putting effort towards environmental sustainability
- ii. extending constructive associations with stakeholders
- iii. safe-guarding human rights.

The measurement framework developed by them measures the companies on the globally accepted corporate social responsibility standards. It measures the companies under three performance parameters, namely:

- i. Environmental practices
- ii. Social practices
- iii. Governance practices

These three practices are commonly known as the ESG practices.

In the year 2018, the following were the top three companies which were awarded:

- a. “FTSE4Good Developed Index”
 1. Microsoft Corporation
 2. Apple Incorporation
 3. Johnson and Johnson
- b. “FTSE4Good UK Index”
 1. HSBC Holdings
 2. Royal Dutch Shell A
 3. Royal Dutch Shell B
- c. “FTSE4Good US Index”
 1. Microsoft Corporation
 2. Apple Incorporation
 3. Johnson and Johnson

C. Dow Jones Sustainability Index (DJSI)

The DJSI indexes were developed by a Switzerland based company, Sustainable Asset Management (SAM). The Dow Jones Sustainability Indexes (DJSI) rates the companies who are contributing in corporate sustainability. This family of indexes tracks the world’s top company’s share performance in terms of economic,

environmental and social criteria. It has both, a global/world as well as a European set of indexes.

The DJSI World, which was established in the year, 1999 has a very transparent ranking system based on set norms, which leads to the Total Sustainability Score. The top rated companies of each is considered for the ranking. All the possible industries are considered with the exception of companies which are in the following businesses:

- i. Alcohol
- ii. Tobacco
- iii. Gambling
- iv. Armaments
- v. Firearms.

Table 1 lists the winners of the DJSI World indexes in the year 2018.

Table 1: Dow Jones Sustainability Index (DJSI) (2018). Source:

Industry	Company
Automobiles	Peugeot SA
Banks	Bancolumbia SA
Construction and Engineering	Hyundai Engineering & Construction Co Ltd
Industrial Conglomerates	Siemens AG
Household Durables	Electrolux AB
Leisure Equipment & Products and Consumer Electronics	LG Electronics Inc
Textiles, Apparel & Luxury Goods	Adidas AG

The European index is also known as the Dow Jones STOXX Sustainability Indexes (DJSI STOXX). This was established in the year 2001. The organization has developed handbook for companies to help them understand each of the assessment methodology.

Both the above mentioned indexes measures the financial performance of the companies based on the sustainability criteria's. The organization has defined corporate sustainability as–

“a business approach to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments”.

The parameters considered for both of these indexes are :

- i. sustainability effort by the company
- ii. environmental activities conducted by the company
- iii. health and safety reports
- iv. social reports
- v. annual financial reports
- vi. special reports, such as on intellectual capital management, corporate governance, R&D, employee relations.
- vii. other sources of company information; such as internal documentation, brochures and websites.

D. Business Ethics 100

Business ethics magazine is a US-based magazine popular with the business community for its ranking of companies which are involved in corporate social responsibility. The first edition of this ranking came in the year 1999. This ranking is popularly known as the “100 Best Corporate Citizens”. It is based on the philosophy that the spirit of good corporate citizenship lies on the quality of service spread for the stakeholders. They use social rating put together by KLD research and Analytics of Boston to measure the level of service provided by the companies to the following stakeholders:

- i. Stockholders
- ii. Community
- iii. Minorities and women

- iv. employees
- v. environment
- vi. non-US stakeholders, and
- vii. customers

As mentioned earlier, the fundamental data is received from KLD Research & Analytics in Boston – data. Over the last couple of years, the methodology involving the ranking has changed. When the ranking started, 650 firms were selected. 500 of them came from the S&P 500 and the remaining 150 were selected considering their industry and social performance. They used the scores accumulated by the companies in the preceding three years to rank them.

From 2003 onwards, they started including 150 companies listed in Russell 1000 and also changed their methodology to consider, only the scores earned in the preceding one year to rank them.

The companies were measured on their scores in the following parameters:

- environment
- community relations
- employee relations
- diversity
- customer relations.

Table 2: Ethics 100 Ranking. Source : 100 Best Corporate Citizens (2018).Corporate Responsibility Magazine

Ranking	Company
1	Microsoft Corporation
2	Accenture plc
3	Owens Corning
4	Intel Corp.
5	Hasbro, Inc.
6	Altria Group Inc.
7	Cisco Systems. Inc.
8	Ecolab, Inc.
9	Johnson & Johnson
10	NVIDIA Corp

E. Impakt Corp

Impakt Corp is a research-based organization involved in the CSR ranking of companies globally. Impakt Corp’s annual report analyses the approach of the business leaders

towards CSR. They consider five correlated parameters that they believe, explain how business houses can optimize their investments in CSR. The five parameters are the following:

- i. foundation of business is itself a societal purpose
- ii. clear understanding on “accepting” change
- iii. validity and reliability of information
- iv. synergised effort and
- v. Taking help of specialists.

- i. Foundation of business itself being a societal purpose

A lot of businesses around the globe actually, concentrate on CSR, but then ideally, a good CSR initiative is something which moves along with the business and need not be carried separately. A good CSR program should reflect the business of the organization. For example, the way Campell’s Nourish conducts its CSR activities. Campell Soup Company is manufacturer and marketer of high-end foods, specially soups and simple meals. They are global giants in this industry, selling to over 100 countries. They promote health wellness globally, along with nutrition. This is the way they have defined their business.

- ii. clear understanding on “accepting” change

Now, with the growing initiatives of the organizations to adopt CSR, it is becoming increasingly difficult to differentiate the effort of one company with the CSR efforts of another. CSR is omnipresent. Organizations are coming up with innovative methods to conduct their CSR activities. US –based firm, 3M have developed several initiatives to address issues around education and health in Canada. They have involved the government and education leaders. They are working with several not-for profit organization and roped in a lot of youngsters in this initiative.

- iii. validity and reliability of information

There are companies which identifies social issues and tries addressing them. They do not get into the finer details of these challenges faced by the society. In such initiatives, the organization does not get the desired results. The society is also not benefitted. CSR leader's gets into the depth of the issues which they want to address. They provide enough information about the challenges to the stakeholders like the customers and employees. They make through research, develop sufficient audio and video material and run social media campaign to develop a better understanding of the issue. IBM's Smarter Planet can be considered to be one of the best examples under this parameter. They support several initiatives in the field of medical and other sustainability issues by supporting the scientists in these fields. They support the scientists by providing adequate technological support to conduct their research.

iv. synergised effort

There are several organizational, globally who have taken the initiative of addressing a lot of societal issues. Most of the times, it is found that these organizations end up not doing justice to any of the initiatives and they tend to drop most of the initiatives and start afresh. Organizations which have been leaders in the area of CSR have typically, identified one initiative and have put all their internal and external resources, in order to address it.

The US-based consumer goods corporation have identified the need to help the children who need help. Their initiatives, such as Protecting Futures and Hope Schools have helped more than 210 million children globally.

v. Taking help of specialists

The organizations, who want to be CSR leaders, need to develop a high degree of credibility. They need to develop a good rapport with the society. For them, to achieve the above stated goals, they need to take the help of the experts in the field.

An ideal example in this case is Starbucks, which conducted a conference at the

Massachusetts Institute of Technology, to create a plat for its suppliers, cup manufacturers, and several business leaders in the retail and beverage space. They also invited representatives from the government and non-government organizations, professors and recyclers, who can contribute with their ideas on how to recycle the paper and plastic cups, used in the Starbucks cafeterias. This led to the development of the 100% recyclable coffee cups used in the Starbucks.

vi. Reputation

Reputation Institution (RI), an US based reputation management company releases yearly ranking of socially responsible companies based on the perception of consumers. In the 2018, they surveyed 15 countries and nearly 2 Lakh ratings. The rating parameters are based on the governance of the company, influence of the company on the society and the employees. The ratings were tracked using advanced proprietary technology. They allocate the points to each of the CSR initiative and they call these RepTrak points. Following was the ranking released in year 2018 (table 3) :

Table 3: Impakt Corp CSR Company ranking.

Ranking	Companies
1	Lego
2	Microsoft
3	Google
4	Walt Disney Corporation
5	BMW Group
6	Intel
7	Robert Bosch
8	CISCO
9	Rolls Royce Aerospace

In an attempt to push for sustainability, Lego has partnership with World Wildlife Fund. Bill & Melinda Gates Foundation is one of the several such initiatives taken by Microsoft. The company's co-founder and former CEO of Microsoft, who is also a major shareholder in Microsoft, is closely associated with this foundation.

Google have initiated the "Google Green" program, which is directed towards

developing and conserving environmental resources. They developed their California office and have made it carbon neutral.

IV. INDIAN CSR RANKING BODIES

There is no particular organization in India which has been dedicatedly involved in the ranking of Indian companies on their contribution towards CSR. Recently, there have been some annual reports developed by organizations such as KPMG, Future Scape and IIM-Udaipur which have ranked companies based in India. Some of the ranking systems by the above mentioned bodies have been discussed here.

i. India's CSR reporting survey

This survey is conducted by Klynveld Peat Marwick Goerdeler, popularly known as KPMG. This is an annual survey which analyses several CSR of 100 companies based in India. The CSR aspects used for analysis in this survey are the following:

- CSR policy
- CSR committee
- Director's report
- Annual disclosure and,
- Spending on CSR

They follow the following process for the survey:

- For any financial year, the annual reports and the CSR policy of a particular organization is collected from the company brochure/website.
- The spending, policies and declarations are compared with the section 135 of the Companies Act.
- Similar comparisons are done for the two preceding years also.
- A report is prepared which is both qualitative as well as quantitative, in nature.

ii. Responsible Business Ranking

This is an annual survey conducted by FutureScape. This report inspects the corporate responsibility reports declared in the public domain by the company. They also consider the sustainability reports and other business reports are not readily available in the public domain. According to this report, it is not only important for organizations to have a CSR spending according to the law but it is also important for organizations to incorporate sustainability and CSR in their strategy. It checks for the existence of CSR policy in the organization. It also measures to what extent the companies declare their sustainability and CSR initiatives. The level of coverage of the CSR activities of the companies is also measured.

They consider two dimensions in their report, one is sustainability and the other is corporate social responsibility. They consider the following broad parameters to rank the companies:

- i. Governance
- ii. Disclosure
- iii. Stakeholders
- iv. Sustainability

The detail of each of the parameters is explained in Fig 1.

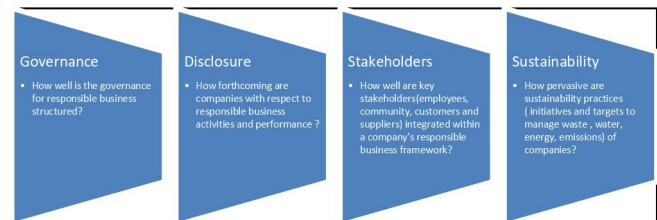


Figure 1: Parameters considered by Responsible Business Ranking for ranking the organizations.

The weighted average of the parameters is considered for ranking the companies. Twenty percent weight-age is given to governance, fifteen percent to disclosure,

thirty percent to stakeholders whereas the remaining thirty-five percent is allotted to sustainability. Maximum score possible for any company is 100.

Companies under the Tata Group occupy three out of the top ten positions (Table 4). Other companies which are in the top 10, include Ambuja Cement, Bharat Petroleum Corporation Ltd., Hindustan Zinc and Indian Oil Corporation. Bharat Petroleum Corporation Ltd. and Indian Oil Corporation are the only two public sector companies in the list. There is no foreign company in the list.

Table 4: CSR ranking by *Responsible Business Ranking (2018)*.

Ranking	Companies
1	Tata Chemicals
2	Ambuja Cement
3	Infosys Ltd.
4	Mahindra and Mahindra Ltd.
5	Tata Motors Ltd.
6	Tata Power Company Ltd.
7	Bharat Petroleum Corporation
8	ITC Ltd.
9	Hindustan Zinc Ltd.
10	Indian Oil Corporation

V.CONCLUSION

There has been a growing demand to measure the CSR efforts of the companies (Hategan et al., 2018). But, the challenge in measuring CSR is the confusion among the practitioners and the academicians on the definition and the dimensions of CSR (Dahlsrud, 2008). This chapter has put together several global and Indian organizations who are involved in the ranking the companies in accordance to their CSR effort. The parameters that these organizations have considered, in order to

measure the CSR effort is found to be different for different organizations.

The methodology followed by these organizations is not elaborately described in the public domain so the author was also not able to get into the depth of the methodology. These organizations have not declared their latest results (2019) therefore, the author considered the 2018 results as the latest result. Future researchers may consider current developments in the area of CSR and explain the changing environment and the reasons for the same. Studies may also look into the different kinds of leadership and organizational philosophies which leads them to indulge in specific areas of CSR. It will be interesting to compare the investments on different types of CSR activities of different geographies in terms of countries and continents and explain the reasons for the same. Future researchers may also conduct studies to list the grey areas in terms of CSR activities. They may link this to the level of poverty, GDP of the country and other financial and non-financial determinants. It will be interesting to study the perception of society at large, on the kind of CSR activities conducted by the companies. This will help the companies to understand the kind of CSR activities which are appreciated by the society.

To the best of the author's knowledge, this is the first attempt to bring together different CSR ranking bodies from across the globe. This chapter will help the practitioners to understand the several parameters that are considered across the globe to rank the companies for their CSR efforts. This will help them to direct their effort towards those CSR activities which helps them to improve their ranking. This chapter also helps the academicians and future researchers to identify different parameters to measure CSR. They can mix and match several parameters, from the list of parameters used by the different ranking bodies to develop dimensions for their study.

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