



The practical side of CSR

Much is talked and written about corporate social responsibility, but how much is being done? **Paul Toyne** presents some practical examples of companies transforming their business activities to operate more responsibly

Numerous national and international governmental programmes are addressing the current poor health of the world and its inhabitants. However, politicians know they alone cannot solve the problems and there is a need for partnership from all sectors of society, including business. This was recognised in September 2000 when 189 heads of state ratified the Millennium Declaration that offers a common integrated vision on how to solve some of the major challenges facing the world.

The declaration resulted in eight Millennium Development Goals focused on reducing poverty, improving the quality of people's lives, ensuring environmental stability, tackling HIV/Aids and other diseases, and building partnerships to ensure globalisation becomes a more positive force for all the world's people. The theme of partnerships to solve global problems was continued and promoted at the World Summit for Sustainable Development in 2002, which focussed on poverty and the access to safe drinking water and sanitation.

The delivery mechanism for many of the new agreements was partnership – over 60 partnership agreements were formalised involving governments, business and the NGO community. Yet many environmental groups protested at the lack of progress since the Rio Earth summit in 1992. Politicians pointed out that the summit had moved on from issues like biodiversity and climate change to tackling poverty and poor living conditions. Business was highly visible and had a sophisticated approach to engagement and was a key partner in many of the partnership agreements. The World Business Council for Sustainable Development (WBCSD) was one such business group.

What is worrying is that despite the ever widening activities of the WBCSD and other international and domestic initiatives, there appears to be a growing gap between the efforts of business and industry to reduce their impact on the environment

and the worsening state of the planet as identified by the United Nations Environment Programme. Why? Because only a small number of companies are actively striving for sustainability – actively integrating social and environmental factors into business decisions. It is also because improvements are being overtaken by economic growth and increasing demands for goods and services.

So is this the position in the UK? Just what is UK plc doing to address these global issues and are there any signs that business in the UK care about the bigger picture of global health and prosperity?

UK business has come a long way in the last 10 years. Today the majority of the FTSE 100 publish reports on corporate social responsibility, often in the form of a social or environmental report. The process of research for such reports can be very enlightening for businesses with risks and opportunities identified, and targets for improvement internally discussed and publicly stated. The reports provide a public statement that can be used to develop investor relations, manage enquiries from the supply chain and from customers.

Some cynics dismiss these reports as simply green-wash and a PR ploy. They may well have a point especially as in the last year we have witnessed several governance and CSR related scandals such as the selection of executive directors at Sainsbury's, executive pay at GlaxoSmithKline, the Hutton Enquiry, the sad plight of the Morecambe Bay cockle-pickers and Shell's fiasco with external communications and mis-calculation of oil and gas reserves. So, are we really going backwards?

Article 13 in its insight report *Business Unusual*, sought to identify what companies, if any, recognised the business-critical global issues identified by Article 13's visioning session (see Table 1) and were taking action. Serim, the independent rating agency analysed published annual reports for evidence statements from the FTSE

Table 1: Eight business-critical world issues

- Governance (transparent governments, fair and just laws, reduction of bribery and corruption)
- Technology (access to, and application of technology)
- Community (individual v/s community v/s global)
- Health (provision of health services, access to medication, disease prevention)
- Waste (reduction of waste, re-use and recycling, safe treatment and disposal of waste)
- Water (water scarcity – recycling and re-use)
- Sustainable production and consumption (responsible consumerism)
- Climate change (energy efficiency and reduction, lowering carbon emissions)

Source: Article 13

350 companies on how they are tackling these global issues. Article 13 sought to assess what the risks were to the business and whether these were the drivers for change for business engagement in the issues. The results, based on the evidences collected revealed that 3% (10 companies) were actually transforming their business to deal with business-critical issues.

Innovations leading to business transformations may well be the key to a new way of doing business. Why? Because business recognises the need to develop strategies to maintain a sustainable business. An example from Business Unusual was the food producer and processor Unilever; it needs a reliable supply of fish to produce its fish products such as fish fingers. Question: How best to ensure the supply? Answer: Take an active involvement in promoting responsible and sustainable harvesting of fish stocks. As a result Unilever supported the establishment of the Marine Stewardship Council. Other businesses identified by Article 13's research included Anglo American, BT, Kingfisher, the Waste Recycling Group and Scottish Power.

Operating in politically sensitive and economically deprived communities, the mining company Anglo American that extracts minerals, metals such as gold, and diamonds recognises its importance within the communities it operates. Anglo American's subsidiaries have worked in partnership with local medical groups and NGOs to implement a series of initiatives to address serious community issues.

In South Africa HIV/Aids is a serious health issue with more than 20% of its 120,000 employees are HIV positive. Since the late 1980s Anglo American has been running education and prevention programmes. For example, a subsidiary Anglo Coal's HIV initiative has increased condom usage and treated sex workers and their clients. Anglo American's managed operations have extended anti-retroviral therapy at company expense to HIV positive employees progressing to Aids. Edward Bickham, executive vice-president of external affairs at Anglo American, says: "The company has now recognised publicly that the extension of interventions beyond the workplace into communities associated with its operations is vital for its own sustainability. We realised we needed to act, we had a responsibility."

Climate change was one of the global concerns Article 13 assessed. Given the growing acceptance of climate change a big question is when will major oil and gas companies transform into the renewable energy sector? There is some evidence this is slowly starting to happen as investments in wind (both on and off shore), solar, geothermal, photovoltaic programmes increase - although this investment is negligible compared to investment in oil and gas exploration and production.

Some oil companies are making efforts to reduce their direct impact on climate change. BP appears to be the most progres-

sive of the five largest energy companies. It pulled out of the Global Coalition for Climate Change in 1997; this was the coalition that lobbied against the Kyoto Protocol. They have made the commitment to improve energy efficiency by 15% by 2011 and to reduce greenhouse gas emissions by 10% of 1990 levels; the latter was achieved in 2002. Examples of practical efforts include the closing of a spare turbine that was usually left running on a gas platform in Pompano in the Gulf of Mexico. This led to a CO₂ reduction of 8,000 tonnes per year, a fuel cost saving of \$265,000 and an overall cost saving of \$400,000 per turbine.

"Through this and other initiatives BP have added \$650 million of value for an investment of \$20 million on CO₂ reduction projects: A strong business case," says Professor Paul Rutter, an expert in BP's operations at Imperial College, London. "However, it's still tiny compared with overall sales/GDP of \$148.1 billion." Innovations in technology continue apace and BP has initiated a carbon capture project whereby they plan to inject one million tonnes of CO₂ back into an empty gas reserve in Algeria. BP and Stat Oil from Norway are at present the only energy companies actively exploring this option for storing carbon.

Some oil companies are making efforts to reduce their direct impact on climate change. BP appears to be the most progressive of the five largest energy companies

The Recycling Waste Group was found to be innovating in a number of ways. Through the very nature of its business it is having a positive environment benefit in recycling waste and managing landfill sites to ensure they are safe. It has however produced a number of 'green products' that go beyond its licence requirements. These include a green waste composting alternative to peat based products, and the recycling and recovery of the organic content of household waste for use as a soil conditioner. At land fill sites instead of flaring the gas that is released it has brought in special equipment to collect the gas and then generate electricity which is sold locally. This is reducing the emission of gases that cause climate change, increasing the value of the landfill site and generating extra revenue for the company.

There is no doubt that some businesses in the UK have recognised their role and responsibility to play a part in shaping the well being of society. By addressing these issues they should be placed to manage their risks. Today the challenge is how to motivate other businesses in the UK and Europe to engage in CSR, particularly their competitors who have taken advantage of not investing in CSR programmes, and as a result have lower costs. Will they need the 'stick' of legislation or will pressure from investors, consumers and media be enough? If the company is privately owned and has no public profile will they be immune? For without their support some of the ambitious targets set by governments will sadly remain just ambitions. It is a fine balance maintaining UK plc competitiveness whilst addressing the impact of British business on global issues. Britain has the talent and the innovation to be business champions for the right cause! It could set us apart as a nation if we get it right... **er**

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