Corporate Social Responsibility: Is there a Business Case?

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Corporate social responsibility and the accounting profession

The CSR movement presents the accounting profession with both challenges and opportunities. The challenges involve a shift from short-term to long-term thinking in response to the sustainable development debate and the need to engage with a much wider range of stakeholder groups and issues than accountants in business (or in practice) are accustomed to dealing with. The opportunities include the chance to expand our performance measurement and corporate reporting skills into new areas, as well as to develop new assurance mechanisms.

The authors of this booklet, Michael Hopkins and Roger Cowe, have contributed their respective (and respected) academic and journalistic skills to the task of communicating the business case for corporate social responsibility in an accessible and practical fashion. Although aimed at a wider audience, the issues raised in this booklet will be of immediate importance to all accountants and present a timely challenge to the global accounting profession.

This booklet is published in tandem with a guide to *Environmental Taxes,* also written by Roger Cowe, which should be of considerable interest to accountants working in industry and commerce. Copies of both documents can be downloaded free of charge from the ACCA website.

ACCA recognised the importance of the CSR debate over a decade ago and has taken active steps to integrate CSR issues into its educational curriculum, its research programme and its programme of continuing professional development for our members. The ACCA Social and Environmental Issues Committee is chaired by John Elkington, founder of SustainAbility Ltd, the well-known consultancy company. Information on the activities of the Committee can be obtained from ACCA's Head of Social and Environmental Issues, Rachel Jackson at rachel.jackson@accaglobal.com.

ACCA now sponsors sustainability reporting awards schemes in Australia, Canada, Hong Kong, Ireland, New Zealand, Malaysia, Pakistan, Singapore and the United States, in addition to our long-running UK awards scheme.

The ACCA website at http://www.accaglobal.com/sustainability contains details of all ACCA's activities in the area of sustainable development, including material on environmental and social reporting and accounting. The site also provides links to other relevant organisations. We also publish a bi-monthly electronic newsletter *Accounting & Sustainability*. To subscribe to this publication please contact Rachel Jackson.

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SECTION 1

Introduction

Corporate Social Responsibility (CSR) is on the "hot list" of emerging concepts which business needs to understand and address, because it carries potentially significant implications for business success. Just about every sector faces significant responsibility issues, including those which have previously been seen as largely benign. The food industry is accused of causing obesity, supermarkets are criticised for impoverishing farmers and other suppliers, banks are attacked for financing major construction projects, insurance companies for deepening social exclusion. The debacles at Enron, WorldCom and Ahold have added a corporate governance dimension to the debate.

These examples demonstrate how CSR has spread from an initial focus on extractive industries (especially Rio Tinto, Shell and BP) and developing country supply chains (eg Nike and Gap). But while the impact has broadened, many companies still seem unconvinced that behaving responsibly is necessarily good for business in the hard-nosed sense of building shareholder value.

That may be because research on this key topic is scanty and severely limited by a lack of hard data. But there is clear evidence of positive links between social and financial performance, especially when considering the increased relevance in recent years of intangible assets such as reputation and knowledge networks, which are a source of market value and competitive advantage even though they do not normally appear on balance sheets. This booklet explores the evidence and shows that CSR makes sound financial sense as well as being ethically sound and beneficial for society.

WHAT IS CSR ALL ABOUT?

The term *corporate social responsibility* carries a wide variety of interpretations. Confusingly, similar ideas are often described as corporate citizenship, "the ethical corporation" and corporate sustainability. Some companies consider CSR as corporate philanthropy, but leaders such as Shell and the Co-operative Bank see it as a new strategic framework which should drive everything they do.

This booklet uses the term in that deeper sense to refer to all of a company's impacts on society and the need to deal responsibly with the impacts on each group of stakeholders: typically, shareholders, customers, suppliers, employees and the community (both local and global). Key issues will vary from sector to sector and firm to firm, but this approach embraces these major issues:

- human rights
- labour conditions in the supply chain as well as a company's own sites
- environmental impacts of products (or services) from creation to disposal, as well as the impacts of production and distribution processes
- impacts of operations on local communities and
- impacts of products or services on customers (e.g. health, exclusion).

Such an approach makes CSR more or less synonymous with sustainable development at the corporate level. The Johannesburg world summit in 2002 emphasised that sustainable development embraces poverty, health, access to water and sanitation as well as more direct environmental issues such as energy and climate change. Companies seeking to become more sustainable in all these ways are addressing their social responsibilities.

Recent corporate scandals, notably at Enron, WorldCom and Ahold, have thrust corporate governance into the limelight and provoked various initiatives to make executives more accountable to shareholders, e.g. the Sarbanes-Oxley Act in the US, the Higgs review in the UK and the King reports in South Africa. As corporate governance is concerned exclusively with shareholders, it is a subset of CSR, but many financial institutions have moved from a narrow focus on shareholder accountability to addressing broader CSR issues within their corporate governance frameworks, as discussed in section 2.

THE GROWTH OF CSR

Corporate social responsibility is not a new issue. There has always been a tension between the need for businesses to make profits and the needs of society. Some of those tensions arose in the Middle Ages over the power of craft guilds, can be seen internationally in the

business of the slave trade and the role of the East India Company, and domestically in battles over employment and social conditions in the emerging industrial cities of the 19th century. But the social responsibility of business has been considered more intensely than ever since the early 1990s, building on a trend that had been growing since the start of the 20th century.

In the early 1930s Merrick Dodd of Harvard Law School and Adolf Berle of Columbia Law School debated the question “For whom are corporate managers trustees?” Dodd advocated that corporations served a social service as well as a profit-making function, a view repudiated by Berle, according to Gary von Stange.[1] By the 1970s The Brookings Institution considered that social responsibility had become “an important issue not only for business but in the theory and practice of law, politics and economics”.[2] This debate simmered below the surface for years, then re-emerged in the 1980s in the wake of the feeding frenzy atmosphere of numerous hostile takeovers, often driven by financial engineering. Concern for the social responsibility of business has accelerated since the fall of the Berlin Wall, which symbolised the collapse of communism and (more importantly) the triumph of global capitalism.

Globalisation, and the decline of the public sector around the world, have been important drivers, as has the growth of non-government organisations (NGOs) focusing on the role of the private sector in everything from poverty to species loss. The impact on the corporate sector has increased because of the growing importance of brand and reputation in business success. The more significant branding is to a company, the more vulnerable it is to attacks on its reputation which might damage consumer trust and brand value.

During the 1990s the role of multinationals in developing countries attracted the attention of campaigners working for better human rights, labour and social conditions, just as had happened domestically during the Industrial Revolution two centuries before. Shell’s controversial role in Nigeria, and the execution of campaigners led by Ken Saro Wiwa in 1995, demonstrated the potential of such

issues to hurt corporate reputations. Widespread privatisations in developed and developing countries made the social impact of companies even more important, as the private sector increasingly took over activities previously reserved for the state – from energy and infrastructure to the provision of key services such as education and water.

Environmental issues were the first to hit the headlines. With the Earth Summit in Rio de Janeiro in 1992, governments around the world officially recognised the need to address global warming and the loss of biodiversity. These new environmental issues are less susceptible to the conventional command-and-control approaches used to deal with pollution of ground, water or air, which had previously been the main environmental focus. They require more fundamental, far-reaching changes throughout business and society, and it was the Rio Summit which first began to engage the corporate world seriously in meeting the considerable challenges. In the decade since then, as the evidence for climate change has accumulated, companies have increasingly recognised the need for corporate action, although some leading multinationals, especially companies like Exxon from the US, have not yet fallen into line.

These diverse social, economic and environmental strands came together in mass action directed against the World Trade Organisation (WTO), which hit the headlines in Seattle in 1999. Similar "anti-globalisation" protests followed meetings of government and business leaders in other cities around the world. They specifically highlighted the complexities of trade and development issues, but more broadly they gave a voice to the feeling that the triumph of capitalism was a triumph for the few, with business leaders increasingly pulling the strings and winning rewards out of proportion to their contributions.

Such concerns have not only been reflected on the streets and in politicians' in-trays. Today we see consumers avoiding what they see (rightly or wrongly) as irresponsibly made products or goods from companies that have allegedly not acted in society's best interest.

Employees, and especially graduate recruits, also care more about how potential employers go about their business. Growing stakeholder expectations were encapsulated in a global poll[3] which found that:

- consumers are increasingly punishing companies that are not socially responsible
- being socially responsible has positive impacts on employees and
- corporate social performance is a factor in shareholders' investment decisions.

The research also found that people all over the world have high expectations for companies to go beyond their traditional economic roles and do more to help solve social problems than provide charitable funding.

People have also been more prepared to put their investment money where their mouths are. Total socially responsible funds under management in the US passed $2 trillion for the first time in 2001, according to the Social Investment Forum. And the US firm Lipper, which tracks mutual fund performance, says that funds screened according to social or environmental criteria experienced a significant net inflow even in 2002, while the total fund universe saw more than $10bn flow out of its coffers. Similar growth has been seen in the UK, where the total under some kind of social and environmental scrutiny was estimated to be £224bn at the end of 2001.[4] Socially Responsible Investment (SRI) has also spread rapidly around Europe and Asia in the past few years.

The world's chief executives have got the message. A global CEO survey,[5] carried out annually by PricewaterhouseCoopers in conjunction with the World Economic Forum, has found increasing interest and activity in CSR and sustainability. The 2003 survey found that 79% of more than 1,000 chief executives in 33 countries agreed that "sustainability is vital to the profitability of any company". That was up from just 50% a year earlier. Another survey[6] of 350 major companies in Europe, carried out for UK-based Business in the Community, found that 78% of the executives questioned agreed that "integrating responsible business practices makes a company more competitive".

IS CSR THE BUSINESS OF BUSINESS?

Despite such apparent enthusiasm, the advance of CSR has not been unopposed. It has been attacked especially by liberal economists who subscribe to the US economist Milton Friedman's famous view that "the business of business is business". Foremost among them has been David Henderson, a former head of economics at the Organisation for Economic Co-operation and Development (OECD), who cites Friedman's assertion that giving executives social responsibility is "a fundamentally subversive doctrine"[7] because social responsibilities and judgements should be the preserve of governments. Henderson's views were publicised in a controversial article by Martin Wolf in the *Financial Times*.[8]

Henderson set out many objections to the modern concept of CSR, while accepting that companies should behave ethically and responsibly. His main concerns were:

- "sustainable development", and the means of achieving it, are still ill-defined and the need for radical action on environmental issues is unproven
- an array of "stakeholders" should apparently now be closely and formally involved in the conduct and oversight of businesses
- the notion that businesses should engage in good works that are not directly related to profitability in return for the privileges granted in a notional but non-existent "licence to operate" and
- the idea that society's expectations should not be questioned and can largely be identified with demands made by NGOs and other critics of the market economy.

There is indeed a strong case for arguing that it is the responsibility of governments to understand and pursue what is good for society at large, while businesses should concentrate on what is good for their owners. But Henderson's fears of excessive NGO intervention and interference with market forces are wide of the mark. As the survey evidence cited above makes clear, businesses are addressing their responsibilities in response to

market forces and in pursuit of shareholder value. The CSR thesis is that companies will build shareholder value by engaging with stakeholders other than the legal owners, and by taking account of their impacts on society. This is the "business case" for CSR, which this booklet sets out to elucidate. It does not include any suggestion that companies should forgo profitable opportunities – unless they would damage shareholder value in the long term by increasing risks or costs, or by threatening revenues and access to capital or suitable labour. The argument is that it is mistaken to pose social responsibility and profitability as mutually exclusive. The aim is to achieve social responsibility *and* profits.

RELEVANCE OF CSR TO ACCA MEMBERS

CSR is becoming increasingly important in business and ACCA members are therefore likely to face some aspect frequently in their daily work. While it has often initially been addressed by corporate or public affairs staff, the issues are becoming more and more incorporate in mainstream management systems. The concept ranges across all corporate functions, from employee diversity to the impact of products and marketing strategies. In the finance function, accountants may face social responsibility in everything from investment appraisal to environmental accounting, while reporting is another important element.

ACCA has been at the forefront of environmental reporting since the early 1990s, and this has extended into social reporting. ACCA is co-sponsor of a major award for social reporting, and the number of companies producing reports has increased rapidly since the turn of the decade. In 2001/2 over 100 of the top 250 companies in the UK produced some form of stand-alone social report, with almost half of them reporting for the first time.[9] While this remains a voluntary activity in the UK, it is increasingly expected by investors and the government intends to require reporting on social and environmental issues in the pending Companies Bill.[10] In some other countries such as France reporting is already mandatory for large companies.

Socially responsible investing and corporate governance

Corporate governance failures at Enron, WorldCom, Ahold and other major companies have thrust this issue firmly under the spotlight, just as corporate governance and social responsibility have come together in the investment community.

These major scandals have breathed new life into a trend which has developed through the 1990s in many countries around the world, notably including Australia and South Africa.[11] In the UK a previous generation of scandals at companies such as Maxwell Communications and Polly Peck provoked a first major review of boardroom practice by a committee under Sir Adrian Cadbury. This has been followed by three other investigations, chaired by Sir Richard Greenbury, Ronnie Hampel and Nigel Turnbull, which have reviewed and updated the original recommendations. The outcome is enshrined in the Combined Code, which all listed companies are required to state whether they adhere to, and to give reasons if not. The new round of corporate governance concerns prompted the government to ask the veteran City figure Derek Higgs to review the role of non-executive directors. His report was published in January 2003.[12]

The main thrust of the Code concerns directors' control of the company and accountability to shareholders. It aims to ensure a suitable board which properly supervises the executive management in shareholders' interests, preventing dominance of the company by any one individual and reinforcing independent review of financial statements. The Turnbull committee was specifically concerned with risk. Its recommendations aimed to ensure adequate consideration of risk by the board, including social and environmental risks.

Adherence to the Combined Code does not mean that a company is necessarily a socially responsible organisation, as some authors have observed:

"It may still produce shoddy or dangerous goods, pollute the environment, impose adverse conditions on its workforce or tell lies in advertising. However, the following of a code such as that found in the Cadbury report is more

likely than not to lead to a corporate governance regime with greater openness of information, less likelihood of domination by one or a few people and fewer excesses in the remuneration packages of senior executives." [13]

But one important consequence of all this activity has been a heightened awareness of corporate governance issues among mainstream financial institutions, which has made them more open to consideration of social and environmental issues than might otherwise have been the case. This is demonstrated in the UK by the development of reporting guidelines[14] by the Association of British Insurers (ABI), designed to set out what its members, as major investors, expect to see in the reports of quoted companies. The guidelines require companies to report how they take account of and manage social and environmental risks, and what the main risks and opportunities are. In the first year (2002) the ABI said only 29 of the top 100 quoted companies complied fully with its requirements, but a further 37 demonstrated adequate compliance.

These guidelines demonstrate the convergence of corporate governance and SRI among major institutions. They were developed from a code drawn up initially by an informal group of institutions known as the SRI Forum which had already worked together as a corporate governance lobby group. They included major fund managers such as Barclays Global Investors and Legal & General as well as firms known for their SRI stance such as Morley Fund Managers and Henderson Global Investors. This grouping demonstrates the development of SRI in the UK from its initial base of specialist "ethical" funds into the mainstream fund management industry.

That development has been fuelled partly by a change in UK pensions legislation in July 2000 which means that pension fund trustees must include, in their annual Statement of Investment Policies, a comment on the extent to which their policy takes social, ethical and environmental (SEE) issues into account. Some pension funds, notably the Universities Superannuation Scheme (USS),

have recruited specialists to help shift portfolios in a more responsible direction, and to pressure companies in the portfolio to take action. But research has found little evidence of significantly changed approaches. One study,[15] by the green think-tank Forum for the Future, confirmed that interest in social responsibility has grown among mainstream investors, but action has been limited. It found that the majority of fund managers now regard SEE issues as important non-financial risks and are integrating them into their corporate governance processes. But most are looking only for improved disclosure, and there has been surprisingly little demand from pension funds for their fund managers to engage companies on SEE issues.

Nevertheless, engagement has become the main tool of mainstream fund managers. The term describes an approach which is distinct from traditional ethical investment in that it is not concerned with stock selection. Instead, fund managers choose stocks on the usual basis, but engage with companies in their portfolios on SEE issues, e.g. putting pressure on oil companies to invest in renewable energy, and taking companies to task over human rights failures. This approach has been adopted by Jupiter, Friends Ivory & Sime, Morley, Henderson and Insight (the fund management arm of HBOS). In some cases these institutions have worked collectively on a specific issue; for example, the Carbon Disclosure Project has brought together investors controlling £4 trillion of assets to press the world’s 500 largest companies to disclose their greenhouse gas emissions.

Conventional ethical investment – allowing investors to select companies which they wish either to avoid or to concentrate on, according to SEE criteria – continues to grow around the world, as the figures in the Introduction demonstrate. But this kind of screening approach has little impact on companies, since even the rapid growth that has been seen makes little impact on most companies’ share registers. Many screening criteria are also concerned with the industry sectors or activities which companies are engaged in, e.g. tobacco, alcohol,

gambling, which limits the extent to which companies can respond without reshaping their businesses.

The profile of SRI has been increased by special indices launched by the stock market specialists Dow Jones and FTSE. Such indices have generated considerable scepticism among both established SRI houses and mainstream investors.[16] What these indices do, however, is raise awareness of SRI among companies. The fact that mainstream index producers are getting involved in this area demonstrates that SRI is not just a fashion statement and encourages senior executives to ensure compliance with the index requirements.

But significant pressure on companies to become more responsible is likely to be felt most from mainstream investors who are concerned about SEE risks. So far, most mainstream financial analysts remain cautious about the idea of social investment. They do not see the relevance of information provided by social or environmental reports in their daily analysis of companies and so are not likely to use the information being provided. They believe that it is harder to make money with socially responsible investment because it results in reduced diversification and thus higher risk exposure. HSBC has led the way in the UK by appointing an SRI analyst, who works with sector specialists to identify SRI risks and opportunities. Other institutions are beginning to explore the area, but so far progress has been slow. There are several reasons for this:

- investors are still mainly interested in making profits or driving value in the short term
- CSR is still imperfectly understood and its impact on shareholder value even less so
- some analysts may be put off by the whiff of social democracy, socialism or green fundamentalism
- the opacity of company reporting and the nature of the subject makes it difficult to do the kind of analysis analysts are used to and
- a perception that major CSR issues are beyond a company's control and the responsibility of governments – so analysts are only interested in legislative moves.

Businesses that want to get across their CSR messages need to overcome these obstacles by:

- properly understanding and using the available measures
- being open and reporting according to emerging standards
- contributing to CSR dialogue to improve analytical and reporting tools such as the Global Reporting Initiative (see section 6).

Those in the SRI world can help by:

- understanding and popularising available standards
- contributing to the debate on business performance and CSR
- communicating perceptions to businesses they analyse and
- making clear that this is not an ideological issue.

The nature of the business case for CSR

Proving that CSR benefits shareholder value is the Holy Grail of those who promote greater responsibility, because sceptical managers would be easily convinced of the advantages if they could be shown clear, irrefutable evidence. Such hard proof remains elusive, although the next section shows there is a growing body of circumstantial evidence.

It has not yet been possible to make a strong, causal, quantitative link between CSR actions and financial indicators such as share price, stock market value, return on assets, and economic value added (EVA). Some correlations have been shown to exist, but that does not necessarily demonstrate a causal link. A good correlation could simply occur by chance – although no correlation is obviously not a good sign! In the absence of hard data, most analyses have focused on qualitative rather than quantitative relationships.[17] They touch on risks and opportunities, on revenues and costs, reputation and access to capital. For example, one study[18] identified business benefits in eight areas:

- reputation management
- risk profile and risk management
- employee recruitment, motivation and retention
- investor relations and access to capital
- learning and innovation
- competitiveness and market positioning
- operational efficiency and
- licence to operate.

Another study attempted to match traditional indicators of business performance against aspects of sustainable development:[19]

- shareholder value
- revenue
- operational efficiency
- access to capital
- customer attraction
- brand value and reputation
- human and intellectual capital
- risk profile
- innovation and
- licence to operate.

Six main issues are common to most analyses of potential risks and opportunities.

- Equity created in a company's reputation or brand can be easily harmed or even lost by irresponsible behaviour. This is particularly true for companies

whose brand equity depends on company reputation rather than specific brand attributes, e.g. oil companies, retailers and telecoms operators. Reputation is built on intangibles such as trust, reliability, quality, consistency, credibility, relationships and transparency, as well as tangibles such as investment in people, diversity and the environment. High-profile crises can be particularly damaging, e.g. Shell's experience in the mid-1990s with the Brent Spar oil platform and troubles in Nigeria, exposés of labour conditions in supply chains of companies such as Nike and Gap, and Monsanto's calamitous confrontations over genetically modified food ingredients.

- Access to finance is an issue for several reasons. Banks are increasingly aware of CSR risks in their customer relationships, making them wary of dubious projects such as environmentally damaging and socially disruptive dams. More and more equity investors are also alert to SEE risks. As the previous section noted, the market for specific SRI is still relatively small but is increasing rapidly, as demonstrated by the creation of new financial indexes such as FTSE4Good and the Dow Jones Sustainability Index (DJSI). These developments, and government action putting new requirements on pension funds, are pushing SRI into the mainstream. The result is that investors are increasingly interested in ranking major international companies according to their environmental and social performance.

- CSR issues can be important in attracting, retaining and motivating employees. This is particularly true in sensitive industries such as oil and chemicals, where companies report that graduate recruits are concerned to ensure that potential employers have responsible policies. Companies which cannot demonstrate that will struggle to recruit the best talent and are likely to suffer higher costs of recruitment and retention.

- Following from that, CSR can assist innovation, creativity,

learning and the growth of intellectual capital. Intellectual capital is increasingly important to business success in most sectors, and well-motivated employees are likely to contribute more to a company's growth in these areas.

- Better risk management can be achieved by the analysis of relations with external stakeholders, which is typically part of CSR. Factors such as new technologies, and changing societal, regulatory and market expectations, drive companies to take a broader perspective when analysing the range of risks they may encounter. Expensive and time-consuming lawsuits, as well as lost investments, are forcing companies to take a more pro-active stance to establish the necessary guidelines and processes that minimise those kinds of risk. Given the increase in cross-border business relationships and the threat of cross-border litigation, boards also have to consider the risk management standards of business partners and even suppliers. CSR helps compliance with regulation and avoidance of legal sanctions. For example, the building of relationships with host governments, communities and other stakeholders can enhance a company's reputation and credibility and be of vital importance.

- There is a wider impact as public expectations grow of greater corporate social responsibility linked to the heightened public debate on the benefits and shortcomings of globalisation and the perceived role of business in this process. To reverse the loss of trust which has accelerated since the early 1990s, the business world as a whole needs to demonstrate that it is broadly benefiting society and working to improve impacts in all areas.

All of these potential benefits carry a cost. To date there have been no in-depth benefit-cost analyses of CSR in a corporation, although such exercises are likely to be undertaken in the future. The items that would need to be included in such an exercise are listed in Table 1.

Table 1: CSR and profits: likely benefits and costs

Stakeholder group	Benefits	Costs
Directors	More independent non-executive directors	More meetings and briefings
Shareholders	Increased investment from socially responsible investors	Increased costs of reporting and transparency
Managers	Better HR policies lead to increased motivation; More awareness of ethical issues from focus group sessions lead to more confidence about employees	Increased training in ethics; Focus group sessions and reporting
Employees	Better HR polices lead to increased motivation; Good ethical conduct by superiors leads to improved productivity; Fewer labour relations disputes; Fewer strikes; Better working conditions; Good CSR company leads to easier recruitment of high fliers and young people; Reduced costs of recruitment	Inclusion of ethics training; More intra-company communications; More effort on labour relations; Will need to implement human rights policies
Customers	Increased attractiveness to concerned consumers; Fewer disputes; Advertising can cite CSR image; Enhanced reputation; Brand equity recognition	Cost of goods may increase in the short term
Sub-contractors/ suppliers	Better quality inputs; Less harmful effect on "public image"	Cost of inputs may increase in short term
Community	More willingness to accept new investments; Improved public image	Requires continual interaction with communities; Will need to produce CSR report; Will need to monitor internal activities; Implement human rights policy
Government	More confidence in company; Fewer legal battles; No new potentially harmful legislation; More favourable trading regime; More willing to accept expansion or downsizing	Costs of adhering to new regulations may increase
Environment	Fewer legal battles; Improved public image; Contribute to sustainability of company	Investment in environmental damage control

Source: MHC International Ltd, www.mhcinternational.com

SEGMENTING CSR

These benefits and costs are unlikely to be uniform across businesses. They will vary by sector, by size and nature of company, and by geographic location. For example, some industries and types of operation carry much more significant risks – the clearest examples are oil, chemicals, and supply chains in developing countries. This group of activities is most likely to be exposed to scrutiny by powerful and well-informed NGOs with access to the media. Other industries may well escape NGO (and therefore media) scrutiny for long periods – although risks always exist if companies are not behaving responsibly.

Multinationals are, on the whole, more likely than small companies to be targeted by critics and exposed in the media. As section 5 shows, this does not mean that CSR is irrelevant for SMEs, but they are less likely to face the kind of risks which threaten multinationals. It should be said, however, that local media can have as great an impact on a local company as the global media can have on multinationals. Smaller companies may also be more susceptible to employee dissatisfaction, because the employer/employee relationship is more intimate, and ending employment with a small company may carry less significant consequences than leaving a multinational which promises a developing career path.

It is also clear that consumer pressures are less likely to be felt by businesses which do not sell direct to the public. This does not make non-consumer companies immune, as Monsanto found out to its cost. Nor does it mean that smaller companies which supply consumer businesses are immune from these pressures – in fact, they can be magnified through the supply chain efforts of the retailer or brand owner.

Even with a multinational, geographic location affects which issues are most important. In South Africa, for example, black empowerment and HIV/Aids are critical. In the US child labour is likely to have the highest profile, while in northern Europe employee and environmental issues are at the top of most lists.

It is also true that issues change over time. An individual event – such as the Brent Spar incident or Premier Oil's involvement in Burma – can propel a previously insignificant issue to the top of the public agenda. That is why companies need to remain alert to the changing environment, just as they need to understand their own particular strengths and vulnerabilities throughout their organisations.

LIMITATIONS

Proponents of CSR, like all evangelists, are wont to overemphasise the potential benefits. This can be counter-productive. If managers can see that the claimed benefits are overblown, they are likely to react negatively and possibly underestimate the actual benefits which could accrue to their company.

It is important to understand the limitations, because ultimately managers are measured on financial returns and CSR activity which does not support financial returns will not be sustainable. Understanding the limitations will also help managers find ways to extend the limits and to extract more value from CSR.

The limits of where CSR benefits companies have not been extensively researched, but one publication[20] has attempted to set out a useful analysis. The authors base their argument on the power of shareholders and the paramount need to deliver shareholder value. That means companies cannot engage in CSR activity which might seriously hit shareholder returns, even in the short term. Their argument then rests on the extent to which CSR can enhance shareholder value. They point to the relative insignificance of socially responsible investors in the City, and ethical consumers in the mass market. This is likely to restrain the potential benefits to be gained from those stakeholder groups. In some cases, such as the production of highly polluting cars, most consumers would be actively opposed to discontinuing these ranges. Similarly, in many cases CSR is likely to be low down most employees' list of priorities, meaning that companies which are not regarded as particularly responsible still manage to recruit

sufficient able graduates and other staff. The authors conclude:

"The business case is powerful at an individual company level and on specific issues… There appear to be some issues where the business case is either weak or non-existent, and others where there can be no business case until market conditions are changed."

Awareness of such limitations should help managers find ways to combine CSR with shareholder value, rather than blindly pursuing either one or the other.

Empirical evidence to date

There is a growing body of empirical evidence on the relationship between CSR and business success. But, as with most business research, it is inconclusive and short on quantitative support. There is much opinion research among individual stakeholder groups such as employees and consumers, reporting claims by significant proportions of each group that they are influenced by companies' social responsibility.[21] Such research is weakened, however, by the fact that respondents are likely to overstress what they believe would be seen as responsible behaviour. For example, there is a clear gap between consumers' ethical claims and their actual shopping behaviour.[22]

More convincing evidence can be found by examining corporate behaviour and performance, although this can also be complex. One early examination of the evidence hit on a key problem with much of the research that is available. In a paper for the US Conference Board,[23] Zadek and Chapman examined whether there is a link between corporate social and financial performance, drawing on evidence in the UK and elsewhere in Europe. They found that much of the evidence was made suspect by the interests of those undertaking it, or was flawed by weak methodology. Definition, measurement and data problems existed in assessing both social responsibility and financial performance. Nevertheless, they concluded that there was some evidence of a relationship between corporate social and financial performance.

There are two strands to the research on CSR. The first, as in the example below, looks at corporate performance, as measured by conventional financial indicators such as profitability. The second examines share price performance, and especially the performance of portfolios selected on socially responsible grounds. For example, one of the authors studied the link between the top UK companies in terms of responsibility rankings and their stock market performance.[24] The results showed a weak inverse correlation between the CSR ranking and share price, which means that a high CSR ranking was slightly worse for a company's share price than a low one. From the end of 1994 to the end of 1996 the FTSE 100 share index rose by 29%. Eleven of the 25 biggest UK firms saw their share price

rise by more than this, but they were not necessarily the most responsible companies. Share price gains significantly in excess of the FTSE 100 rise were seen by HSBC (ranked 8th on social responsibility but with a share price rise of 84.4%), Glaxo Wellcome (ranked 2nd with a share price gain of 43.2%) and British Airways (ranked 6th and a share price gain of 69.6%). This was a limited study but one conclusion stands out, and has also emerged repeatedly from other research: CSR does not lead to significant share price underperformance.

Similarly, several studies have examined the US Domini Social Index, which dates back to 1990, and have concluded that its outperformance cannot be explained only by the investment style or characteristics. But in an analysis for UBS Warburg,[25] Larry Chen found that many studies purporting to show outperformance of screened funds can be challenged because they are too small, too partial, too narrow or methodologically flawed. For example, the Domini Index is biased towards large cap and high-tech stocks, which explained its outperformance.

Faced with these conflicts, Mr Chen concluded that, while there was no cast-iron link between social responsibility and outperformance, nobody had proved the reverse either. He concluded: “Contrary to theory, most academic studies show that incorporating social screening into a portfolio does not necessarily have detrimental effects on performance. Studies suggested that SRI portfolios have about the same risk-adjusted returns as their normal counterparts.”

The latest academic study,[26] by a team based at Maastricht University in the Netherlands, supports this neutral position. After complex analysis of 103 funds from the US, UK and Germany, it concludes: “Even after controlling for investment style we find no significant differences in risk-adjusted returns between ethical and conventional funds.”

This neutral conclusion is actually quite dramatic, given the conviction among most investment professionals that non-financial criteria must damage returns.

COLLINS AND PORRAS'S "BUILT TO LAST" EVIDENCE

Graves and Waddock of Boston College, USA, carried out one of the most interesting pieces of work[27] in recent years on corporate – as opposed to share price – performance. They based their work on analysing a number of "visionary" companies identified in the book *Built to Last*[28] by Collins and Porras. The book highlighted the performance characteristics – and significant positive performance differences – between companies they termed visionary or "built to last" (BTL) and a control group of comparison companies. The study was based on data from the founding of each company to the early 1990s, with some companies in business for as long as 100 years. Collins and Porras compared 18 large-capitalisation "visionary" companies identified in a survey of chief executives to a set of companies matched to these by industry and time of founding – and highly successful according to conventional measures.

Collins and Porras showed that the visionary companies performed well for shareholders over long periods. Moreover, they found a striking long-term financial performance difference between the visionary (BTL) and comparison (non-BTL) companies. BTL companies dramatically outperformed the comparison group in terms of market performance, generating more than six times the returns of the comparison group and fifteen times the general market.

Graves and Waddock examined the extent to which these visionary companies achieved their extraordinary performance by working productively and positively with other primary stakeholders such as customers, employees, communities and the environment, i.e. are BLT companies more likely than non-BLT companies to be CSR companies? To assess this question, Graves and Waddock used five stakeholder-related measures based on the criteria used by Kinder, Lydenberg & Domini, the US ethical investment group. Graves and Waddock examined the relationship between 1991 and 1997, using a variety of financial and stock market measures. They did indeed find a relationship between BLT and CSR:

"Not only do these companies

continue to perform better for shareholders in financial and market terms, but they also carry less debt, which can be viewed as a measure of risk, and they evidence significantly better treatment of a range of stakeholders. These data thus provide more evidence for what is termed the "good management hypothesis" that companies that treat their stakeholders well are well-managed companies. That is, we posit – and these results confirm – that there is a positive relationship between the overall quality of management of a firm and the way it treats its critical stakeholders."

These findings have been confirmed most recently in research by academics at DePaul University.[29] They examined the overall financial performance of the 2001 "Best Citizen" companies according to *Business Ethics* magazine, based on eight statistical criteria, including total return, sales growth and profit growth over one-year and three-year periods. The Best Citizens scored ten percentile points higher than the mean ranking of the remainder of the S&P 500 companies.

In a comprehensive review of academic research on both sides of the Atlantic for the insurer CIS, the UK green think-tank Forum for the Future has reviewed a wide range of evidence for both share performance and underlying corporate performance.[30]

It discovered that a clear majority of studies since the 1970s had found a positive link between CSR and corporate performance, as the chart overleaf demonstrates.

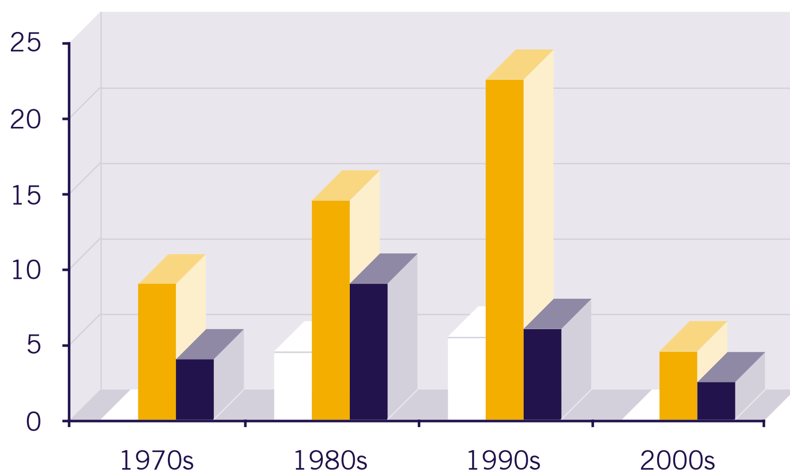
The report concluded that the weight of evidence suggested positive links between CSR and corporate performance, and found against the presumption that SRI would damage portfolio returns and/or increase risk. But, like others, this research accepted that causal connections were difficult to prove:

"The evidence shows that there is a potential SEE effect that appears to offset the cost of lower diversification in a screened SRI portfolio.

While this may not prove the case for higher returns, it certainly seems to show that screened investing does not imply lower returns.

While the majority of studies carried out from the 1970s to the 1990s found evidence of a correlation between CSR performance and

Figure 1: Correlations in research studies over four decades



Source: Forum for the Future

financial performance, it is difficult to disentangle cause from effect. But while assessment of past research rejects the claim that being green and socially responsible always pays, more recent evidence shows that CSR can create shareholder value for some issues, in some industries, with some firms and for some management strategies. As with SRI investing, the question is not does CSR pay, but when does CSR pay?"

BT'S ANALYSIS OF THE BUSINESS CASE

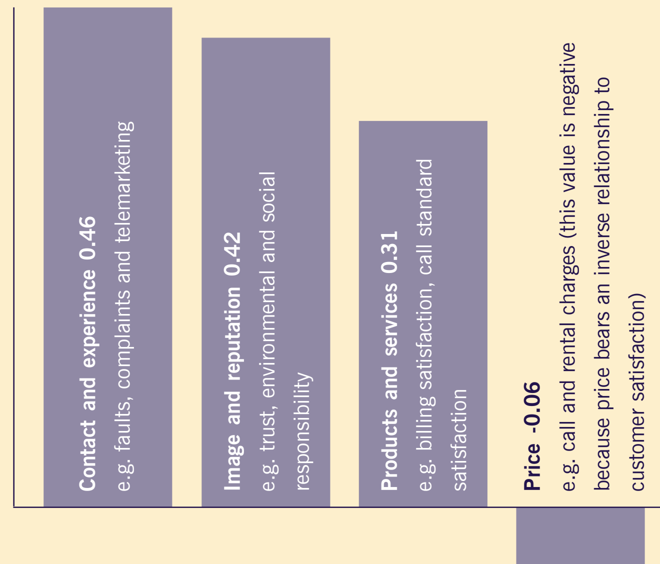
BT has carried out one of the most compelling statistical exercises examining the links between CSR and business performance. The BT method did not attempt to quantify shareholder benefit directly. Instead, it addressed the position of the company in the marketplace. Its analysis is based on the relationship between various factors and satisfaction levels among its 19m residential customers, with results based on tens of thousands of customer interviews in regular polling over 80 months. BT identified four key drivers of customer satisfaction (see Figure 2), the most important being direct contact with the company when reporting faults, making complaints and so on. But reputation and image were also found

to be a major determinant of customer satisfaction, and over a quarter of the overall figure for image and reputation was attributable to CSR-related activities.

BT's quantitative analysis suggests that its customers perceive a 1% change in issues such as trust, employee care and social responsibility as of much greater importance than a 1% change in call and rental charges. The figures express the relationship as a ratio. So, for example, if BT's overall image and reputation rose by 1%, its customer satisfaction rating would rise by 0.42%.

If, as the BT studies strongly suggest, CSR activities play a role via image and reputation in maintaining or building the group's market share in a competitive market, then CSR will defend or build shareholder value. In other business sectors, the CSR contribution to customer satisfaction might be greater or smaller, but it can be assumed that similar relationships would be found in other companies with similar mass consumer bases, e.g. banking.

Figure 2: BT's four drivers of customer satisfaction



Source: BT

CSR in small and medium-sized enterprises (SMEs)

This booklet has concentrated upon large-scale Trans-national companies (TNCs). But SMEs account for a large part of economic activity in developed and developing countries, so their social and environmental performance is important for society. They are also likely to experience the same opportunities and risks in CSR as their larger customers and suppliers. For example, the UK's first CSR minister, Kim Howells, frequently highlighted the case of the small company which supplied balls for the Rugby World Cup in Cardiff, which were exposed as having been stitched by child labour.

While there are similarities, the scale and nature of issues may be different for SMEs. They are less likely to be targeted by NGOs, for example, although they are not immune. For example, listings of the UK's worst polluters on the Factory Watch site operated by Friends of the Earth features many companies which are not household names. Smaller companies are often targeted by local groups in the same way as multinationals are targeted by multinational NGOs.

SMEs are also less likely to be owners of consumer brands which are vulnerable to the kind of attacks which have affected Nike and Gap. On the other hand, the relationship with employees and local communities is typically more intimate in the case of SMEs, so employees and local society may be more affected by companies' behaviour.

Smaller companies which supply multinationals or large national companies are also likely to be caught up in their CSR activity, which is increasingly being extended through supply chains. The UK DIY chain B&Q is one well-known retailer which has driven CSR criteria into its supply chain, first with sustainable wood but also with other issues such as labour conditions and child labour. Marks & Spencer is pursuing a similar path in food and clothing. Many UK retailers and food companies have worked through the Ethical Trading Initiative to develop processes for ensuring adequate supply chain standards. These initiatives are predominantly concerned with developing country suppliers, but strict social and environmental standards

increasingly apply to suppliers throughout the world. Requirements from such supply relationships are more direct and more insistent than the kind of consumer pressure which multinationals may face.

Smaller companies may fear the imposition of formal requirements in these areas, with the threat of bureaucratic compliance and potentially increased costs. Satisfying social, economic or environmental standards might be much more of a problem for a small enterprise than for a larger one, especially where higher wages or other costs are concerned. But specific approaches are available or are being developed to help bridge the gaps.[31] On the other hand, firms may win competitive advantage by showing they meet the CSR demands of large customers, be able to charge premium prices for “more responsible” products (organic food is a good example) and even be able to beat larger suppliers which may be less nimble and less able to guarantee the standards customers require. For example, a study of CSR in developing countries[32] found that small companies had improved their competitiveness by investing in management systems to certify responsible performance, and these improvements helped them to access niche markets with premium prices.

Owners or managers of smaller companies may not talk the language of CSR, but they have been shown to be highly active in some important dimensions, notably community involvement and employee issues. One UK study[33] found many examples of such activity, including a company in East London, which is heavily involved in local education and helping disadvantaged local people into work, and another in Nottingham, which also works on recruiting people who are disadvantaged in the labour market.

Work in the UK by Jas Ahmed and Nicholas O’Regan on internal stakeholders in SMEs in general, and in electronics and engineering SMEs in particular, found[34] that a positive relationship exists between a number of the factors used in shaping management approaches to internal stakeholders and some dimensions of performance. In particular, the analysis indicated that emphasis on employee participation is strongly

associated with customer retention, predicting future needs, evaluating alternatives, avoiding problems, innovation and introduction of new products. There is also an association between maintenance of standards for control and financial performance and customer satisfaction. There was no association found between the pursuit of own interests by management and any of the performance indicators used in the study.

The issue of SMEs and CSR has also been addressed by Stephanie Draper,[35] who noted that: "The fact that small businesses have a heightened requirement for good, multi-skilled employees, strong personal relationships and successful local engagement means that small firms can be a good environment for corporate social responsibility to flourish." Based on interviews with managers and owners of small businesses, she found that the main motivations for small businesses to be socially responsible are as follows:

- learning for staff – new skills and competencies developed
- improved culture – increased motivation and commitment of staff
- reputation – enhancing the firms image locally
- recruitment – links with potential recruits
- productivity – gathering innovation for products and efficiencies
- corporate responsibility – personal satisfaction from discharging wider responsibilities and
- customers – expanding the customer base.

CASE STUDY

Bovince is one SME which has put CSR into practice. It is a family-run printing business in a deprived area in the east of London, specialising in poster printing, bus shelter and advertising panels. The company is run by MD Peter Rosen, whose zeal for CSR issues comes from a deep personal conviction and a desire to make a difference, not only with the company's stakeholders but also for the company's profitability. His enthusiasm has inspired two other key members of his staff who now drive CSR with him: the trickle-down of their ideas into the rest of the 60+ staff is in itself inspiring. Bovince is also one of the few SMEs to have produced a social report, and this and other activities led to a Queen's Award for Industry in 2001.

Their activities started with a focus on waste paper management, and moved on to embrace the following.

- **Learning for staff**: the Kaizen continuous improvement programme seriously improved the performance of the technicians and their working practices.
- **Improved culture**: staff turnover is very low and the average length of service is 10 years.
- **Reputation**: they recycle waste, give drawing paper from their own production to local schools, as well as redirect old stock from their suppliers. Peter Rosen was recently invited to a meeting on business regeneration by Tony Blair, and funding from a whole battery of governmental and local authority sources flows into the company.
- **Recruitment**: as a result of their efficiencies, they can offer staff higher than average salaries.
- **Productivity**: health and safety issues are crucial. They have dramatically cut days lost through illness or injury. One example: film processor developer was formerly delivered as a liquid in drums which were difficult to handle. A move to a powdered form – which was more expensive – cut down storage space, spillages and injuries, because the containers were so much smaller.
- **Environmental**: they moved to computer-based processing of the graphics images sent in by their clients, resulting in a huge reduction in the use of photographic film and in the subsequent amount of waste.
- **Customers**: as a marketing instrument, Bovince's engagement with CSR is one that will help the company to expand into Europe.

There are two downsides which must also be acknowledged:

- Bovince's CSR activity takes a lot of management time and
- Mr Rosen's clients are primarily advertising companies which are so far unimpressed that CSR makes Bovince a better supplier.

Mr Rosen remains positive: "CSR is good for my business and brings a challenge that we all enjoy. Our CSR activity motivates my staff, helps the environment and positively affects our bottom line."

Reporting and measuring CSR

More and more companies are reporting publicly on their social and environmental impacts. A recent survey[36] of the top 100 companies across 19 countries found that almost a quarter of them publish a CSR report. In 2002 almost 100 companies entered ACCA's sustainability reporting awards competition.

Measuring and reporting CSR are problematic, however. It is difficult to measure many significant aspects quantitatively, and even where measures can be found, aggregation to create a measure of overall corporate performance is not normally possible. Experience shows, however, that reporting can be valuable and can allow comparisons across time and across companies – key requirements for most users of such reports.

One approach[37] begins by thinking of business as consisting of people and systems directed towards profitability, maintaining external relationships with customers, suppliers and society. The resulting system consists of three main elements:

- *ethical principles*, which exist to govern the decision-making of the enterprise. These principles may be published, or may exist only in the behaviour of the business
- *processes or mechanisms* within the enterprise put the principles into action and
- *outcomes occur* as business is conducted – the result of the application of ethical principles to daily operations.

Based on these principles, nine elements of an analytical framework can be identified, relating to:

Principles:

- legitimacy
- public responsibility and
- managerial discretion.

Processes:

- environmental scanning
- stakeholder management and
- issues management.

Outcomes:

- internal stakeholder effects
- external stakeholder effects and
- external institutional effects.

These subdivisions can then be used to develop a number of indicators of social responsibility related to each element of the model. For instance, an indicator of legitimacy is whether the firm has a

code of ethics, while its measure is whether it has been published or distributed to employees, or whether an independent group monitors its application. Clearly, the measurement tells us very little about what is in the code of ethics, and as such is weak. But if measurement becomes too complicated, it becomes difficult, if not impossible, to apply in practice, especially given the likely state of data availability in most companies.

This example demonstrates the subjective nature of most social issues. Objective judgement on the degree of social responsibility in a code of ethics or other element of responsibility is very difficult, and that is why independent auditing of social reports is essential if they are to carry credibility. In the modern concept of social auditing, as embodied in standards such as AA1000, developed by AccountAbility, an important element of independence is provided by engagement with stakeholder groups who can provide an external assessment, independent from the company. There are two aspects to such assessment: first, completeness, i.e. confirming that all the relevant issues have been covered, and second, assessment of performance.

GLOBAL REPORTING INITIATIVE

A rigorous approach to social and environmental reporting, known as the Global Reporting Initiative (GRI), has been under development since 1997. This development has been backed by the United Nations, leading multinationals and NGOs, and in 2002 the GRI was established as an independent organisation based in Amsterdam, with a multi-stakeholder governance structure. By mid-2003 GRI indicators had been used in whole or in part by nearly 300 corporations around the world, including BT, Bristol-Myers Squibb, Canon, The Co-operative Bank, Electrolux, and Shell, making this an emerging standard for social, environmental and economic reporting.

The GRI Board members include representatives from the pre-eminent bodies in this field, including the United Nations Environment Programme and the World Business Council for Sustainable Development. ACCA has been involved with the GRI since its inception and is also represented on the GRI Board.

The GRI began with a focus on environmental reporting but has slowly made progress in the economic and social spheres as well. Its first formal reporting guidelines were released in mid-2000 and have been updated most recently in 2002. They adopt an approach with a number of core indicators which are intended to be used by all organisations, supplemented by additional aspects relevant to particular organisations or sectors. The core indicators cover three areas: economic, social and environmental, with social issues grouped in three clusters: labour, human rights, broader issues. Examples are shown in Figure 3.

Figure 3: Examples of GRI core indicators

Economic	Environmental	Social
wages, pensions and other employee benefits	energy, material and water use	diversity, employee health and safety
monies received from customers and paid to suppliers	greenhouse gas and other emissions	child labour
taxes paid and subsidies received	effluents and waste generation	bribery and corruption
	waste reduction	community relations
	fines and penalties	

Source: Global Reporting Initiative

The guidelines are based on 11 principles which aim to ensure that GRI-based reports provide a balanced and reasonable representation of an organisation's sustainability performance, facilitate comparability and address the issues of concern to stakeholders. The principles, many of which have analogies in financial reporting, are:

- transparency of the processes, procedures and assumptions

- inclusiveness of stakeholders
- auditability
- completeness
- relevance: for report users
- sustainability context: organisations should place their performance in the broader context of ecological, social or other issues
- accuracy
- neutrality: reports should provide a balanced account of performance
- comparability to earlier reports as well as with comparable organisations
- clarity and
- timeliness.

The principle of comparability is one of the most difficult to follow, especially in the social arena, because of the shortage of meaningful quantifiable data and the diversity of key issues from company to company. As a result, GRI and other reports often make interesting reading but leave readers struggling to assess a company's performance. Some progress in this area has been made by socially responsible investors and rating agencies. For example, Morley Investors has published a scoring matrix which assigns ratings based on industry sector and a company's own performance.

The first serious attempt to rank companies according to social responsibility was made by Business in the Community (BITC), which published the first Corporate Responsibility Index in 2003. The index is an extension of the organisation's Environmental Index, which was first launched in 1997. It is based on self-assessment by companies across a wide range of questions. The results are assessed by BITC and companies grouped into five divisions, or "quintiles". While the first attempt to produce the index was criticised by some, over 120 companies took part and, if the approach can be refined, it promises to be the basis for meaningful comparison between companies. When such comparisons become easier to make, companies are much more likely than now to get the benefit from a high ranking – or suffer from a low one – because it will be easier for analysts, employees and consumers to judge relative performance.

Conclusion

There is mounting evidence that CSR can improve a company's bottom line, although the evidence is not conclusive. Stronger empirical evidence might rest on two main conditions. First, the analysis has to follow two sets of companies over time, one a control group that does not practise CSR policies and the other a group of companies which do. Graves and Waddock's work was along these lines, but the problem is that few companies actually have zero CSR in operation. It is hardly imaginable that a company that treats its workers badly and rips off its customers will survive for very long.

Second, it is difficult to separate out the effect whereby a profitable company can simply afford to act in a more socially responsible manner. The empirical evidence imaginatively presented by BT shows that caring for its customers will enhance its reputation, but BT is perhaps a special case as a former state monopoly which still has a captive customer base to some extent.

Nevertheless, the qualitative evidence that reputation and branding, employee recruitment, motivation and retention, and learning and innovation are enhanced by CSR measures appears to be increasing. The big challenge for companies is to develop strategies which can capture such benefits and therefore deliver competitive advantage as well as societal benefit.

APPENDIX

Social reporting standards and guidance

There is an increasing number of reporting standards and models being developed as illustrated below.

STANDARDS AND MODELS OF CSR

AccountAbility 1000 promotes a standard for social auditing, see www.accountability.org.uk

Boston College's Standards of Excellence help to manage a company's community involvement, see www.bc.edu/centers/ccc/index.html

Business in the Community provides an analysis of the impact of business on society, see www.business-impact.org and the Responsibility Index at www.bitc.org.uk

Business in the Environment's Index of Corporate Environmental Engagement encourages companies to make sustainable developments, see www.business-in-environment.org.uk

Commission for Racial Equality sets a standard to help employers develop racial equality strategies, see www.cre.gov.uk

Commonwealth Association for Corporate Governance produces principles for corporate governance in the Commonwealth group of countries, see www.cbc.to

Dow Jones Sustainability Group Index defines indicators to assess a company's sustainability, see www.dowjones.com

Environmental Protection Agency in the USA keeps records of links to sites on business sustainability and performance measurement, see www.epa.gov

Ethical Trading Initiative has a base code for ethical trade based on ILO's conventions, see www.ethicaltrade.org

European Foundation for Quality Management Excellence has a model for organisations to achieve excellence, see www.efqm.org

Global Compact of the UN in New York provides a number of tools for businesses to support human rights and labour and environmental standards, see www.unglobalcompact.org

The *Global Reporting Initiative* issues guidelines for the standardised reporting of the economic, environmental and social impacts of organisational activities. This is generally known as sustainability reporting, see www.globalreporting..org

Global Sullivan Principles of corporate social responsibility, see www.globalsullivanprinciples.org

International Chamber of Commerce guidelines for responsible business conduct, see www.iccwbo.org

International Labour Office has a code of conduct for multi-national enterprises and suggests labour standards for its member nation states, see www.ilo.org

Investors in People has a standard for improving an organisation's performance through its people, see www.iipuk.co.uk

London Benchmarking Group has a model for corporate community investment, see www.corporate-citizenship.co.uk

MHC International has a model to measure corporate social responsibility, see www.mhcinternational.com

Natural Step promotes a common framework for corporate and local government sustainability, see www.forumforthefuture.org.uk

OECD Guidelines for multinational enterprises aim to enhance their sustainable development, see www.OECD.org

Sigma Project aims to provide sustainability guidelines, see www.projectsigma.com

Social Accountability 8000 is aimed at certifying labour practices in companies, their subsidiaries, suppliers and vendors, see www.cepaa.org

Sustainable Development Indicators are produced by a US government inter-agency team, see www.sdi.gov

APPENDIX

United Nations Environment Programme produces annual reports on benchmarking the sustainability of corporations, see www.unep.org

World Business Council for Sustainable Development seeks higher standards of corporate environmental management and sustainable development through its matrix of corporate social responsibility indicators, see www.wbcsd.ch

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