Corporate social responsibility:

making good business sense

JANUARY 2000

Richard Holme Rio Tinto

Phil Watts Royal Dutch/Shell Group

"We have to choose between a global market driven only by calculation of short-term profit, and one which has a human face. Between a world which condemns a quarter of the human race to starvation and squalor, and one which offers everyone at least a chance of prosperity, in a healthy environment. Between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and successful accept their responsibilities, showing global vision and leadership"

Kofi Annan UN Secretary-General January 1999

"AT&T understands the need for a global alliance of business, society and the environment. In the 21st century, the world won't tolerate businesses that don't take that partnership seriously, but it will eventually reward companies that do."

C. Michael Armstrong Chairman & CEO, AT&T

Contents

Foreword

AS CO-CHAIRS OF THE WORKING GROUP which has produced this Report on corporate social responsibility, we believe it represents a significant step forward in understanding the principles and practices by which companies can best live up to their responsibilities as global citizens and local neighbors in a fast-changing world.

We have talked and listened to many people, inside and outside business, in every continent, coming from many different perspectives. We welcome the growing recognition, reflected for instance in the UN Secretary-General's proposal for a Global Compact, that business is part of the solution to creating a more stable, healthy and prosperous world. International business must build on that recognition and examine its own contribution with a sharp and self-critical eye.

Sustainable development, like building a successful business, requires taking the long-term view. It also requires the integration of social, environmental and economic considerations to make balanced judgements for that long-term. Increasingly that is what our WBCSD members, and companies like them, are trying to do in making business and investment decisions.

We live in a world which says "Don't tell me, show me", where power must expect to be challenged, and where transparency is recognised to be best both for markets and society. Business must take full account of these societal expectations. That is why, in this Report, we have urged companies to declare openly what their values are and to communicate how well they live up to them.

Our basic message is very simple. Business is not divorced from the rest of society. Business and society are interdependent and we must ensure, through mutual understanding and responsible behavior, that the role of business in building a better future is recognized and encouraged. We hope this Report will be seen as a contribution towards increasing such understanding and encouraging the behavior which will underpin it.

Richard Holme   **Phil Watts**
Rio Tinto   Royal Dutch/Shell Group

Executive summary

In 1998, the WBCSD Council launched an ambitious two-year program aimed at providing a better understanding of what corporate social responsibility (CSR) means and what represents good practice. After an initial Report, *Meeting Changing Expectations*, published in March 1999, this Report represents the culmination of this effort and a synthesis of our findings.

Based on our two-year initiative, we conclude that:

■ a coherent CSR strategy, based on integrity, sound values and a long-term approach, offers clear business benefits to companies and a positive contribution to the well-being of society;

■ a CSR strategy provides the opportunity to demonstrate the human face of business;

■ such a strategy requires engagement in open dialogue and constructive partnerships with government at various levels, IGOs (inter-governmental organizations), NGOs (non-governmental organizations) other elements of civil society and, in particular, local communities, and;

■ in implementing their CSR strategies, companies should recognize and respect local and cultural differences, whilst maintaining high and consistent global standards and policies;

■ and finally, being responsive to local differences means taking specific initiatives.

For many companies, managing corporate social responsibility well is no longer seen as an extra cost or burden on hard-pressed management. Rather, CSR is increasingly viewed, not only as making good business sense but also contributing to the long-term prosperity of companies and ultimately its survival. Being a good neighbor and showing that you care on the one hand and being a successful business on the other, are flip sides of the same coin.

On this basis, the WBCSD Working Group convened a series of global stakeholder dialogues and assembled information about how CSR is viewed around the world. We did this in order to gauge our progress and rigorously test our thinking. The dialogues involved both business and non-business participants and were held in The Netherlands, Taiwan, Thailand, the Phillipines, the United States, Ghana, Brazil and Argentina. The fundamentals of CSR – maximising the long-term contribution of business to society and taking care to minimize adverse impacts – were consistently accepted. However, we found significantly different emphases in different parts of the world.

Increasingly companies manage social issues in the same way as they manage any other strategic business issue and there are a growing array of tools available to assist and guide them. We provide a step-by-step approach to managing CSR, from initial assessment, to determining your "social footprint" through to suggestions on how to measure performance. It is important to recognize that CSR means more than promulgating a company's own values and principles. It also depends on understanding the values and principles of those who have a stake in, or are affected by, its operation.

In this Report, the Working Group offers a navigator to guide companies in their implementation of CSR. It is both a tool and a conceptual approach. It takes account of the need to tailor CSR practice according to an overall vision while also having the ability to respond to specific challenges.

Setting the scene

SINCE ITS CREATION IN 1995, the World Business Council for Sustainable Development (WBCSD) has been addressing the challenges and opportunities of sustainable development based on three fundamental and inseparable pillars: the generation of economic wealth, environmental improvement and social responsibility. The third of these pillars, social responsibility, is firmly on the international policy agenda although a universally accepted definition of CSR has yet to emerge.

In 1998, the WBCSD Council established a Working Group charged with providing a better and shared understanding of what CSR means, what represents good practice, and tackling the question of *"what do companies do differently on Monday morning to make CSR happen?"*[1] This Report contains a synthesis of these findings based on our research, interviews and stakeholder dialogues.

To define the scope of CSR, to identify instances of good practice, and to help companies recognize that it is of strategic importance has proved challenging. It can best be described as an exploratory journey towards the identification and creation of common benefits which demands commitment, co-operation and clear-sightedness from all involved.

This Report represents our second contribution to the debate on corporate social responsibility. In our first Report[2], we provided some early thinking and stocktaking about how business views CSR and the associated challenges. The key conclusions of this first contribution, *Meeting Changing Expectations* included:

■ recognition that the CSR priorities today are human rights,

employee rights, environmental protection, community involvement and supplier relations;

■ support for the view that a coherent CSR strategy, based on integrity, sound values and a long-term approach, offers clear business benefits;

■ encouragement for companies to articulate their own core values and codes of conduct, or failing that, to endorse and implement codes produced by others, and

■ emphasis on the importance of being responsive to local and cultural differences when implementing global policies.

These early conclusions provided the foundations upon which our subsequent work has been built. We recognized that in order to understand CSR better and begin to manage it more effectively, we needed a more extensive consultative process, which would include broader geographic and cultural perspectives. So we organized a series of stakeholder dialogues with business and non-business people in Taiwan, Thailand, the Phillipines, the United States, Ghana, Brazil and Argentina. What we learned from these global consultations are captured in this report.
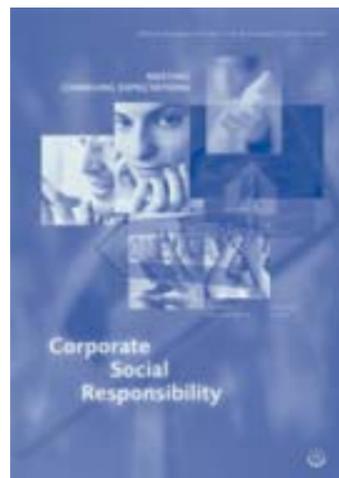
With regard to what represents good practice, we undertook a more comprehensive investigation of the tools and indicators available to help companies manage CSR. A common reaction to CSR seemed to be: *"Corporate social responsibility is a very broad agenda. Please give us something that we can do differently on Monday morning to make things happen."* In an attempt to answer this challenge, a team of WBCSD companies collaborated with three external organizations[3] to probe this question further. The results of their work are highlighted and summarized in this Report.

Because CSR is a dynamic and developing concept, this Report is about direction rather than destination. It is aimed at senior managers in companies in order to raise their awareness of how CSR is progressing and where the debate surrounding it might lead. We are not trying to produce an all-encompassing treatise on the topic. Nor is this report a comprehensive primer. We assume that our readers are, at least to a degree, already familiar with the CSR issue and have seen our first Report. However, we have identified some resources in Appendix 4.

HEADLINES

From here, the Report is organized into five main sections:

■ In the first, **Headlines**, we offer some observations which we believe are fundamental to how and why corporations approach social responsibility, and build upon the conclusions of our first report;

SOUNDINGS
a regional perspective

■ The second, **Soundings**, captures much of what was learnt from the regional dialogues which gave us a broader perspective on what CSR means to different people in different contexts;

PRACTICAL STEPS
and hands-on tools

■ Next comes **Practical steps and hands-on tools**, which features an overview of useful ways of tackling a variety of challenges and suggests things that one might *"do differently on Monday morning"* to help CSR happen;

THE WAY FORWARD
questions and queries

■ Finally, as we try to find our way forward, we pose some **Questions and Queries**, both of implementation and policy which we believe should be asked and answered in the continuing dialogue and debate.

CSR NAVIGATOR

■ In the fourth section, we offer the **WBCSD CSR Navigator**, 12 points to guide a company in its global CSR direction and performance.

[1] The working group is composed of 85 member companies and is chaired by Richard Holme (Rio Tinto) and Phil Watts (Royal Dutch/Shell Group). It is responsible for guiding the day-to-day initiatives and the Co-chairs provide the leadership and strategic vision.

[2] See *Meeting Changing Expectations*, WBCSD, http:www.wbcsd.ch

[3] The work was done by WBCSD members: Severn-Trent, CH2M Hill, Arthur D. Little and ERM in collaboration with the Institute for Social and Ethical Accountability (ISEA), PricewaterhouseCoopers (PwC) and Riverside Management Consultants (RMC).

HEADLINES

Our activity over the past months has significantly broadened and deepened our understanding of the many facets of CSR. Here are some of *the* most relevant findings: "the headlines".

A recognition that:

- *CSR is essential to the long term prosperity of companies as it provides the opportunity to demonstrate the human face of business – a vital link to society in general and, in particular, to the communities in which businesses are located;*

- *the value of creating practical partnerships and dialogue between business, government, and organizations cannot be underestimated;*

- *companies should say what they stand for and demonstrate it in action.*

> "Our position as the world's leading media and entertainment company could not have been reached – and could not have been sustained – solely from business success. It rests equally on our tradition of social responsibility and community involvement. At the core of this enterprise is the determination to make a difference as well as a profit"
>
> **Gerald Levin** Chairman and CEO
> Time Warner, Inc.

Headline #1
CSR as the human face of business

In our first Report we concluded that a coherent CSR strategy, based on integrity, sound values and a long-term approach offered clear business benefits. The benefits then perceived are increasingly obvious to many corporate leaders: a better alignment of corporate goals with those of society, and indeed of the companies own managers; maintaining the company's reputation; securing its continued license to operate; and reducing risk and its associated costs. In other words, taking the longer term view. Since that Report, the key conclusions of which are set out in 'Setting the scene', the debate on globalization has intensified, bringing further compelling reasons for companies to focus on CSR. Today, therefore, our business-case argument has expanded to include the following points.

Concerns associated with globalization, free trade and foreign direct investment continue to be raised and could threaten investment and economic growth. These concerns often center on the belief that social and environmental standards are being compromised, or that investment decisions are insensitive to local needs and circumstances. CSR provides business with an opportunity to demonstrate that this does not have to be the case. Good CSR policies based on partnerships with host countries and communities and on implementing the principles of sustainable development can demonstrate a local commitment on the part of even the largest global company.

CSR represents the human face of the highly competitive world of commerce. Perception of this human face is a vital and necessary part of society's willingness to accept the significant and sometimes (at least in the short-term) difficult changes brought about by elements of globalization.

If international companies set policies, however well intentioned, from remote corporate headquarters without also fostering partnerships and local involvement in the communities in which

they do business, they are likely to fuel feelings of alienation and suspicion. Business today simply cannot afford such alienation since those very communities are vital to a company's continued commercial success. Business needs a stable social environment that provides a predictable climate for investment and trade.

CSR is the means by which business contributes to that stability rather than detracting from it. By establishing and maintaining a corporate agenda which recognizes social priorities and is tailored to meet them, business displays its human face to consumers, communities and opinion leaders. Training, the transfer of skills and expertise, new technological solutions, contracting of services, helpful infrastructure development, as well as community social and health programs and a clear commitment to human rights can all demonstrate the will to be a good local citizen and to help create sustainable livelihoods. By their social contribution, companies show the human face of globalization and reduce fears about the negative impacts of international business on local life.

For any company, giving a high priority to CSR is no longer seen to represent an unproductive cost or resource burden, but, increasingly, as a means of enhancing reputation and credibility among stakeholders – something on which success or even survival may depend. Understanding and taking account of society's expectations is quite simply enlightened self-interest for business in today's interdependent world.

Headline #2
Global principles – local partnership are integral

Different businesses in different sectors inevitably put emphasis on different aspects of CSR. For example, a natural resource business may emphasize community engagement, whereas, a retailer may focus on supply chain management. As our dialogues demonstrate, different societies around the world have varying expectations and cultures. This means that universal codes – the "one-size-fits-all"– approach, may not provide the answer.

We believe that companies should declare their own values and talk them through in open and transparent dialogue with those

who have a stake in, or are affected by, their operations – whether they be central and local governments, IGOs, NGOs or local communities. External codes, guidelines or principles can provide a helpful backdrop or alignment, but there is no substitute for internal judgement as to what constitutes a constructive and practical partnership. Dialogue and understanding can lead to useful partnerships, based upon a clear appreciation of each other's expectations.

Headline #3
Say what you stand for. Demonstrate it in action. Make a difference.

Too many discussions about the meaning of corporate social responsibility are plagued with careful qualifications. The language is tentative, the objectives obscure. Participants in the debate can no longer afford the luxury of ambiguity. Meaningful change is necessary. Companies must move from being "observer and victim" to being "shaper and advocate".[4]

We believe that companies need to be clear about what they stand for and that they should speak openly and directly about their social values and conduct. In short, our message is: determine a position and state your thinking. If you decide, as a corporation, that human rights or social investment are a priority in your operations, make a commitment. Put some muscle behind what you stand for and back it up with action.

We see this pro-active stance as an important extension to our earlier thinking on the importance of being responsive to local and cultural differences when implementing global policies. Our global consultations reinforced our conviction that being responsive means demonstrating responsibility and local sensitivity in action.

In conclusion, our message is: Determine your values, then demonstrate them through specific initiatives. What matters is what you *do and the difference you make*.

[4] see *Multinational Corporations & Human Rights,* Department of Public International Law, Erasmus University, Rotterdam, Avery, Chris. Appreciation for quote references.

SOUNDINGS
a regional perspective

WBCSD stakeholder dialogues

Detroit **USA** May 1999

Taipei **Taiwan** March 1999

Bangkok **Thailand** May 1999

Manila **The Phillipines** June 1999

Noordwijkerhout **The Netherlands** September 1998

Accra **Ghana** May 1999

Rio de Janiero **Brazil** September 1999

Buenos Aires **Argentina** September 1999

An important element of the WBCSD's work on corporate social responsibility has been to explore what the issue means, both to business itself and to a wide spectrum of non-business stakeholders. We felt we already had a reasonably good grasp of the general European and North American perspectives on CSR based on our first dialogue in The Netherlands. But what were people saying about the issue in other parts of the world? We needed perspectives which reflected more local or community-based priorities.

Subsequently, we have discussed these issues with business and non-business stakeholders in another seven countries around the world. Our aim was to understand local perspectives better and gauge whether business is on the right track. In the following pages, we capture highlights from these encounters. (Please note that care was taken to accurately reflect people's comments. However, such an activity is subject to numerous interpretations and generalizations.)

It is significant that people are talking about the role of the private sector in relation to a social agenda and they see that role as increasingly linked to the overall well-being of society.

There was widespread understanding and support for the concept of responsible companies engaged with the well-being of societies in which they operate. Predictably, the priorities for action differed, according to the perception of local needs. What, then, did people see as local priorities? Based on our regional dialogues, it can be summarized as helping to meet the needs of local society.

Does the definition of CSR pass muster?

"Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

USA

"CSR is about taking personal responsibility for your actions and the impacts that you have on society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability"

THE NETHERLANDS

"CSR is about making a leadership commitment to core values and recognizing local and cultural differences when implementing global policies. It's about companies endorsing the UN Convention on Human Rights and the ILO Rights at Work"

TAIWAN

"CSR is the contribution to the development of natural and human capital, in addition to just making a profit"

THE PHILLIPINES

"CSR is about business giving back to society"

THAILAND

"CSR must be locally relevant and meaningful only if backed up action"

"CSR is about helping to meet people's needs"

BRAZIL

"CSR is about commitment to strive for the best economic development for the community, to respect workers and build their capacities, to protect the environment and to help create frameworks where ethical business can prosper"

ARGENTINA

"CSR is about a corporations ability to respond to social challenges. It starts with developing good relations with neighbors. Companies should make a strong commitment to education, worker rights, capacity building, and job security. CSR is stimulating the economic development of a community"

GHANA

"CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government"

The above definition was developed in 1998 for our first CSR dialogue in The Netherlands. During the round of global dialogues, we invited participants to discuss this definition. The following emphases emerged:

In **Taiwan**, it was felt that the definition should address:
- benefits for future generations
- environmental concerns (damage prevention and remediation).

In the **USA**, people said:
- include more emphasis on the role of the individual
- reflect the need for greater transparency
- the term "economic development" does not adequately capture the breadth of the economic role of business in society.

In **Ghana**, it was said that the definition should mention the notion of:
- a global perspective which respects local culture
- building local capacity leaving a positive legacy
- empowerment and ownership
- teaching employees skills and enabling communities to be self-sufficient
- filling-in when government falls short
- giving access to information
- partnerships, because CSR does not develop in a vacuum.

In **Thailand**, people said it should try to capture:
- the concept that the bigger the company, the greater the obligation
- the importance of environmental mitigation and prevention
- the need for transparency
- the importance of consumer protection
- awareness of and change in people's attitudes towards the environment
- the relevance of youth and gender issues.

In **the Phillipines**, it was proposed that it should focus on:

- determining the real needs of stakeholders
- defining ethical behavior
- partnerships
- a visionary and leading role.

In **Brazil**, it was stressed that:

- all businesses, communities and stakeholders are responsible for sustainable development
- business should pursue high ethical standards both within their operations and within the broader community.

In **Argentina**, participants felt that:

- CSR should stress business commitment and sustainable economic development
- stakeholder participation was essential.

And so, what can we conclude? Our original definition was reasonably consistent with the regional inputs but can be improved so that is now reads:

"Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life."

What key issues does CSR include?

In our first Report, the following five topics emerged as priority areas:

- **Human rights**
- **Employee rights**
- **Environmental protection**
- **Community involvement**
- **Supplier relations.**

What, then, was the reaction to this list of issues during the latest round of dialogues? Did participants in the regional events also judge these issues to be priority concerns? We summarize below the key messages and regional themes.

Human rights

Discussions about the role which companies play in dealing with human rights elicited mixed reactions from dialogue participants. This is primarily because different regions interpret the term human rights differently. In several areas the term was narrowly interpreted to mean child or slave labor. In other areas human rights were seen as an umbrella to cover almost all social and environmental issues starting with the right to breathe clean air and drink clean water. The WBCSD did not attempt to define human rights, since the idea was to obtain reactions as to what the term meant to participants, and ascertain their ideas on the role of business.

Many felt that companies had no business meddling in politics to pressure governments on human rights issues. Others felt it imperative that companies should exert their influence in order to bring about change to ensure human rights are observed. Nearly all of the participants told us that upholding human rights within companies, and in areas directly influenced or controlled by companies, was very important. Most stressed the importance of respecting local cultural differences and economic situations, which shape the perception of what human rights are and what constitutes a violation of human rights. Western concepts should not be imposed on others, they said. Furthermore, it was clearly felt that companies should contribute to improving human rights by building local capacity and increasing the use of local goods and services in their operations.

Employee rights

All the dialogues stressed that the well-being of employees was paramount in any discussion of corporate social responsibility. Our interlocutors told us that employee rights should include the rights to enhance skills and capacity and that companies had an obligation to provide training to help ensure future employment be it with that company or with another. The importance of respecting cultural differences was also stressed during many of the dialogues, particularly with regard to cultural issues in the workplace. Many participants emphasized that the choice of how to be represented, including representation through unions was critical, as were issues of pay equity and fair compensation.

Environmental protection

How did the environment fare as a priority issue of corporate social responsibility? Most felt that environmental stewardship was an important component of CSR and that compliance with environmental legislation and regulations was fundamental. However, it was emphasized that while in many parts of the world such compliance is a given, in some areas this is still not the case. Poor enforcement capacity of some governments and the heavy economic burdens of upgrading old plants and cleaner technology

are barriers to better environmental performance. Dialogue participants encouraged low cost technology transfer schemes and further exploration of self-monitoring as a means of improving environmental performance, particularly in parts of the world where government infrastructure and enforcement was lax.

Community involvement

Dialogue participants talked about the importance of company involvement and investment in the local community. This involvement was further defined to include such things as responsibility for skills training and ensuring that proper health and safety systems were in place to protect the community. Partnerships are seen as an important part of corporate social responsibility, particularly partnerships involving the local community. Philanthropy and charity were mentioned frequently, but many participants emphasized their preference for collaborative projects and placed greater stress on mutuality than on simply giving. The over-arching message was clear. Regular contact with the local community and ample opportunity for dialogue are extremely important. Companies may feel as if they are part of the community but until the rest of the community accepts them, there is much work to be done.

Supplier relations

Company relations with suppliers and contractors was not always deemed a priority among the dialogue participants. In Asia and Africa, although many recognized the issue as being important they felt that other issues should take precedence. Several spoke of the importance of increasing opportunities for national suppliers. In Argentina and Brazil, one of the key CSR issues was improving the exchange of knowledge, technology and ideas between suppliers and companies.

Capturing additional thinking

We were told that there were some important issues missing from our initial list. They included:

- **Reporting/disclosure/transparency.** In the Asian dialogues, we were told that demand for reporting was currently low but that this would grow in importance in the future. In the US, the discussions emphasized the need for greater transparency in reporting and auditing systems. In both Argentina and Brazil the demand for greater transparency had

"Business is judged by its actions and not by its words"

Thailand

"the emphasis here is on eco-efficiency and innovation, not on playing the judge and jury of other's ethics"

Brazil

risen with the privatization of many industries.

- **Principles/codes.** In Thailand, we were told that codes were a relatively new tool but many felt that in order to be useful, any code or set of principles needed to be adapted to local cultural situations. Codes were also regarded as a potentially good means to eliminate corruption. In Taiwan, we were told that corporations suffer from an image problem and would benefit from some improvement to their overall reputation. In the US, participants stressed the need for better communication of ethics/principles within companies and the importance of keeping the principles in tune with societies expectations. These principles, if they were to have real value, would have to be communicated to internal and external audiences through good performance which has been independently verified. In Argentina and Brazil, the value of codes was thought to be limited.
- **Consumer education / product usage / stewardship.** Our South East Asian and North American dialogues emphasized the role of business in educating consumers about what products contain, about their proper use and disposal and about the environmental impacts of the complete product lifecycle. In Taiwan it was suggested that business funds NGOs to develop general environmental education programs for the community. This was coupled with their strong government commitment to environmental education programs in schools starting at a very early age. In Latin America, consumer education was also seen as a critical element in promoting sustainable consumption.
- **Communication.** Deemed important, but actions speak louder than words. In Ghana, concerns arose around those companies that over publicise relatively modest contributions. Overall, it was felt that companies do not do a good enough job of communicating the good things they do and that community trust could be increased if companies would simply tell their story. The story, of course, needed to be transmitted in an imaginative form by respected local people in a fashion appropriate to the local community.
- **Corruption** is detrimental to investment and hence to the well-being of society. Corruption within government distorts the marketplace and represents a serious problem for business, particularly smaller companies who may not find it as easy to resist as their larger counterparts.

Where does CSR fit into the business agenda?

We asked if corporate social responsibility was on the business agenda and, if so, how was it being dealt with by companies. The response from participants in the regional dialogues was that CSR is an old concept but a new term. More significantly, not everyone thought CSR was high on the business agenda. Many thought it was already important today but was likely to become even more relevant in the future. Even those who regard CSR as a cost in the short term nevertheless regard it as a wise investment in the longer term.

There were a few specific regional variations which provide a more local perspective:

■ **Taiwan** CSR was not necessarily high on the corporate agenda. Why? Participants felt that government should take the lead role while also encouraging business to be involved. Small and medium-sized enterprises (SME) involvement has traditionally been determined by CEO leadership rather than by external pressure. People want to see long-term commitment to the local community. Finally, companies should consider ways to improve their image because business is not generally highly regarded.

> *"Sustainable business cannot be achieved by following the traditional thinking that the only thing business has to do is to make a profit… it now means not only making a profit but also managing issues that concern many stakeholders. Managing these concerns will enable the company to continue to make a profit"*
>
> **Taiwan**

■ **The USA** CSR was high on the corporate agenda. Why? Participants believed that pressure from NGOs calling for more reporting and disclosure had elevated the importance of the subject. Many also felt that fear of bad press coverage and of damage to reputation were a catalyst for action. There was also a recognition that the growing influence and visibility of the socially and ethically screened investment funds had put pressure on companies to view CSR more strategically. Interestingly, some participants noted a hesitancy on the part of some companies to take the lead on CSR – being out-in-front on issues draws unwanted attention and could make the company a magnet for criticism. Participants noted the importance of philanthropy and expressed concern that this is not be excessively down-played as many organizations depend, to a large extent, on corporate philanthropy.

■ **Ghana** In Accra, we were told that CSR was not high on the business agenda. Why? It was thought that CSR is too expensive and that there was little outside pressure on companies to encourage them to take the initiative on it. Lack of government control and involvement was also cited as a reason for CSR having a lower priority. However, it was frequently said that business involvement in CSR would enhance companies' reputation and build trust among the public.

> *"We need responsible government before we can have responsible business"*
>
> **Ghana**

■ **Thailand** Our meetings revealed that CSR did not have wide recognition as a business concept in Thailand. Why? Many felt that owing to the economic vulnerability of the private sector, business was forced to be concerned solely with the survival of the enterprise and that social responsibility was more of a luxury item. However, we were repeatedly told that the environment was an important concern for Thai society, as was a desire to increase the awareness of CSR and dedicate efforts to partnerships between NGOs, government and business.

> *"Corporate social responsibility is the backbone of sustainability in the long run"*
>
> **The Phillipines**

■ **The Phillipines** Those we met with in Manila believed that CSR was a priority issue for business. Why? The privatesector has traditionally played an important role in Philippine society, often filling the gaps where government has been weak or unable to provide leadership. Participants stressed

USA
"Transparency is critical. Companies must create appropriate auditing systems or they will be created by others"

THE NETHERLANDS
"Accountability and verifiability were vital to establish an enduring and creditable reputation"

TAIWAN
"The employees are the company's most valuable resource – they must take care of them to maintain healthy business"

THAILAND
"CSR is about dedicating effort and resources to partnerships"

GHANA
"Real development translates into capacity building"

ARGENTINA and BRAZIL
"It is about business assuring better living conditions for its employees and the community that it operates in"

THE PHILLIPINES
"The goal of the company is to make sufficient profit and to be of use to society. Once you have achieved "success" you can give back"

the importance of looking to the future and the desire for CSR to move from a charity-based focus to one of more interactive partnerships. Many suggested that the media and advertising were influential means of creating greater awareness of social and environmental issues.

■ **Brazil:** Participants told us that CSR was on the agenda of the multinationals who are now promoting the business concept but it had not yet spread into local SMEs. Why? CSR was still regarded primarily as charity, particularly because the direct economic benefits were hard to see but the indirect benefits such as enhanced reputation and public trust were regarded as extremely important and a very worthwhile investment.

■ **Argentina:** We were told that CSR was currently gaining media coverage despite multinational corporations (MNCs) preference for keeping a low profile so as not to raise unrealistic expectations. Why? Economic benefits were seen to be indirect and manifest themselves through a better reputation and employee and consumer loyalty.

> *"There is a positive economic effect deriving from CSR. It is a trademark – it gives a social image. Consumers have the possibility to choose. Many people are confused by technical standards and therefore base their purchasing decisions on other criteria such as company's public image"*
>
> **Argentina**

PRACTICAL STEPS

## and hands-on tools

Getting started

In this section we attempt to provide an answer to the question: *"What do we do differently on Monday morning?"* We begin with an overview of practical suggestions and concrete initiatives aimed at assisting managers to make CSR happen.

Keeping in mind that this subject area is growing by leaps and bounds, a comprehensive inventory would be obsolete by the time the ink, even if virtual, were to dry. Indeed, some might wonder why, in view of the plethora of websites, conferences and consulting services already covering the whole CSR subject, the WBCSD would even try to summarize these issues. Being keenly aware of this, we have tried not to reinvent the wheel but rather to build upon and borrow from existing work whenever possible.

As an important initial step, we suggest you do a "warm-up" and conduct an assessment to determine where your organisation stands on the CSR learning curve. To help you do so, we have designed a process – a self-assessment questionnaire – which allows you to pin-point your present position and future needs. You will quickly see how key areas like vision, commitment, values, impact assessment and support systems can be translated into action-oriented processes. See appendix 1 for the self-assessment questionnaire.

Building a CSR strategy

Once you have used the self-assessment questionnaire to assess where your company is located on a learning curve, it will be necessary to build a strategy to fill the gaps and bolster other areas. We suggest approaching this in the form of an over-arching strategic plan or blueprint that will firmly anchor CSR in the
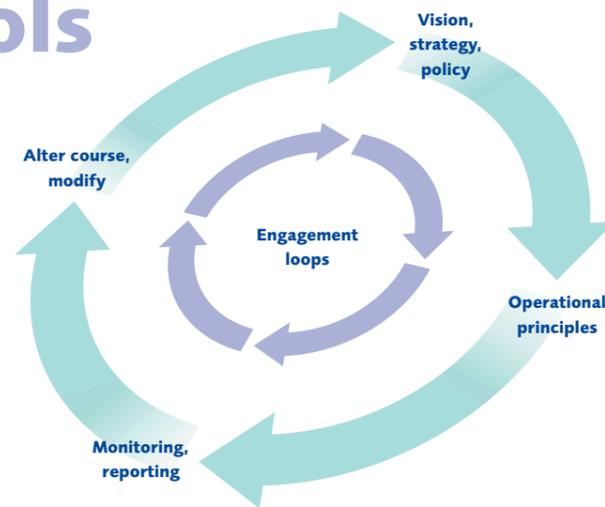
business strategy of the company. Increasingly, companies are now managing their corporate social issues in the same way as they manage any other strategic business issue. The flow chart, above, illustrates a generic strategic planning process, divided into a few key stages. CSR is not identified as a specific strategic issue, but is incorporated in the range of crucial issues that a company's over-arching strategy must address.

Honing the issues

Next, think about refining your strategic thinking to consider issues more specifically relevant to CSR. As a company moves towards specific actions related to CSR, those actions should at all times be inherent in the overall business strategy described above. Envisage this as a succession of activities, beginning with simply introducing CSR in your company and progressing to monitoring progress over a given period. The process should be iterative and at all times push the company towards continuous improvement.

As you progress from one phase to the next, there are many tools now available to assist you. They vary from policy reports and detailed decision-making trees to computer software. However, to

select the right tools for the job, you need to assess what stage you have reached. For example, use the following list of six phases, which correspond to the flow-chart, right, in order to determine which tools will be most valuable at any particular phase:

1 **Introduce** For organizations with little or no experience in addressing CSR, these are tools which can be used to brief senior management and stress why CSR should be taken seriously.
2 **Identify** These are tools designed to assist organizations in exploring CSR's implications on their own business.
3 **Position** These are for organizations which are ready to establish their own position on CSR issues and assess it in relation to others in the field.
4 **Develop** These tools may be useful during the process of planning and developing a CSR strategy. They could help set priorities and goals and be useful in building internal capacity for tackling CSR issues.
5 **Implement** These are for putting CSR strategies into practice.
6 **Monitor** Tools for measuring performance, as an input to reporting and strategy review. The emphasis should be on continuous improvement.

Appendix 2 lists some of the tools or resources currently available to support your initiative or thinking, indicating which are appropriate for each of the above six phases.

Stakeholder Footprints

In the first few stages above, we identified the key steps in managing CSR and considered some of the specific tools and resources available as well as the appropriate phase in which those tools are likely to be most useful. We now suggest tightening the focus still further to concentrate on what we believe to be a core consideration – *stakeholder engagement*.

The essence of corporate social responsibility is to recognize the value of external stakeholder dialogue. Because of this, we place stakeholder engagement at the center of CSR activity. CSR means more than promulgating a company's own values and principles. It also depends on understanding the values and principles of those who have a stake in its operations.

Two crucial questions are: to whom should we talk, and why should we talk to them? To help you formulate your answers, we have put together a matrix (on the next page) designed to help you define the stakeholders (the *"who"*) and the issues
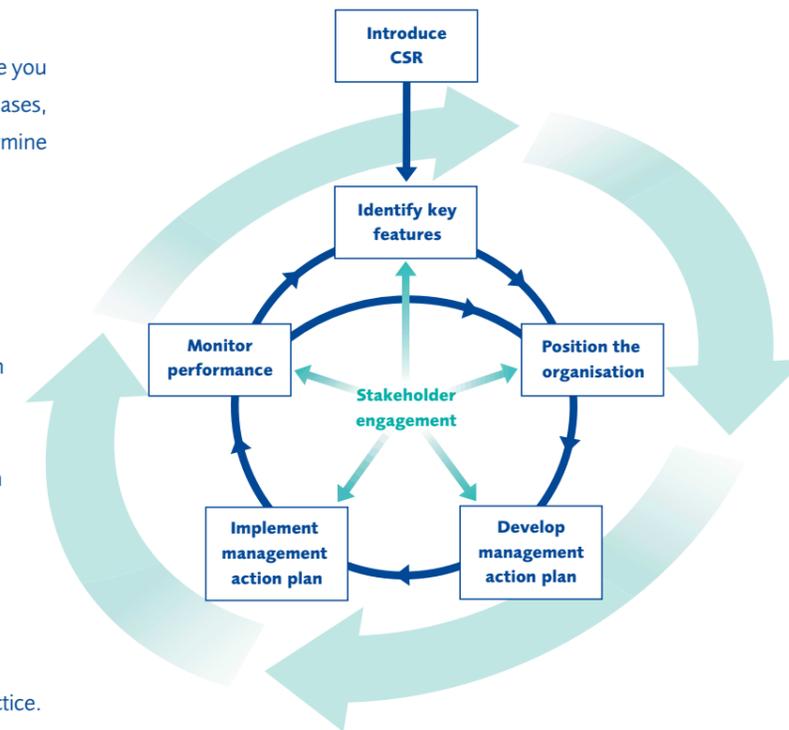
(the *"what"*). It provides a systemic way of examining a range of issues and identifying the stakeholders likely to be concerned about a particular topic.

Although listening to stakeholders might seem a simple concept, effective engagement and dialogue is not nearly as easy or self-evident as it first appears. Try screening your stakeholders by asking these simple questions:

- **Legitimacy** Is a particular stakeholder group representative of issues which are relevant to your business and accountable to those with a legitimate interest in the way you do business?
- **Contribution/Influence** Does the stakeholder group have a contribution to make in helping you to run the business more responsibly or significant influence on your company's business and/or on other stakeholders?
- **Outcome** Is the engagement likely to result in a productive outcome in the long run?

Those for whom the answers are "yes" should be considered key stakeholders and have priority in a dialogue. Be prepared to listen to them – they may reveal other stakeholders with valid concerns that you have not identified. By making constructive use of what you hear, your company can devise strategies and plans to avoid conflicts and gain insights which help preserve and enhance your reputation in the marketplace because you are showing concern for the social impact of your activities.

Stakeholders

**Stakeholder Footprints:
if the shoe fits…**

Stakeholders (columns): Company owners / Shareholders / Investors · Employees · Customers · Business partners · Suppliers · Competitors · Government regulators · NGOs Pressure groups Influencers · Communities

CSR key issues (rows): Values and governance · Regulation and controls · Business operations · Accountability and disclosure · Human rights · Employee rights/ Working conditions · Business context · Product impact · Social impact/ investment · Impact on other species · Impact on environment

Key: ■ strong interest · ■ some interest · ■ weak interest

To breath some life into this matrix, we've taken a hypothetical example of a water utility company based in the UK and have shaded various cells in a way that illustrates the perspectives and concerns of that company. The black cells show areas of strong interest, gray illustrates some interest and white indicates areas of weak interest. Keep in mind that each company's shading on the matrix will be quite different and will depend on such things its business sector and geographic location. Furthermore, a company's perspectives and concerns will almost certainly change over time.

CSR Indicators: equipping yourself for better decision-making

As we have already remarked, business is increasingly being called to account not only for what it does, but also for how it does it. Companies therefore need to be able to demonstrate, more quickly and with increasing levels of detail, that their operations enhance economic development, ensure environmental protection and promote social equity. Gone are the days of "trust me". People want proof in the "show me" world.

To be able to demonstrate progress, your company will need a process for determining suitable indicators and a means of measuring performance. There is probably no single set of CSR indicators that will suit all companies at all times: what is needed is a process to identify the indicators that match the social footprint suggested in the previous section. This will produce a set of headline indicators which will be specific to each company, will be relevant to stakeholders and meaningful to the issues a company faces. This process might unfold as follows:

■ **Indicator focus** Establish the social footprint using the CSR issues/stakeholder matrix and look for indicators which relate to the black cells – this will provide your headline indicators.

■ **Selecting the indicators** Look for indicators that: inform your company decision-making; respond to stakeholder concerns; are supported by robust information systems; and are regularly reviewed.

■ **Ensuring quality** Once you have identified the relevant indicators, each needs to be tested to ensure that it is useful both to internal decision-makers and to stakeholders. Indicators should be comprehensible, comparable, timely and verifiable.

■ **Implementing and using sets of indicators** It is unlikely that a single indicator will tell the whole story on a particular social issue. A set of indicators is more likely to communicate the issue effectively. The following three principles increase the usefulness of indicators. Indicators should:

■ show what the company is doing;

■ be capable of demonstrating trends, and;

■ be communicable to a range of stakeholders.

In attempt to pull the various pieces together, the matrix on pp18-19 illustrates how indicators can begin to reflect CSR practice. This matrix provides indicators which, taken together, shed light on CSR performance. The vertical axis shows the key CSR issues while the horizontal axis shows the key stakeholders. Each cell shows a relevant aspect of CSR together with suggestions for indicators which would describe progress.

CSR Reporting: how to tell the story

Published corporate social reports are, with a few exceptions, a relatively new phenomenon. However, companies' experience in the parallel field of environmental reporting suggests that there are important internal benefits to be derived from the process of preparing and disseminating reports to both internal and external audiences.

Primarily, reports are a tool to help companies convey how their business is being managed effectively. Further benefits include helping raise awareness of the issues inside the company and alerting employees to the company's performance. CSR reports signal to managers and employees that their company takes its social values and policies seriously. It is important to emphasize that a CSR report should focus on the social footprint of a company as discussed above. This approach allows a focus on what is critical in your operations. Our work has generated some data and key characteristics that might be included in a report on social performance. They are listed in Appendix 3.

However, *caveat emptor*. There are many ways to approach reporting and not all types of reporting activity are suitable for all companies. Social reporting is recommended where it furthers a company's strategic vision, where the company's culture and management system support such an effort and where reporting is viewed as an effective route to further engagement. So far, most CSR reporting assumes a relatively well-informed audience of opinion-formers. Those preparing CSR reports might therefore usefully consider designing the report to capture an audience beyond those with specialized knowledge. In particular, reporting directly to the local communities most affected by the company's presence, should be considered. The means by which this type of information is passed should also be carefully examined. The medium chosen should meet identified needs, and different or multiple approaches may be appropriate according to circumstances. However, the importance of regular, open and honest reporting together with local dialogue was often repeated in our meetings and interviews.

As in financial and environmental reporting, there needs to be some assurance that the information reported is reliable. This is an area where experimentation is under way. We suggest that CSR reports include information on assurance processes.

Within a few years, it is probable that reports on all facets of corporate performance will be published on the Internet in "real time". This highlights the need to establish systems for tracking social performance and to engage with stakeholders on a regular basis. In reporting on social issues, it will be important to maintain a focus on the company's overall CSR strategy and its relevance to performance, and to consider the information needs of a wide set of stakeholders.

For more detailed information on reporting initiatives, we suggest a review of the following resources:

■ Global Reporting Initiative (GRI): Sustainability Reporting Guidelines - www.globalreporting.org

■ Institute of Social and Ethical Accountability: AA1000 Standards - www.accountability.org.uk

■ The Social Reporting Report, published by SustainAbility - www.sustainability.co.uk

A number of companies are now reporting on their CSR policies and activities. Some produce "stand alone" social reports, while others refer to them as community reports or sustainability reports. By way of example, we summarize in chart form a range of approaches taken and data provided in the reports produced by a selection of companies on the WBCSD working group. Please visit the CSR site on the WBCSD website for some of these details.

CSR Indicators: equipping yourself for better decision-making.

Stakeholders

CSR key issues

	Company owners Shareholders Investors	Employees	Customers	Business partners	Suppliers	Competitors	Government Regulators	NGOs Pressure groups Influencers	Communities
Values and Governance	Reputation strategy profile and turnover of shareholders, investors perception	Adherence to values, number of calls to hotline, employee perception	Transparent about values, customer awareness/ satisfaction	Formalisation of values in relationships, occurrence of values clauses in contracts	Code of conduct, supplier relations – incidence of code breaches	Integrity, comments/ actions – supplier satisfaction	Values being part of governance, stakeholder perception	Disagreements over responsibility, complaints, public comment via press	Ethical imperialism, stakeholder perception
Regulations and Controls	Conflicts between controls and values, trends in shareholder feedback	Use/abuse of perks, incidence of disciplinary procedures	Meeting specifications, incidence of customer complaints	Open/covert dealings, partner perception	Presence of bribery, incidence of disciplinary procedures	Restrictive practices, incidence of referrals to monopolies investigations bodies, claims and litigation	Compliance/non compliance, incidence of fines, regulatory audits	Use/abuse of legal protection, stakeholder perception, public comment via press	Compliance/non-compliance – with planning regulations, incidence of infringements
Business operations	Alignment of operations with values, shareholder perception	Performance appraisal, % of employees assessed on corporate social responsibility criteria	Number of investigations by advertising standards bodies, number of ads withdrawn	Treatment of intellectual property claims and litigation	Method of pricing, supplier satisfaction, price differentials	Adherence to industry standards, receipt of awards, stakeholder perception	Commercial espionage, claims and litigation	Price dumping claims and litigation, public comment via press	Safety of processes, incidence of near misses/accidents, H&S audit results
Accountability and disclosure	Rigor of reporting trends in shareholder feedback, % of information sent asking shareholder opinion	Data protection, incidence of employee complaint, claims and litigation	Appropriate information, customer satisfaction, demonstrated reduction in customer requests/concerns	Openness, partner satisfaction, breaches of contract	Clarity about ongoing relationships, stakeholder perception	Use of media, stakeholder perception	Reporting, complaint standards, standard certifications	Appropriateness of measures/indicators, stakeholder acceptance	Disclosure of information, clarity and accessibility of information (by fact/ surveys awards)
Human rights	Compliance with international codes, existence of policy statement, stakeholder perception	Respect for ethnic/local culture, license to operate withdrawn, protest incidents, boycotts	Monitoring human rights in the supply chain, customer perception, boycotts, third party review in supply chain	Partnership standard concerning human rights, compatibility rating	Equity of opportunity, profile of suppliers (by size; gender; ethnic origin, etc.)	Competitive behavior, adherence to industry standards	Investment criteria, level of adherence to human rights regulations	Giving a voice to pressure groups, stakeholder perception	Adequacy of disaster planning/response, no. of incidents/accidents, results of third party audit
Employee rights / Working conditions	Relativity of pay-earnings ratios	Freedom of association, frequency of works committee meetings, training and development	Child labor, no. of employees under 15/18 if hazardous work (ILO convention 138), no. enrolled in re-mediation program	Relative standard – performance of partner against corporate benchmarks	Tied contracts, incidence of complaints	Bonded labor, certification against standard that prohibits bonded labor e.g. SA 8000	Adherence to standards, incidence of breaches	Sweat shops pressure group survey	Support for community education programs, level of investment (time and/or money)
Business context	Types/quality of alliance formed, satisfaction of non executive directors	Clarity of contractual terms, stakeholder perception/ satisfaction	Contract terms, customer satisfaction, customer retention	Use/abuse of power, partner satisfaction, longevity of partnerships	Payment terms, complaints, surveys of supplier satisfaction	Cartels, incidence of industry investigations	Use/abuse of monologue, stakeholder perceptions, incidence of investigations	Ethical sourcing, adherence to voluntary code (e.g. ETI)	Market power in local community, market share, market profile
Product impact	Unethical products, inclusion rate in ethical funds	Harmful process and substances accident rate, lost time due to injury, health and safety procedures	Labelling customer satisfaction, breaches of government/ industry regulations, market share	Product recall efficiency, speed and success or product recalls and service suspension	Involvement in R&D/ innovation, life cycle analysis and use of results in design process	H&S performance, performance against industry benchmarks, e.g. responsible care chemicals process	Product stewardship, quantity of hazardous NPO returned to process or market by reuse/recycling	Safety of products, incidence of NGO/ regulatory targeting	Harmful substances, GHG emissions, releases to land and water of non-product output
Social impact/ Investment	Meeting guarantees, complaint level	Employee involvement, % of employees volunteering for corporate community investment projects	Spend on cause related marketing, market share	Disclosure/discussion of issues e.g. impact of site closure, partner satisfaction/complaints	Proportion of local suppliers/contractors	Disclosure discussion, re. Impact of divestment, re-employment levels	Joint programs, stakeholder perception	Adequacy of measures indicators and monitoring, stakeholder perception	Long term commitment to community investment, trends in local investment
Impact on other species	Impact of investment, impact assessment	Ethics of animal testing, monitored level, employee concerns	Appropriateness of farm practices, number of campaigns boycotts, quantity of organic products sold	Values shared, no. of partnerships accepted sanctioned or rejected,	Conditions of animal husbandry, breaches of government/ industry regulations	Transparency about research findings, stakeholder perception	Quality of research, controls, compliance with governments standards	Quality of conservation programs, stakeholder perception, comments of independent expert	Quality of impact assessment, third party review results
Impact on environment	Disaster planning/risk assessment, incidence of disasters/near misses, % of employees trained	Resource consumption, quantity of resource saved through employee action	Customer awareness about product use/disposal, trends in customer behavior	Environmental standards, % of partners with external certification of EMS recognised against independent standard	Promoting high standards in suppliers, % suppliers achieving environmental standard	Commercial exploitation, market share, monopoly investigations complaints	Meeting standards, third party ratings and awards	Effectiveness of use of expertise, stakeholder perception, investment in environmental research	Impact on local environment, air pollution

CSR
NAVIGATOR

The WBCSD working group on corporate social responsibility offers the following navigator to guide companies on their journey towards implementing CSR. This navigator is both a tool and a conceptual approach and should be applied in light of each company's assessment of their own particular situation. It indicates direction and demands vision, but does not dictate the speed of progress. It is flexible enough to respond to individual company challenges and dilemmas. The navigator emphasizes that the vigor with which a particular company pursues its vision on CSR is specific to that company's individual location – its geography, industrial sector etc. – and should be tailored to what works best for the company. The WBCSD navigator consists of distinct reference points which can be used along a company's CSR journey.

Determine your "magnetic north"

Companies should determine and articulate their CSR direction – their CSR "magnetic north" so to speak – at the start of their journey. Repeatedly, our global consultations reinforced this simple message. Though the terminology might be different – people variously referred to values, ethics, religion, tribal custom or codes of conduct – the overriding message is clear: determine and articulate your company's vision and values, your corporate "magnetic north". Tell people what you stand for and what you are prepared to be judged on. If you fail to do this, other people will tell you what you should do. Determining a company's "magnetic north" is neither easy nor straightforward. However, it is essential if the company is to address the complex and expanding business/social agenda emerging in the new millennium. So the message is: start now. Involve your best people throughout your organization. Demonstrate top-level involvement and commitment. If you don't, your company will fall behind, and any attempt to embark on the CSR journey will be longer and harder.

Build-in the strategic business case

Integrating social responsibility into an overall company strategy demonstrates your company's readiness to ensure that social concerns are an integral part of your business strategy. A holistic approach to the challenges we face in our companies is usually the most productive, and CSR can managed most effectively if woven into the philosophical and operational fabric of the company. Approach CSR as you would any investment: look for positive returns or reduction of risk. Seek buy-in from managers, supervisors and employees. Work with them, provide support and encourage them to recognize the good business sense of a CSR strategy.
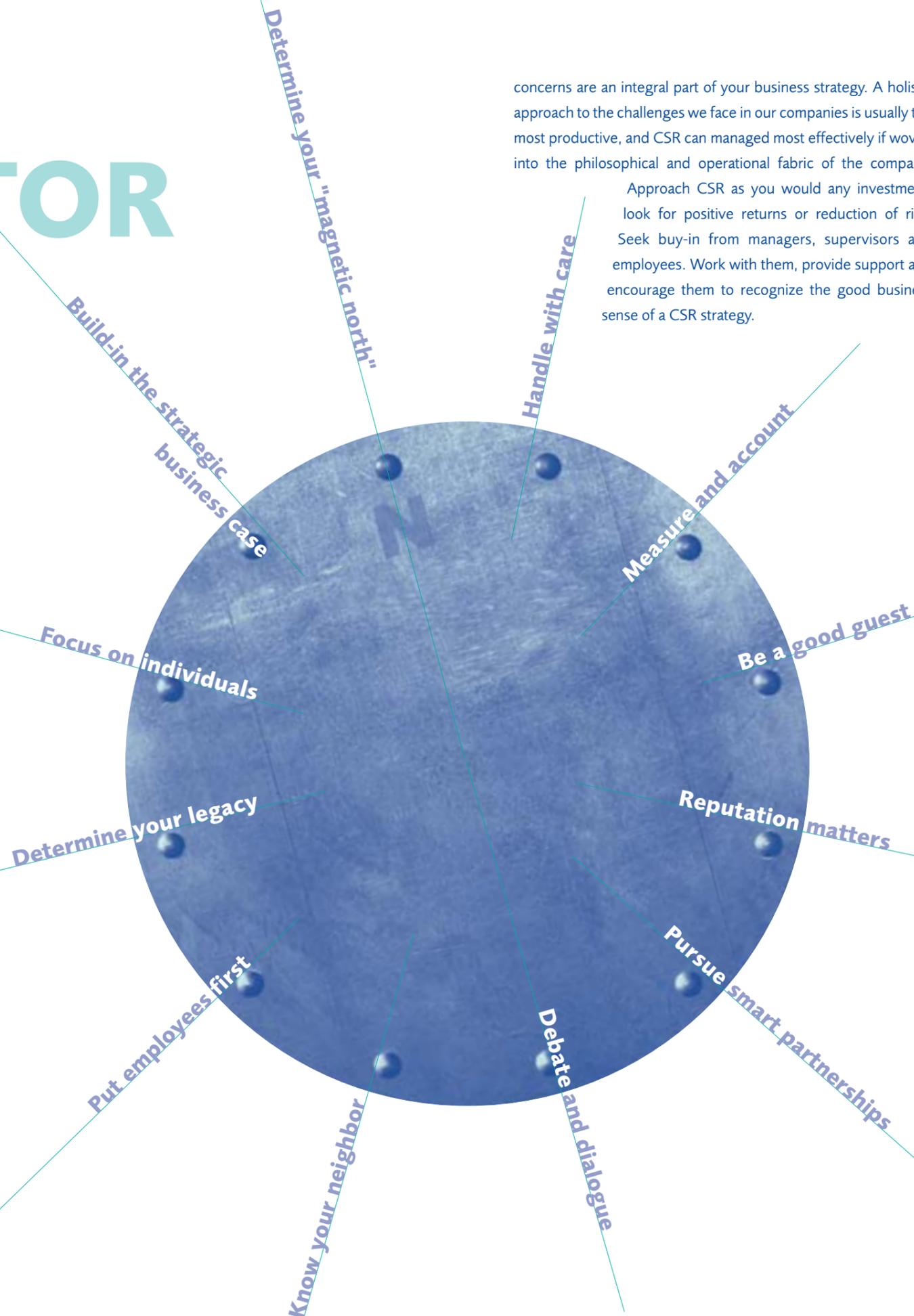
Focus on individuals

Overall, CSR reaches out to the collective entity of stakeholders – shareholders, employees, communities, NGOs, consumers, partners, etc. But to be truly effective, CSR needs to take account of the implications for individuals. Determine ways for the individual citizen, consumer, employee, manager, etc., to contribute to corporate social responsibility as well as the means for determining individual accountability.

Determine your legacy – foster competence and capacity

Instill an ethic of education and learning, and institute processes to foster it: this is how you focus on long term sustainability. Strive to leave as small an industrial footprint as can reasonably be expected but as large a local contribution and sustained livelihood legacy as you can. It is no longer enough to provide a salary and pay taxes. People want to learn how to build a better future.

Put employees first – assets, agents, and ambassadors

In the quest to enhance shareholder value, be prepared to say that your employees are the number one consideration among a range of other stakeholders. This doesn't imply that other stakeholders are not important but CSR includes decisions about setting priorities, facing dilemmas and making trade-offs. Community groups, regulators, NGOs and employees are all vital when addressing CSR. But, based on our global consultations, employees and employee relations matter most when addressing CSR. Transform your workforce into active agents for change. Convince them that socially responsible business practices are central to a company's continued success. Encourage diversity and open exchange of ideas. Provide the skills training to make jobs more portable. Collectively, your employees can be the greatest driver for promoting good CSR practice.

Know your neighbor: community and culture

Understand and define who and what your community is and asses its implications for your operations. Invest in identifying what makes communities different or similar. Explore how local culture, language and religions complement or conflict with management approaches. Show respect for differences as well as similarities.

Navigator compass labels: Determine your "magnetic north" · Build-in the strategic business case · Focus on individuals · Handle with care · Measure and account · Be a good guest · Reputation matters · Pursue smart partnerships · Debate and dialogue · Know your neighbor · Put employees first · Determine your legacy

Debate and dialogue – establish a system and process

Focus on the process for systematic and transparent dialogue. Use this to understand the impact of your company on people's lives. This is best done early with an attitude of constructive engagement. Inaction means losing contact and becoming out-of-touch with those that matter.

Pursue smart partnerships

Who would argue with establishing partnerships? For many companies this has become almost routine. Strategic collaborations with clear objectives are an essential component for any company looking to address corporate social issues and we encourage companies to foster such relationships. However, recognize partnerships for the sake of publicity undermine credibility and dilute the effect of valuable collaborations. Partnerships that provide cover for inaction or have dubious objectives will sap peoples' energy and waste time and money. Involve your employees, consult stakeholders and look for win/win situations.

Remember reputation matters

Reputation is a key business asset and should be carefully protected. That is part of the business case for investing in CSR, which provides the framework in which a company does, and is seen to be doing, the right thing for reasons other than immediate financial returns. Transparency and credibility will build a strong reputation over time, and generate loyalty which can be relied upon in time of crisis.

Be a good guest, but let your story be heard

Your company is a guest in various communities and should behave accordingly. Show respect and consideration for your hosts. At the same time, find the appropriate way to communicate with them openly about your contributions to society. That open relationship will also be an asset if problems arise.

Measure and account for what you do

Take a positive and proactive attitude to measuring and reporting progress. Whatever method your company selects, the important

thing is to be prepared to meet demands for measurement and accountability. Signals indicate that these demands will increase in the years ahead. If you are not properly equipped to manage this challenge, your credibility and reputation will suffer.

Handle with care information, knowledge and technology

The results of the technology revolution and the implications of our knowledge-based economy are only just beginning to be apparent but they are bringing profound change on a global scale. Communications technology offers great potential for inclusion and education and new ways for companies to communicate their philosophies and accomplishments. But the frontiers of new technology also pose challenges: they can exclude and are open to exploitation, and careful thought is needed to safeguard against this.

> "CSR is not a cosmetic; it must be rooted in our values. It must make a difference to the way we do our business"
>
> **Phil Watts** Group Managing Director
> Royal Dutch/Shell Group

> "You can uphold human rights and decent labor and environmental standards directly, by your own conduct of your own business."
>
> **Kofi Annan**
> Davos, 1999

THE WAY FORWARD
questions and queries

Corporate Social Responsibility needs further development and definition. We do not pretend that this Report and its predecessor are more than milestones on a long and important journey. So we set out below some of the questions which need to be asked and answered, as an invitation to all those involved in the CSR debate.

We recognize that there is still much to learn from others engaged in CSR issues and especially lessons on how we will put it all into practice.

Questions of principle

■ What are the respective roles of government and business in the provision of social, educational and health services ?

■ What is the extent of business responsibility for human rights breaches in a country beyond the company's immediate area of operations?

■ How far along the supply chain does the responsibility of a business extend? Similarly, how far forward should a company look?

■ How do we distinguish CSR from corporate philanthropy, patronage, sponsorship and donations?

■ What is the distinctive corporate contribution to the poverty/sustainable livelihood problem?

■ What change, if any, does this approach involve to employer/employee relations?

Questions of implementation

■ How can CSR best be embedded in companies' corporate governance, management objectives, incentives and reporting, so that it is a core characteristic of all their operations?

■ How can on-the-ground partnerships between companies, central and local government, IGOs, NGOs, local communities and others best be formed and sustained, given that each potential partner has different goals, perspectives and cultures?

■ How should differing environmental, social and economic development aims be balanced in particular decisions on the ground?

■ How can companies best contribute to skills, know-how and capacity building in developing countries?

■ How can companies get all their employees involved in and committed to CSR?

■ How should companies measure and report on performance in these softer and less well-defined areas?

■ How do we spread the word about CSR from region to region, sector to sector, and company to company?

■ How can business best contribute to the on-going debate?

Self-assessment questionnaire

Answer this questionnaire to gauge now well your company is engaging CSR.

VISION

A statement of a company's long term goals and aspirations.

The company has a written vision?
❏ Yes, we have a vision approved by the board
❏ It is promulgated throughout the company
❏ It is available to the public
❏ The vision was prepared in consultation with stakeholders
❏ There is a process for reviewing the vision

COMMITMENT

A formal expression of a company's intentions in the area of CSR

❏ There is a board minute recording the company's commitment to Corporate Social Responsibility (CSR)
❏ There is a board member with specific responsibility for CSR policy

Name:..

Title:..

❏ Each director has responsibilities for implementing the CSR policy
❏ CSR performance is included on the Board/Committee agenda
❏ There is a strategy for implementing CSR

VALUES

The fundamental principles to which a company declares adherence

❏ Corporate values have been approved by the Board
❏ The values are defined and explained
❏ The values were formulated in consultation with stakeholders
❏ The values have been communicated to employees
❏ The values have been communicated to the public

VALUES IMPLEMENTATION

The processes for ensuring adherence to corporate values

❏ There is a code of conduct
❏ The values are included as part of employee training
❏ The values are included in the reward process
❏ The business objectives and processes are checked for alignment with values

STAKEHOLDER ISSUES

Those matters which stakeholders believe a company influences

❏ The company has identified its stakeholder groups
❏ The company has determined the nature of it's relationship with the stakeholder groups
❏ The issues relevant to the company and it's stakeholder groups have been identified
❏ The issues have been modified/confirmed through dialogue with it's stakeholder groups

IMPACT ASSESSMENT

Assessment of the direct and indirect consequences of a company's activities

The company has assessed the social and ethical impacts of it's:

Products/Services
❏ past
❏ present
❏ planned

Business operations
❏ past
❏ present
❏ planned

FORMULATE POLICY

CSR policy is the set of principles which inform and guide the implementation of a corporate social responsibility strategy in a company

The company has formulated a CSR policy?

❏ Yes
❏ The policy was formulated in consultation with stakeholder groups
❏ The policy has been communicated to employees
❏ The policy is published and available to the public

PROGRAMMES/TARGETS

The CSR program is the plan for implementing CSR policy, and will where applicable, include targets to achieve performance improvement

❏ A program for monitoring CSR policy has been established
❏ Targets and time scales for CSR improvement have been identified and set
❏ The program and targets cover all of the issues identified through stakeholder dialogue

MONITOR/MEASURE PERFORMANCE

The processes and measures by which performance is assessed (against targets as applicable)

❏ Indicators have been identified which measure performance against targets
❏ Indicators have been defined in consultation with stakeholder groups
❏ The indicators have been checked to ensure that the are appropriate to the issues
❏ CSR performance is monitored by management and the Board

REPORT AND COMMUNICATE

The various means by which a company's approach to CSR and it's performance are conveyed to stakeholders

Progress in implementing CSR programs and achievement of targets is communicated to:
❏ Employees
❏ The public
❏ Other stakeholder groups
❏ The reports fully address all of the issues identified in dialogue with stakeholders

The company's performance with respect to it's values, issues and targets is published:
❏ As a hard copy report
❏ On the Internet

INDEPENDENT VERIFICATION

The process of independent review to provide assurance that company reporting fairly represents corporate activity

❏ Published reports are subject to external, independent verification

The verification assures:
❏ Completeness of published reports
❏ Accuracy
❏ The rigor of support systems

REASSESSMENT

The process by which a company continuously reviews and updates CSR strategy and actions taking account of stakeholders' changing expectations

The company reviews and re-assesses:
❏ Vision, values, issues, programs and targets in the light of performance
❏ This review is undertaken with stakeholders
❏ The programs and targets are modified as a result of this process

SUPPORT SYSTEMS

The part of the overall management system which includes the organisational structure and processes for supporting the management, measurement and auditing of CSR performance

There is a system for:
❏ Collecting stakeholder input
❏ Analysing
❏ There is a system for collecting and analysing data relevant to CSR programs and targets

There is an internal audit program which covers:
❏ Values support systems
❏ CSR support systems
❏ CSR performance
❏ The findings of the audits are reported to the Board/Committee

CSR tools

Tool	Source	Introduce	Identify	Position	Develop	Implement	Monitor	Summary
WBCSD tools								
Meeting Changing Expectations	WBCSD CSR working group	✔						Interim report of the CSR working group designed to keep members up to date with the CSR debate
Stakeholder Engagement Matrix	WBCSD CSR Working Group	✔	✔	✔				Matrix for checking significance to different stakeholder groups of social issues arising from business operations
CSR Process self-assessment questionnaire	WBCSD CSR Working Group			✔				Checklist of actions to help organisations assess their commitment to CSR management
CSR Management System Model	WBCSD CSR Working Group			✔	✔			Flow diagram outlining the process for addressing CSR issues
CSR Indicators Guidance	WBCSD CSR Working Group				✔	✔	✔	Guidance document setting out principles for the identification, quality and use (internal and external) of CSR performance indicators
CSR Reporting Guidance	WBCSD CSR Working Group					✔	✔	Guidance document setting out key approaches and attributes of CSR reports, including a good practice outline
Generic tools								
Stakeholder dialogue	Various		✔	✔	✔	✔	✔	Process of identifying, informing and consulting with key stakeholders which forms the basis of many CSR tools
Social audit	Various			✔	✔	✔	✔	Regular, externally verified process to understand, measure, report on and improve upon an organisation's social performance through stakeholder dialogue
Social impact assessment	Various			✔	✔			Process of identifying, assessing and managing the social impacts of new business operations through stakeholder dialogue
Management guidelines	Various				✔	✔	✔	Internal guidelines for guiding management decision-making of different aspects of CSR
Strategic alliances	Various				✔	✔	✔	Partnerships with key stakeholder organisations to help develop joint approaches to key CSR issues and monitor progress
Social investment programmes	Various				✔			Programmes to invest human and financial resources in social capital (workforce, local community or wider society)
Proprietary tools								
The Accountable Business	Arthur D. Little	✔	✔	✔	✔	✔	✔	Process model for managing environmental and social responsibility at all levels
Behaviour Check	Riverside Management	✔	✔	✔	✔	✔	✔	Modular tool for assessing reputation risk; ethical profiling; training in ethical behaviour; and analysis of alignment between governance and values
FOSTER	Corerelation Consulting	✔	✔	✔	✔	✔	✔	Six-step process for developing collaborative stakeholder relationships
Oikos performance presentation/ decision making through social sculpture	Oikos	✔	✔	✔	✔			Mixed-media presentation followed by facilitated decision-making workshops to promote awareness of CSR issues and build organisational capacity to engage with stakeholders

Tool	Source	Introduce	Identify	Position	Develop	Implement	Monitor	Summary
Social Risk Screening Checklist	ERM Social Strategies	✔	✔					Questionnaire for preliminary self-assessment of the social context for, and potential impacts of a company's operation; useful as a first step towards integration of social issues into project planning and implementation
Sustainable Development Masterclass	Arthur D. Little	✔	✔					Structured workshop session to explore the implications for business of sustainable development and CSR
CSR pyramid	David Logan	✔	✔					Basic graphic tool for explaining CSR at boardroom level
Reputation Assurance (RA5) framework	PricewaterhouseCoopers	✔	✔	✔	✔	✔	✔	Methodology/matrix for identifying issues of significance to different stakeholder groups, and for implementing, managing and measuring the effectiveness of programs designed to address those issues. Used for self-assessment with the potential for external verification and benchmarking; software version available
Stakeholder Dialogue Guidelines	ERM Social Strategies		✔	✔	✔	✔	✔	Guidelines for planning and implementing stakeholder dialogue to support all phases of CSR management; includes guidance on identification, classification and understanding the concerns of stakeholders
Stakeholder Perception Assessment Methodology	ERM Social Strategies		✔	✔	✔	✔	✔	Framework for stakeholder analysis and dialogue applicable to baseline social assessment and soical impact assessment
Stakeholder Value Analysis Toolkit	Arthur D. Little		✔	✔	✔	✔	✔	A package of support mechanisms to help identify key stakeholders; define decision criteria; measure stakeholder priorities and organisational performance relative to these criteria; and identify best options for meeting stakeholder requirements
Reputation Assessment	Arthur D. Little		✔	✔	✔			Systematic process for reputation assessment (including social and environmental influences), based on an analysis of organisational objectives, stakeholder interests and issues
Inside Track	Rarey and Associates	✔	✔					Tool for providing baseline assessments of comprehensive tangible and intangible success factors
Equal Opportunities Quality Framework	Equality Foundation	✔			✔	✔		Quality standard based on the Business Excellence Model for self-assessment and improvement of organisational performance on equality and diversity
Business Excellence Model	EFQM/BQF	✔			✔	✔		Conceptual model integrating 'impact on society' into quality management
Social Impact Assessment (SIA) Guidelines	ERM Social Strategies			✔	✔	✔		Guidelines on planning SIA; integration with EIA; scoping and preperation of management plans; identifying and mitigating social impacts
OPAL Principles of Open Management	University of Surrey			✔	✔	✔		Set of principles (Openness, Performance with integrity, Accountability, Leadership) for guiding organisational behaviour, supported by lecture courses and implementation workshops
Ellipse Analysis	Dragon International			✔	✔			Corporate reputation-based tool to compare existing and desired corporate value sets, reinforce positioning and develop CSR plans
Sta-dia Model	Dragon International			✔	✔			Structured process of stakeholder dialogue for generating communications and management strategies on CSR
SD Diagnostic	Arthur D. Little			✔	✔			Tool for rapid assessment of organisation's position on CSR and identification of options for action

Tool	Source	Introduce	Identify	Position	Develop	Implement	Monitor	Summary
				Function				**Summary**
Chain Analysis	CDO, University of Ghent			✔			✔	'Cradle to grave' analysis of products including environmental and social themes
Inclusive Value Manager (IVM®)	Intellectual Capital Services			✔			✔	Analytical tool to measuring an organisation's 'value contribution', helping to develop an optimal trade-off between financial and intangible assests
Corporate Community Investment	London Benchmarking Group/Business in the Community			✔			✔	Template for measuring corporate community investment in terms of inputs and outputs (performance measures) relating to key issues or activities
New Economics SEAAR Methodology (NSM)	New Economics Foundation			✔			✔	General purpose social accounting and auditing tool, including the Quality Scoring Framework (QSF) for rating and benchmarking specific initiatives
Framework for Company-Community Partnership	Anderson Consulting				✔	✔		Workshop-based methodology for identifying appropriate, practical corporate citizenship activities
Business Game for -Company-Community Partnership	Anderson Consulting				✔	✔		Training tool for developing the Framework (above)
Internal Stakeholder Dialogue	Arthur D. Little			✔				Workshop-based process for winning internal support for CSR Dialogue
Corporate Economic Social Environmental Reporter (CESER)	Corporate Citizenship Company					✔	✔	Database for collecting, analysing, benchmarking and reporting data on corporate performance (financial, environmental social) based on identified stakeholders, key issues and metrics derived from company's management information system
Community Investment Guidelines	ERM Social Strategies					✔		Guidelines for corporate community investment covering: selection of appropriate type of programme; determining criteria for project and partner selection, budget preparation, establishing a steering group; and preparation implementation and reporting of projects
Audit Evaluation Tool	Arthur D. Little						✔	Systematic process for evaluating the quality and robustness of an organisation's audit systems against key elements of good practice
Balanced Scorecard	Various						✔	Management tool for measuring overall business performance against a range of criteria
SA8000 certification	CMS Ltd						✔	Strategic review of supply chain to assist in development of new purchasing policies and practices, integrating quality, environment and social/ethical criteria
Sooner, Sharper, Simpler Scorecard for Annual Reports	Centre for Tomorrow's Company						✔	Scorecard for measuring 'inclusiveness' of organisation's report and strength of key relationships
Stakeholder enagament	PricewaterhouseCoopers	✔	✔	✔	✔	✔		Process for identifying/engaging stakeholders including performance across triple bottom line
CSR reporting	PricewaterhouseCoopers		✔	✔	✔	✔		Processes for designing reports including information systems and identification of indicators
Report verification	PricewaterhouseCoopers						✔	Independent verification of management processes, systems, and quantative and qualative data in social, environmental, sustainability and triple bottom line reports
Supply Chain Management	PricewaterhouseCoopers	✔	✔	✔	✔	✔	✔	Framework and methodology for identifying and analysing stakeholders throughout the supply chain. Development and implementation of supply chain strategy

Key characteristics of social reports

Please note that this is only an example of what is currently included in some social reports.

1. Organization Profile

- information providing a context for the report
  - number of employees
  - number of locations
  - countries in which company operates
  - main lines of activity

2. CSR Approach

- the impact of the business on society
- the scope and status of the company's CSR policy
- what objectives?
- what key commitments? Example: to UN Conventions
- Board involvement and commitment
- accountability
- systems to implement policies, including business ethics
- training/awareness raising
- key CSR issues for the company – and progress made in addressing these
- relationship to environmental/sustainable development policy
- bench marking performance

3. Employees

- Policies and actions on:
  - diversity/equal opportunities
  - training
  - freedom of association/collective bargaining
  - wages
  - hours of work
  - job security
  - contract labour
  - health and safety

4. Communities

- Approach to community involvement
- Spending on community projects
- Criteria
- Partners

5. Compliance

- compliance record on: accidents, equal opportunities, training

6. Business Relationships

- Approach to engaging business partners in CSR
- Results

7. Stakeholder Involvement

- Processes eg community committees, meetings, research, participation, key partners

Resources

Business organizations:
Business for Social Responsibility
www.bsr.org/

European Business Network for Social Cohesion (EBNSC)
www.ebnsc.org

International Chamber of Commerce (ICC)
www.iccwbo.org

The Prince of Wales Business Leaders Forum
www.pwblf.org

Labour Organizations
International Confederation of Free Trade Unions (ICFTU)
www.icftu.org

Environmental and Social NGOs
Amnesty International
www.amnesty.org

Human Rights Watch
www.hrw.org

Transparency International
www.transparency.de

The Environment Council
www.the-environment-council.org.uk/

The International Institute for Sustainable Development-IISD
www.iisd.ca

International Institute for Environment and Development-IIED
www.iied.org

Conference Institutions
The Royal Institute of International Affairs
www.riia.org

The Conference Board
www.conference-board.org

Student Organizations
AIESEC *Association Internationale des Etudiantes en Sciences Economiques et Commerciales*
www.aiesec.org

Intergovernmental Organizations
United Nations High Commission for Human Rights-UNHCHR
www.unhchr.ch

United Nations Development Programme UNDP
www.undp.org

United Nations Conference on Trade and Development UNCTAD
www.unctad.org

United Nations Environment Programme
www.unep.ch

International Labour Office
www.ilo.org

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Process note

WBCSD reports, such as this document, are released in the name of the WBCSD. Each publication is the product of a Working Group, comprising executives of member companies, mandated by the Council to address a particular topic, often drawing on the advice of internationally renowned experts.

Each Working Group is chaired by Council Members, who lead the clearance process, which includes the review of the text by all member and the final approval by the Executive Committee. This process ensures that each document represents the majority view of the WBCSD. However, it does not mean that every member agrees with every word.

About the WBCSD

The WBCSD is a coalition of 120 international companies united by a shared commitment to the environment and to the principles of economic growth and sustainable development. Its member are drawn from 30 countries and more than 20 major industrial sectors. The organization also benefits from a thriving global network of national and regional business councils and partner organizations.

The WBCSD aims to be a catalyst for change and fosters closer co-operation between business, government and other organizations concerned with the environment and sustainable development. It also serves as a forum where leading business people can exchange ideas and best practice in this field. The organization's work program reflects the determination of many in business to engage in an action-oriented approach. In particular, the WBCSD carries out a program covering the following focus areas, eco-efficiency; corporate social responsibility; technology, innovation and sustainability; climate and energy, and natural resources.

The WBCSD is uniquely positioned to look at areas where industry's voice can make a difference. It seeks to collaborate with others in order to create framework conditions that will allow business to remain competitive while contributing effectively to sustainable development.

"...if companies behave irresponsibly, in social or environmental terms, then no amount of good-cause giving will tilt their overall contribution to society back from the negative to the positive. A pirate throwing a few doubloons to a beggar may claim to be a philanthropist, but that hardly makes him a responsible businessman."

Lord Holme Rio Tinto

"...I believe that it is part of building good sustainable businesses to help establish safe, secure, stable and peaceful societies. Business thrives where society thrives."

Peter Sutherland
former Director-General of the World Trade Organisation,
Co-chairman, BP Amoco,
Chairman, Goldman Sachs International
January 1999

"CSR is not only solely about promulgating the values and principles of your company. It is about your company understanding and taking account of the values and principles of everyone who has a stake in its operations."

Vic Cocker Group Chief Executive, Severn Trent
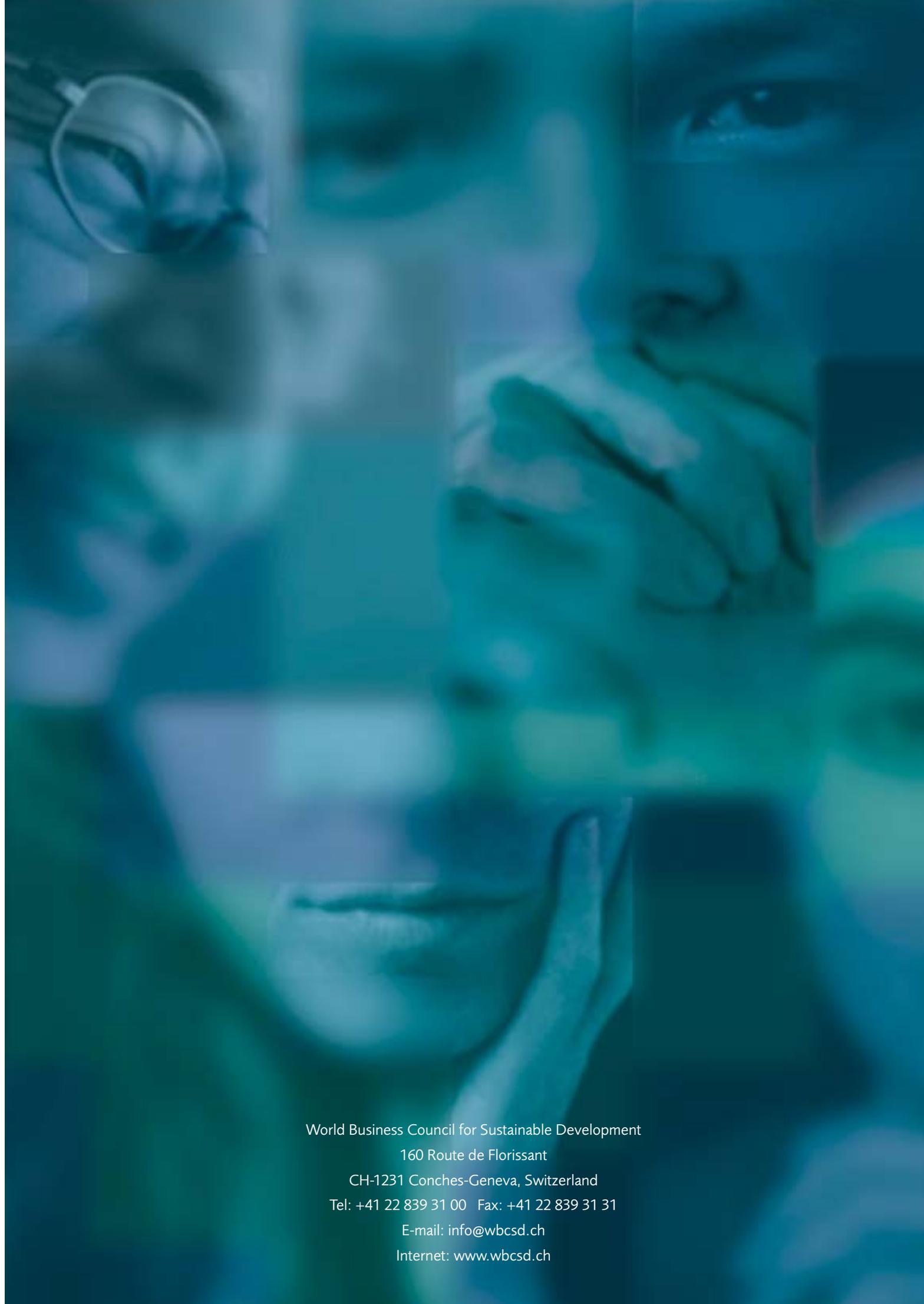
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