



**CSR Profiling for Argentinian
public companies**

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Introduction

We intend to:

- **Measure the Corporate Social Responsibility (CSR) profile of Argentinian companies**
- **Identify the basic issues needed in order to develop a Sustainable Index for the Argentinian capital market**

What is CSR

● There are very different definitions of CSR

● Some examples:

- “Managerial style defined by an ethical relationship with all stakeholders”, Ethos Institute, Brasil.

- “CSR is the responsibility that people, institutions and corporations have in order to promote the welfare of society...” Fundación Prohumana, Chile.

More CSR Definitions

- **“Company relationship with each stakeholder, in order to sustainably enhance business performance and the quality of life of society as a whole”, “División RSE” de IDEA, Instituto Desarrollo Empresarial Argentino, Argentina.**
- **“Firm’s ability to sustainably manage Economical, Social and Environmental resources applied to its activity” , IARSE, Instituto Argentino de Responsabilidad Social, Argentina.**

Why CSR differs

- **There are some common factors**
- **CSR concept varies along time and place**
- **For instance, not the same in Brazil, Chile**
- **CSR is a novelty**
- **Society demands change along time**

Ian Davies' article

- **From The Economist, may 2005**
- **Long term business impact of social issues**
- **Examples of food industry and debate on obesity. Similar trends in tobacco, pharmaceutical industries**
- **“Billions of dollars ...(are)...put on stake”**

A relative concept

- CSR is not absolute, but relative to societal demands and emerging society forces**
- In LatAm, society more lenient to polluters if they offer working opportunities to community**
- There is no CSR conceptual model valid for all places and circumstances**

Divided society

- The “society” or “community” is not a consolidated, homogeneous reality
- There may be contradicting, colliding demands in the same society
- Local examples: Esquel referendum (2003), Gualeguaychú riots (2005)

Problems when assessing CSR

- Which criteria is valid?
 - Local vs. International views
 - Special/religious investment preferences
- “Weighting of worries”

Argentinian Capital Market

- **Buenos Aires Stock Exchange:**
 - **Few stocks: hundred stocks**
 - **Highly illiquid**
 - **Some stocks have double listing (in US)**
 - **Scarce public information**

Literature review

- Works by WRI (World Resources Institute)
 - “Pure Profit”, pulp industry in the US
 - “Changing Oil”, energy industry worldwide
- Environmental exposure of each stock
- This exposure, not included in historical beta
- Scenario building: Experts determine main risks, probability and outcome

Literature review - cont.

- Sokya and Feldman
- Environmental management systems
- Environmental performance
- Controlled and non-controlled signals
- Investors can take note of signals

What practitioners do

- **KLD's Domini indexes**

- **Domini 400, first 400 US listed companies that rank first in a matrix of criteria**

- **Information gathered via:**

- **Direct communications with company officers**
- **Research bought for non US equities**
- **Media news reviews**
- **Public documents**
- **Government and NGO information**

What practitioners do- cont.

- **Innovest Group**

- **“company’s ability to handle (CSR) risks is a powerful proxy...for overall management quality”**

- **Iceberg balance sheet**

- **Eco Value**

- **Human Capital**

- **Stakeholder Capital**

- **Sustainable Governance**

What we are doing

- **Research at UCEL, Rosario, Argentina**
- **Review public data on Argentinian public firms**
- **The possibility of CSR signalling from an investor point of view**
- **We are not trying to prove relationship among CSR performance and financial performance**

Where to look for signalling cues

- **ISO 14000 certifications.**
- **Participation in eco-labelling.**
- **Issuance of sustainable reports (environmental, social or triple-bottom line reports).**
- **Participation in Carbon-bond schemes.**
- **Participation in a formal social certification program.**

Next step

- **We should define a set of attributes or classifying variables**
- **Each of these variables can assume different possible values**
- **Analytical matrix - basis of discrimination**
- **“More” or “less” responsible firms**

Final outcome

- **Opportunities and problems regarding the creation an “Argentinian Sustainable Index”**
- **Drawing from our research and the experience of other neighbouring emerging markets**
- **Critical analysis of challenges**
- **Action program, with necessary steps**

This research might be useful to

- a) Company managers**
- b) Financial Regulation Agency (Comisión Nacional de Valores)**
- c) Local investors (people and pension funds)**
- d) International investors**
- e) NGOs and community**