



Internationally Applied Rating-Systems for the Evaluation of CSR –

Results of an Explorative Study

***Univ.-Prof. Dr. Henry Schäfer
University of Stuttgart***

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Agenda

1. Executive Summary
2. Comments on Rating Processes
3. Comments on Rating Results
4. Conclusions

Download of the complete study:

[http://www.bertelsmann-stiftung.de/medien/pdf/
Studie_CorporateSocialResponcibility.pdf](http://www.bertelsmann-stiftung.de/medien/pdf/Studie_CorporateSocialResponcibility.pdf)



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Methodological approach of the study

- 1. Objects of investigation: Sustainability rating institutions and their evaluation systems (additionally: recipients and impact of the rating, individual focus)**
- 2. Focussing on systems evaluating the social and environmental dimensions of companies' sustainability/CSR performance**
- 3. Analysis limited to ratings of companies (not of public institutions)**
- 4. Rating institutions regionally limited to Europe and North America with the intention of extensive coverage**



Results of the study (1): Rating Processes

1. **Core model** of sustainability ratings deducible, but in practise rating business models exhibit **great heterogeneity** and **little standardisation**.
2. **Rating paradigms** are based mostly on a combination of **Sustainable Development** approaches and **Corporate Social Responsibility** approaches, specified with internationally established norms.
3. **Entire supply chain**, product **life-cycles** and **stakeholder** networks in the focus of analysis.
4. **Best in/Best of Class approach** as the current model of consensus.
5. **Separation into groups** prevails: Sustainability analyses often differentiate between Sustainability Leader and Sustainability Pioneer.
6. Sustainability ratings are predominantly used for **investment decisions**.



Results of the study (2): Rating Results

7. Concepts of existing sustainability ratings display certain **types of models**. **Economically** orientated concepts dominate here the group of **normatively** orientated concepts by number and prevalence.
8. Economically orientated concepts can be divided into four groups: **Risk management, increase in shareholder value, sustainability innovation, best practice management**.
9. **Rating prototype**: Listed, global company. The reverse: Non-listed, small and medium companies are the rating exception.



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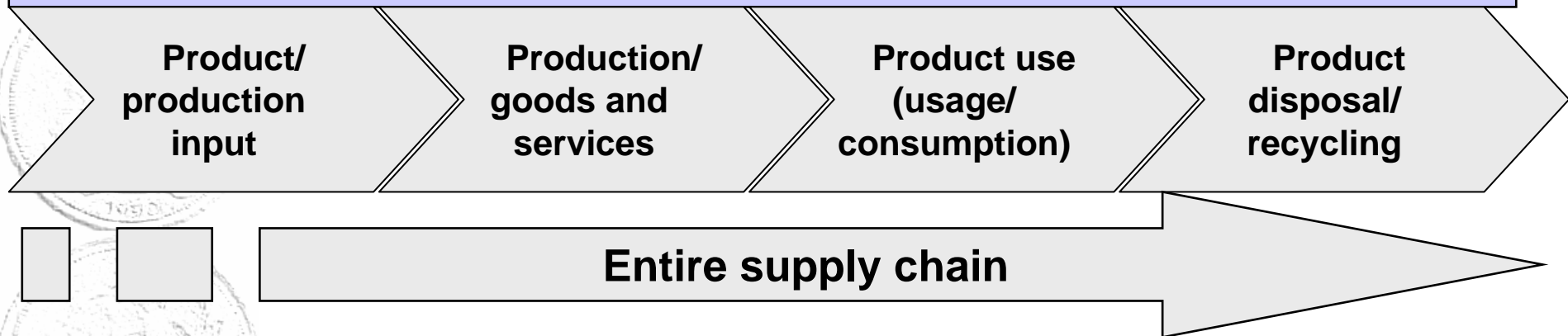
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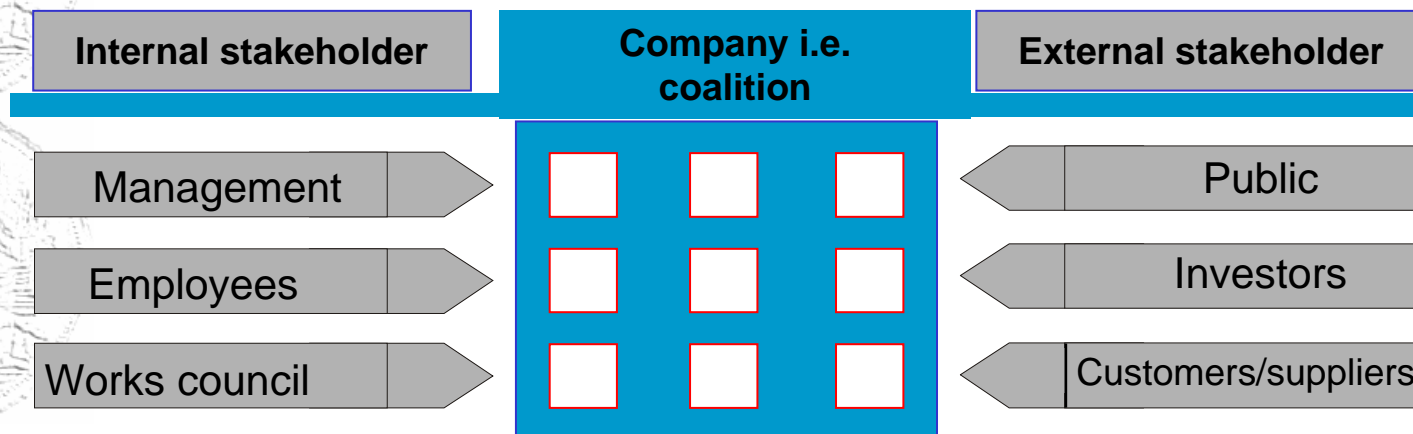


Analysis of the supply chain: Life-cycle in environmental rating, stakeholder concept in social rating

Life-cycle orientation in environmental rating



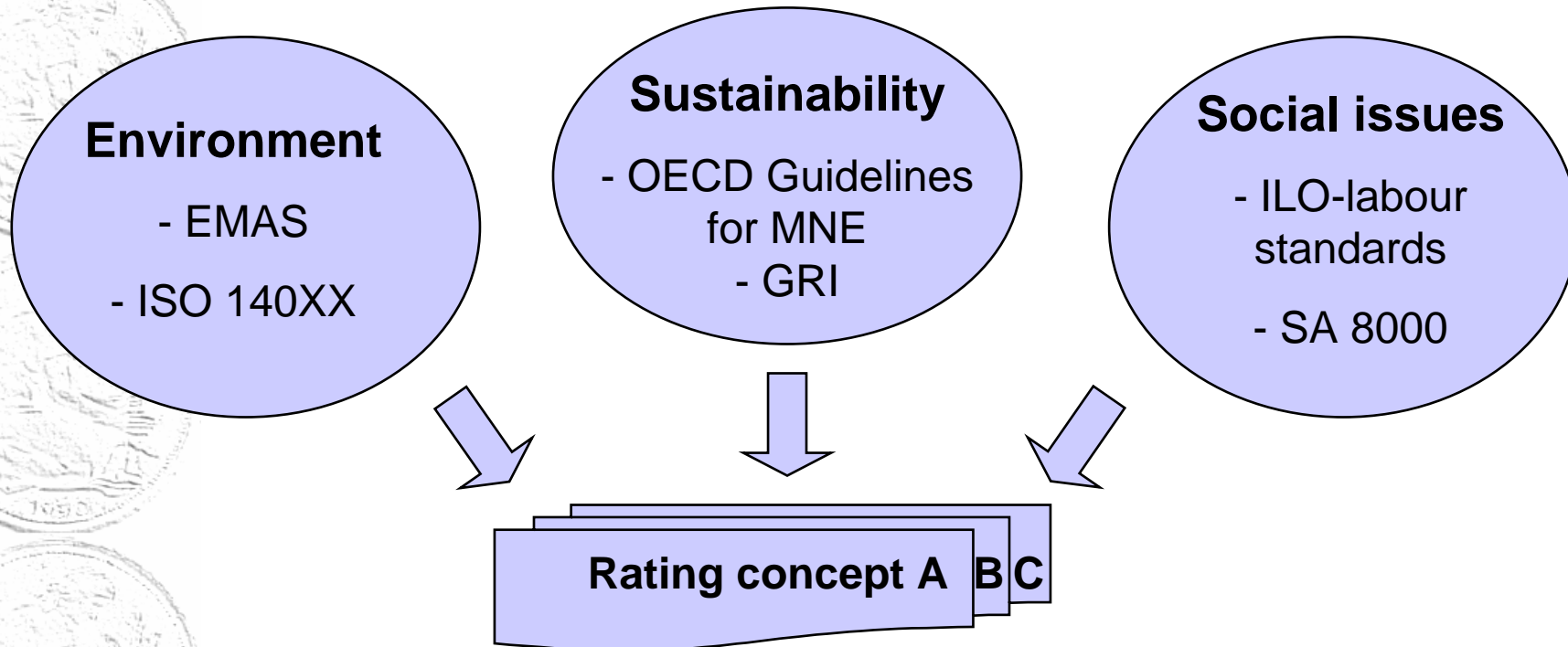
Stakeholder orientation in social rating





International norms serve as specification and quantification

International norms, standards and guidelines



Characteristic for the rating process: The diversity of criteria and different causal models, individual weightings and threshold values are not transparent for externals



Sustainability rating – at present (almost) exclusively an instrument for asset allocation

- **Decision basis for investors predominates:**
 - To identify above average investment opportunities
 - ‘Rewarding’ sustainable companies/management
 - ‘Punishing’ non-sustainable companies
 - Testing consistency of investment principles in order to avoid investment in Sin Stocks
- **For companies possibility of comparison:**
 - Analysis of strengths and weaknesses in industry comparison (SWOT)
 - Improve company internal risk management
- **Assisting decisions of other stakeholder groups:**
 - Primarily consumers (e.g. ‘Shopping for a better World’)



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Main categories within economically orientated CSR-evaluation (1)

Risk management approaches

- **Non-compliance to sustainability → specific business risks**
 - **Identification of specific industry and business risks**
 - **Compared to financial rating: Comparative advantage as risks can be materialised due to soft factors**
- **Example: Bank Sarasin, CoreRatings, SERM**

Increase shareholder value approaches

- **Performance orientated models of the Shareholder Value-paradigm (reference to capital market)**
 - **Identification of specific sustainability value drivers and linking it with strategic management approaches**
 - **Eco-efficiency approaches, Intangible Value Management models**
- **Example: SAM, Innovest**



Main categories within economically orientated CSR-evaluation (2)

Sustainability innovator approaches

- Identification of above-average growth opportunities because of primarily ecological innovations
- Technology-based, little reference to stakeholders
- 'Industries of the future'

→ *Example: NAI, SAM, UBS*

Best Practice management models

- View of top management and action statements for managers
- Central role of strategy and planning, evaluation and reporting, stakeholder dialogue

→ *Example: BITC, Sozillabel Schweiz*



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Conclusions from the comparison of the analysed rating institutions

- **The former „eco-rating“ has become a sustainability rating with integrated environmental, social and often also financial analysis → predominantly linked to financial markets.**
- **Concepts almost exclusively tailored to listed large caps, sophisticated methodology, actors mostly organised in networks/strategic alliances.**
- **Rating conceptions are similar in the processes, but differ in the underlying philosophies.**
- **Decisive for the quality of the rating is the acceptance by companies, because ratings are mostly unsolicited. Here acceptance by companies & stakeholders and the internationality of the service counts – but currently hardly a best practice.**



Dilemma

- **SRI research needs guidelines e.g. the CSRR-QS 1.0 standard and more self regulation. By the end of the day only the biggest rating organisations will survive (?).**



Contact

**University of Stuttgart
Univ.-Prof. Dr. Henry Schäfer
Institute of Business Management/Dept. III (Finance)
Keplerstr. 17
D - 70174 Stuttgart
Germany**

Fon: +49-(0)711-218460-00

Fax: +49-(0)711- 218460-09

h.schaefer@po.uni-stuttgart.de

www.uni-stuttgart.de/susfin