

The ICOSA
**Corporate Social
Responsibility Handbook**

The ICSA

Corporate Social Responsibility Handbook

Making CSR work for business

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*This book is dedicated to my grandchildren,
Ben and Calum, for whom I hope CSR will lead
to a more transparent business environment.*

Contents

Foreword by Rosemary Martin *ix*

Preface *xi*

Acknowledgements *xv*

Part One: Why develop a CSR approach? |

- 1 Introduction 3
 - Introduction to CSR 3
 - The debate about CSR and its relevance 4
 - CSR terminology 5
- 2 Why develop a CSR approach? 7
 - The forerunners of CSR 7
 - Why has CSR now come onto the management agenda? 9
 - The results of change 13
 - The scope of corporate governance 15
- 3 Indices, analysts, researchers and corporate social responsibility 18
 - The stock market indices 18
 - The investment fund managers' approach 25
 - The investment researchers' approach 28
 - So, which indices and surveys matter? 30
- 4 The legal and the quasi-regulatory background 32
 - Introduction 32
 - Legislation relating to CSR components 32
 - Legislation relating to CSR reporting 35
 - UK legislative developments 38
 - The quasi-regulatory background 48
 - Conclusion 55

Part Two: How to implement CSR 57

- 5 The scope of CSR 59
 - Introduction 59
 - The CSR Route Map 59

- The difference in company approaches to CSR 62
- Country attitudes to CSR 66
- The business case for CSR 69
- Is there a business case for CSR? 74

- 6** A management culture 76
 - Introduction 76
 - Making CSR part of the normal business process 76
 - The benefit of having a code of ethics 78
 - Developing the code of ethics 79
 - US versus UK codes 82
 - Developing the compliance system 82
 - Communicating the code and the compliance system 84
 - Developing a culture of trust 84
 - Understanding your stakeholders 85
 - Developing the CSR strategy 87
 - Integrating CSR into the business 92
 - Monitoring and audit 93
 - Operational and Financial review (OFR) 94
 - Conclusion 94

- 7** CSR: the community 96
 - Perceptions of CSR 96
 - Community affairs 97
 - The benefits of giving 100
 - The Giving List 100
 - Corporate foundations 101
 - Cause-related marketing 103
 - Community investment 107
 - Employee volunteering and community activity 111
 - Developing corporate reputation through community-related activity 111
 - Measurement of community activities 113
 - Conclusion 114

- 8** CSR: the environment 116
 - What is the environment? 116
 - Environmental legislation, regulation and protocols 117
 - Environmental policies 125
 - Environmental management systems 126
 - Environmental certification 128
 - Environmental performance measurement 130
 - Environmental initiatives 131

CONTENTS

9	CSR: the workplace	136
	Introduction	136
	Legislation relating to the workplace	136
	Workplace policies	140
	Workplace initiatives	150
	CSR initiatives	153
	Concluding thoughts on workplace CSR	157
10	The marketplace: clients and customers	160
	Introduction	160
	The legislative background	160
	CSR policies, management and performance measurement	164
11	The marketplace: the supply chain	173
	Introduction	173
	The legislative background	173
	CSR practices, management and performance measurement	174
	Supply chain initiatives	176
	Some final thoughts on the marketplace	178
Part Three: What to do to make CSR work		179
12	Stakeholder engagement and communication	181
	Introduction	181
	Stakeholder engagement	181
	Identify the stakeholders	182
	Understand the needs of stakeholders	183
	Prioritisation of the issues and the stakeholders	185
	Initiate a stakeholder engagement process	186
	Why communicate?	192
	Ways to communicate	193
	CSR and OFR reporting	196
	Some final thoughts on stakeholder communications	199
13	CSR: where it's going	200
	The legislative future	200
	Gaining competitive advantage for business	204
	Making CSR work for your business	207
	Some final thoughts	208
	Glossary	210
	About The Virtuous Circle	224
	Index	225

Foreword

Corporate Social Responsibility (or CSR or corporate responsibility as it is also called) is an aspect of business that has gained prominence in recent years. While the name is new, the concepts behind it are not. Many successful businesses throughout corporate history have exhibited strong commitments to aspects of CSR, such as the enlightened approach to employee engagement displayed by Unilever's forebears at the model factory at Port Sunlight and the ethical approach to business adopted by Cadbury's and other companies with their roots in the Quaker movement. Some companies have taken steps to ensure their core values are enduring, such as Reuters which has an arrangement created over 50 years ago, whereby its commitment to unbiased news reporting is encapsulated in its constitution.

Today modern business are also recognising the business value in behaving responsibly. But what that means in practice is often far from obvious. That issue is addressed by this book which shows how a commitment to CSR can enhance a company's reputation, improve its approach to risk management and make it an employer of choice.

CSR has come to prominence as a result of the convergence of a number of inter-related themes. Globalisation, the emerging power of the individual fostered by access to information on an unprecedented scale, the shift in the balance of power from national governments to transnational organisations, the growing awareness of environmental issues, and the spread in distrust of companies all drive questions about the roles and responsibilities of corporates in the twenty-first century. These questions are the at the heart of CSR and individual companies' responses to these issues define their CSR approach.

Companies thrive by looking ahead to identify future trends and by being responsive to the present demands of their stakeholders. Those companies most likely to succeed in the competition for customers, employees and resources are those that are well attuned to what those constituents are saying. And many of them are demanding that the companies they engage with must demonstrate their CSR credentials.

CSR affects companies of all types and sizes because each company is part of a web of supplier/customer relationships in which CSR issues arise. While CSR is relevant to all companies, it is by no means the type of topic that suits a 'one size fits all' approach. For this reason, companies are increasingly being encouraged to be explicit about what their approach is to CSR and why this approach is appropriate for them.

This book is a valuable addition to the mass of commentary on CSR. It provides a practical methodology which companies can adopt to enable them to clarify their strategy on CSR. Not only does it provide a framework for thinking about CSR strategically, it also describes ways of implementing CSR initiatives effectively, drawing on examples from companies already well down the road of CSR best practice. With this handbook as a guide, real people in real companies will be well placed to identify what they need to do to embed CSR in their businesses to provide them with a competitive edge.

Rosemary Martin, General Counsel & Company Secretary
Director of Reuters Foundation, Reuters Group PLC

Preface

The invitation to write this book came after I had spoken at a conference, in which I gave a brief insight into Corporate Social Responsibility (CSR) and its lessons for business.

I recognised that for many in the audience, given their different levels of experience, CSR would be a new topic – and one about which they might be uncertain regarding its relevance to them or to their job. Their reaction was not surprising – their questions varied from requests for explanations of a basic nature to one or two in-depth discussions. These tended to come from individuals whose role as company secretary or director had clearly already involved them in detailed reviews of their business's operations as they related to CSR.

Since that presentation, there appears to have been a momentum building up about CSR and its relevance to business. It is now on the lips of most senior businessmen and women, with some being more sincere about it than others. Representing one of the more committed, David Varney, when Chairman of mmO2, said:

My belief is that responsible companies are more likely to prosper and thrive.

A similar view is taken by Martin Hancock, Chief Operating Officer in London of Australian bank, Westpac, who stated:

With globalisation, we have seen a shift in rights. Today, economic power lies very much with the private sector, rather than the public sector. And with those rights, there are certain responsibilities we must take on.¹

Such views are not surprising from two companies that are in the vanguard of CSR in major corporations; much more surprising are the two following statements, from individuals who may be considered to represent the more hard-nosed edge of commercial life. The first comes from Ian Davis, McKinsey's Managing Director:

Business leaders should demonstrate more confidence in their moral position as creators of wealth, opportunity and rising living standards and should work proactively to build trust between their organisations and society at large.²

The second comes from management guru, Professor Michael Porter of Harvard Business School:

I used to see this area of corporate social philanthropy as the last thing on my agenda ten years ago, but now I agree that social and economic issues are intertwined ... Today's companies ought to invest in corporate social responsibility as part of their business strategy to become more competitive.³

The development of CSR

Momentum for CSR has been gathering for several reasons:

- › legislation
- › organisational influences
- › procurement
- › recruitment.

Legislation

In Europe, the European Union Commission produced both a Green Paper and a White Paper on CSR – following which the Commission decided to enter into a Multi-Stakeholder Forum to determine what approach the EU should adopt regarding CSR. As ever in a multicultural political arena, no way forward was determined. However, an agreement was reached, whereby the Commission would review its approach in the Autumn of 2004. The change in the political make-up of the Commission has meant this review has been delayed – probably until Spring 2005. Regardless of this apparent indecision, the view of some experienced observers is that legislation on CSR will result at some stage in the future.

In the UK, the government’s Company Law Review moved at a similar pace, with its deliberations being held back for lack of available parliamentary time, having been based on an independent three-year review, which resulted in a White Paper being published in July 2002. So even though all political parties seem to be supportive of its direction, a new Company Law Bill is unlikely to be introduced until some time in the future.

However, one activity that seems to have been given an unusual degree of urgency is the Operating and Financial Review (OFR) Regulations which came into force on 1 April 2005.

Organisational influences

In business itself, the focus of influential bodies, such as *Business in the Community*, has raised awareness of the issues surrounding CSR. Its campaign has been directed at executive directors on the boards of British business, forcing them to ask questions of their management about their companies’ performance against that of their competitors. In addition, *The Financial Times* has been willing to provide a great deal of prominence to CSR, and is very positive and supportive of it.

Procurement

In terms of business bottom-line pressures, there have been increasing requests about CSR performance as part of procurement tender documentation, meaning that senior sales directors have begun to realise that CSR can have an influence on their ability to gain and retain contracts. This procurement pressure has meant that even the smallest companies are beginning to see requests for information about their CSR activities.

This pressure has come from large quoted companies and also from the public sector procurement departments.

Recruitment

Even in the HR field, there is growing pressure to be seen to be a responsible company. The attitudes of new graduates and younger employees towards CSR are particularly demanding and are providing further impetus for companies to perform responsibly and communicate their activities in a transparent manner.

So, from all different perspectives, the heat has been turned up on CSR, and companies are focusing on what CSR means to them – and for them!

The aim of the book

This book has been written to enable directors and company secretaries to answer the questions: ‘Is CSR relevant to my business?’, and ‘How do I make CSR work for my business?’ The book is divided into three parts:

- 1 Why develop a CSR approach?
- 2 How to implement CSR
- 3 What to do to make CSR work.

Its aim is not only to inform the reader about CSR and its benefits but also to help him or her integrate the benefits into the business and hence influence the bottom line – either directly or indirectly.

By structuring the book into these three parts, those readers already familiar with CSR can opt to read those sections they feel are more beneficial to their own position, while those unfamiliar with CSR can gain a more detailed understanding of CSR and its benefits.

The book is written from the perspective of ‘What are my business objectives, and how does CSR relate to my operation?’ It will refer to the attitudes and influences of governments and non-governmental organisations (NGOs) towards company behaviour and actions – from the perspective of their being ‘stakeholders’ in a business (as well as other stakeholders such as employees, customers and communities). As a result, the business needs to determine its approach towards these bodies in terms of seeing them as part of its corporate audience.

Sources

1 UNEP FI e-bulletin, September 2004 – quote from Martin Hancock, following Westpac being declared Sustainability leaders for the third year running.

2 Ian Davis, ‘The World in 2004 – Learning to Grow Again’, *The Economist*, 20 November 2003.

3 Michael Porter, European Business Forum, EBF Debates, ‘CSR – a religion with too many priests?’

Interviewed by Mette Horsing, Associate Professor and Director of the Centre for Corporate values and Responsibility at Copenhagen Business School, Autumn 2003.