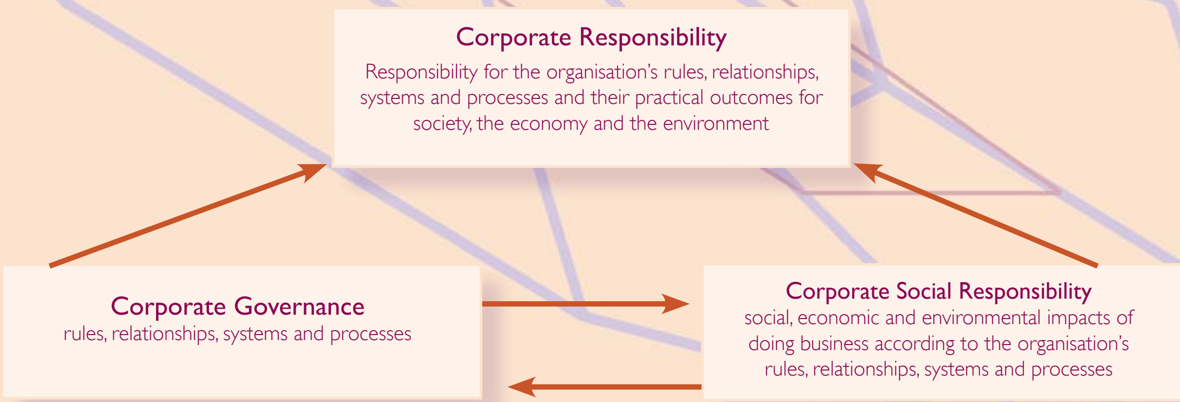
Centre for ISA Information Sheet 11
Corporate Social Responsibility

Corporate social responsibility (CSR) is one aspect of what is known generally as corporate responsibility (Information Sheet 12). Another aspect of corporate responsibility is performance against standards of corporate governance (Information Sheet 10). While corporate governance accounts for the management systems to support corporate social responsibility CSR accounts for the social, economic and environmental impacts[1] of the application of those management systems.



A socially responsible organisation will not only have a philosophy that is fundamental to all policy documents and values statements, and a code of ethics that is applied consistently (i.e. good corporate governance practices); it will also demonstrate the application of its philosophy through, for example: social and environmental reporting; pro bono work, employee volunteering; philanthropic programs; community education and partnerships; and mentor programs. This is corporate social responsibility as an integral part of day-to-day living and doing business.

The benefits of engaging in corporate social responsibility as part of an overall strategy are thought to be many. The World Business Council for Sustainable Development suggests the following: improved financial performance; reduced risk exposure; identification of new products and markets; enhanced brand image; increased sales and customer loyalty; improved recruitment and retention performance; new business networks; increased staff motivation; enhanced skills; improved trust; enhanced reputations; improved government relations; reduced regulatory intervention; reduced costs through environmental best practice leading to more sustainable profitability.

Responsibility towards the environment is a key component of social responsibility, with stakeholders becoming increasingly 'greenwash' savvy. The World Business Council for Sustainable Development discusses the results of the FTSE 100 Green Washers and Green Winners survey[2] in which Marks and Spencer (M&S) was the top Green Winner, perceived to be making the most genuine effort to go green. The article quotes Mike Barry, head of corporate social responsibility at M&S who believes that the success of their comprehensive environmental program is due to the high level of communication the company has with its customers. He also cites M&S's willingness to address its weaknesses. In the Chatsworth survey[3], 75% of respondents said it was better for

1 Corporate responsibility: Managing risk and creating value (21 June 2006) Department of the Treasury, Submission 134, p. 1. to the Parliamentary Joint Committee on Corporations and Financial Services

http://www.aph.gov.au/senate/committee/corporations_ctte/corporate_responsibility/report/c02.htm#f5 (accessed 04/01/08)

2 article reproduced with permission from the November edition of the London-based global business magazine Ethical Corporation

3 FTSE 100 "Green Washers and Green Winners" survey, compiled 2007 by public relations consultancy Chatsworth Communications, which polled UK "opinion-formers", such as journalists and political groups

businesses to own up to where they were not green and show willingness to improve, rather than just shout about their good deeds.[4]

The Chatsworth survey is one of many rating surveys now available. Below is a sample of others.

Ratings

Corporate Responsibility Index (UK)[5]

The Corporate Responsibility Index was set up in 2002 by Business in the Community (BITC) to benchmark and monitor what they called *responsible business practice*. According to the BITC website the index is "regarded as the most comprehensive and robust measure of an organisation'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"[6]. The index, they say, is designed to help "companies to integrate and improve responsibility throughout their operations by providing a systematic approach to managing, measuring and reporting on business impacts in society and on the environment"[7].
The results of the Corporate Responsibility Index are published annually in the *Companies that Count* supplement distributed by the Sunday times.

FTSE100 and FTSE250 listed companies are invited to take part, as well as sector leaders from the Dow Jones Sustainability Index and larger Business in the Community members. The survey has continually been updated since 2002 based on feedback from participating organisations suggesting that the number of questions could be reduced without compromising the results. This highlights a problem for organisations having to spend time and effort on a range of different questionnaires in order to demonstrate their compliance with the requirements of various indices and ratings. Business in the Community for example has some overlap with the FTSE4Good index (see below) especially in the area of environmental information.

In an effort to solve the data collection issue the London Stock Exchange developed what they called the Corporate Responsibility Exchange (CRE). The Corporate Responsibility Exchange (CRE) was acquired by ICSA Software[8] in 2006. It is an online tool for the reporting of corporate governance and corporate social responsibility information. It includes comprehensive question sets from a wide range of organisations, rating agencies and codes enabling companies to input data once only to disclose against several codes and rating systems including: GRI, BITC and FTSE4 Good. Thus one data entry exercise by an organisation can satisfy the needs of many data collecting agencies and provide information for entry into the FTSE4Good rating and the BITC index.

FTSE4Good Index Series

FTSE Group is partnered with nine stock exchanges and services clients in 77 countries. The FTSE4Good Index Series, launched in 2001, was designed to measure corporate responsibility standards, and to facilitate investment in companies that meet the standard. The FTSE Group is an independent company that originated as a joint venture between the Financial Times and the

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4 http://www.wbcsd.org/plugins/DocSearch/details.asp?txtDocTitle=social%20responsibility&txtDocText=social%20responsibility&DocTypeId=1&ObjectId=MjczNjU&URLBack=result%2Easp%3FtxtDocTitle%3Dsocial+responsibility%26txtDocText%3Dsocial+responsibility%26DocTypeId%3D%2D1%26SortOrder%3D%26CurPage%3D1 (accessed 10/01/08)

5 http://www.bitc.org.uk/ (10/01/08)

6 http://www.bitc.org.uk/news_media/yorkshire_businesses.html (10/01/08)

7 http://www.bitc.org.uk/what_we_do/cr_index/

8 http://www.icsasoftware.com/news/index.htm?p=10-06-cre.asp (10/01/08)

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London Stock Exchange. It creates and manages indices and associated data services. According to the FTSE4Good website[9] "a committee of independent practitioners in socially responsible investment, (SRI) and corporate social responsibility (CSR) review the indices to ensure that they are an accurate reflection of current CSR best practice". As a basic element of their commitment to corporate social responsibility FTSE4Good say they are committed to their own good environmental performance. To this end they say that they address a range of direct impacts (energy efficiency, waste management, recycling and use of recycled material) and indirect impacts (procurement of equipment/choice of supplier, influence on investment strategy of clients) on doing business. "All FTSE4Good fund licensing revenues go to UNICEF to help children around the world."

Corporate Responsibility Index (Australia)[10]

The Corporate Responsibility Index was initiated in Australia in 2004 by the St James Ethics Centre, The Sydney Morning Herald and The Age newspapers. It is supported in Australia by Ernst & Young who have provided a validation process on a pro-bono basis. The Index, designed by the UK not-for-profit organisation, Business in the Community, has been donated under a licence agreement with the St James Ethics Society.

According to the Corporate Responsibility Index website the index is "the only voluntary non-prescriptive framework for corporate responsibility in Australia and New Zealand, enabling companies to identify their non-financial risk, as well as to develop and improve corporate responsibility in line with their business strategy". Its developers hope that it can be used as a strategic management tool to benchmark and communicate best practice in the field of corporate social responsibility. It addresses the four key impact areas of community, workplace, marketplace and environment.

Australia's top 250 companies and Business Council of Australia members are invited to participate. However only 26 companies completed the inaugural, voluntary testing process in 2004 and 27 companies took part in 2005. In 2006, to encourage greater participation, flexible engagement options were introduced allowing companies to complete single modules, or engage in private bench-marking as a first step to full participation. This helped boost participant numbers to 34 companies, 16 of which have competed each year since the Index began.

To address the three pillars of Corporate Social Responsibility – social, economic and environmental accountability – there is a need for a global standard, and reliable and transparent tools, that do not support 'greenwash'. Below is a description of the most advanced and comprehensive of the many TBL tools that are becoming available.

TBL accounting tool

Bottom Line cubed (BL^3)

BL^3 is a software tool, developed by the University of Sydney[11] and Dipolar Pty Ltd[12].
It provides a triple bottom line management framework and monitoring tool with an extensive suite of indicators, including the ecological and carbon footprints. The BL^3 software takes your organisation's financial accounts, together with on-site impact data, as input. Your indirect (supply chain) impacts, such as emissions, are calculated by allocating your organisation's expenditure

9 http://www.ftse.com/ftse4good/index.jsp

10 http://www.corporate-responsibility.com.au/ (10/01/08)

11 http://www.isa.org.usyd.edu.au/ (accessed 03/01/08)

12 http://www.bottomline3.com/ (accessed 03/01/08)

across a breakdown of sectors of the national economy. Because the total emissions for each sector of the economy are known a portion commensurate with your expenditure in each sector can be calculated. The same can be done for water use, energy, employment and hundreds more indicators. The software outputs are diagrams and tables that reveal upstream vulnerabilities, risks and opportunities. Greenwash is not possible because the entire upstream supply chain is accounted for. To date the software is available for the Australian, UK, German and Japanese economies, with USA, Ireland, Brazil, Korea, China, Sweden and Portugal to follow. BL^3 adds the depth of the full supply chain to the Global Reporting Initiative's breadth of onsite indicators.

International Standards

International Organization for Standardization (ISO)[13]

ISO (International Organization for Standardization) is the world's largest developer and publisher of International Standards. It is a network of the national standards institutes of 157 countries, one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system.

ISO 14044 addresses the environmental aspects and potential impacts of a product throughout its life cycle. It covers the methodological framework for Life Cycle Analysis (LCA), reporting of your LCA and critical review of the LCA by experts or interested parties.

The University of Sydney's Integrated Sustainability Analysis (ISA) methodology that underpins the BL^3 software is entirely compatible with ISO 14044.

Social Accountability International[14]

Social Accountability International (SAI) is a USA based non-profit organization whose role is to develop, implement and monitor social accountability standards. In 1996, SAI convened an international advisory board to develop Social Accountability 8000 (SA8000). The standard, based on ILO (International Labour Organization), the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child, draws on the quality management systems of ISO programs. It promotes management systems that upgrade working conditions. The standards are developed in consultation with stakeholders and compliance is voluntary. However SAI accredits qualified organisations to verify compliance with the standards. Verified compliance is seen as a benefit to management and workers and to the whole organisation as ethical investments continue to grow and consumers make ethical purchasing decisions.

SA8000's focus is on human rights and a humane workplace. It provides support for just and decent working conditions throughout the whole supply chain. Its standard deals with: international labour rights (no child labour or forced labour); continuous improvement of factory-level management systems (in particular OH&S); freedom of association and right to collective bargaining; all forms of discrimination; disciplinary actions, punishment and abuse; working hours and wages; integration of standard into management systems. The SA8000 system became operational in 1998. There are now 1,373 certified facilities across 66 industries in 64 countries.

13 http://www.iso.org/iso/about.htm (11/01/08)

14 http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=472 (accessed 10/01/08)