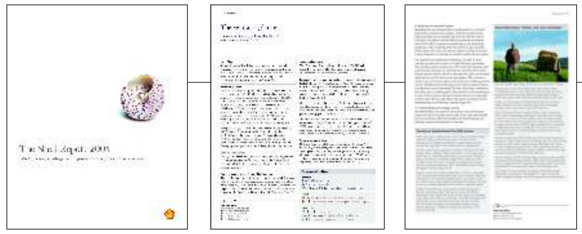
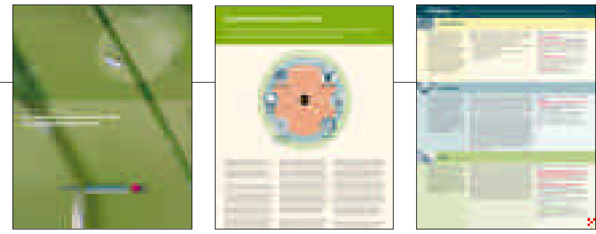
CORPORATE SOCIAL RESPONSIBILITY



Shell *Huge global energy companies that make lots of money are a prime target for environmental campaigners. So it is hardly surprising that in Shell's report there is a strong emphasis on the adoption of biodiversity standards when working in 'environmentally sensitive areas'. The group focuses heavily on its work with renewable energy sources*



Co-operative Bank *As a 'customer-led, ethically guided' group you would expect the bank to sell itself as a model for others. Its latest effort boasts that its 'Sustainability Report 2003 was ranked as "world's best" in the United Nations Environment Programme's biennial global benchmark of sustainability reporting'*

Cadbury Schweppes *The confectionery giant invites all its stakeholders to take a 'look at how we're doing on our CSR journey', either straight to the 'big picture' or via diversions to inserts that provide detailed information on specific issues*

O_2 *The telecommunications company report gets its message across in a document with chapter headings that include: Concentrating on the Customer; Sustaining – Caring for the Environment; Involving – Action in Communities; and Protecting – Operating Responsibility*

Thoroughly responsible

Many companies already report successfully on their CSR activities. For others in need of advice on how to go about it, Paul Toyne provides a clear guide on getting the message across

Voluntary reporting on corporate social responsibility (CSR) is clearly on the increase: 145 companies in the FTSE 250 reported on their CSR activities in 2004, compared with only 54 in 2001. A number of companies make the public aware of their CSR activities in other ways, often on the web or as part of their annual reports and accounts. Fewer than 50 of the FTSE 250 produce no CSR information at all. This trend is not restricted to the UK – KPMG recently highlighted an increase in CSR activity in Canada, France, Italy, Japan and Spain over the past three years.

Reporting on such activities by public organisations and SMEs, however, is only just starting to develop, but it will grow. Research by CSR consultancy Article 13 on London's public-sector organisations for the EC and a separate report on the UK's SME community revealed benefits from CSR such as establishment of new partnerships, cost savings and innovations in delivering goods and services. Reporting is taking off, but how should you go about it?

Perhaps the hardest part is deciding to do it in the first place. However, having made that leap, there is a wealth of experience and advice available.

Reporting needs to be strategic – it needs to be clear about its target audiences and selective about the information it provides. There also needs to be a focus on using reports to drive improved performance, or reporting really misses the point. Companies are already producing different documents for different audiences – for example, Centrica has adapted its CSR report for its staff, and Cadbury Schweppes uses different layouts and pictures to convey key messages and recognise the role of its employees.

Why bother?

It's a good question – after all, aren't there other things to be getting on with? The motivation behind reporting varies. Typical benefits include improved governance, management, communications and stakeholder relations. However, it is often the processes involved in reporting, rather than the actual report, that deliver benefits.

The process helps build and maintain trust with community groups, investors, consumers and other stakeholders including employees. It can also identify risks and opportunities in supply chains, and among customers, which can lead to actions to maintain and improve reputation and the company's brand.

It also helps organisations to link disparate functions such as finance, marketing and R&D into a more integrated strategic whole that can produce innovations and improve governance. Finally, it can help reduce share price volatility and uncertainty caused by untimely or incomplete disclosure.

It is very important that your reporting is relevant to your business goals. If not, it won't be seen as credible

The best way to start

First, consider your purpose. It is important that reporting is relevant to your business goals. If not, it won't help to build the internal links and won't be seen as credible. External relevance is also important. Why are you reporting? Who wants this information, in what format and how detailed? Clearly you will need to be able identify your stakeholders and map out their interests. This is a worthwhile exercise that will also help inform other projects.

More is not necessarily better. There may be pressure to report on everything and be as complete as possible. This is fine if you have the resources to do a good job. However, some companies are questioning whether comprehensive reporting is actually necessary and whether people are reading what they report. Some companies, such as O_2, are very explicit and say publicly that their report will focus on just a few areas so that they cover them really well.

However, there are now legal requirements to bear in mind. The Operating Financial Review (OFR), which became part of company law this year, is all about providing information on non-financial issues that are material to the business. A CSR report should help companies respond to the requirements of the new rules.

How do you identify which issues to report?

Selecting the right issues is absolutely key. Most companies will have set targets against a suite of generic social, economic and environmental issues. For example, these could include reducing workplace accidents or increasing recycling. Identifying company-specific issues may require consultation with staff, suppliers and other stakeholders, such as customers. This is worth doing, as it starts to build trust in the process of reporting.

What reporting guidelines should I use?

Having identified the key issues, how should your company report progress against them? A commonly used guide is the Global Reporting Initiative (GRI). The GRI has had the benefit of having gone through various reviews, trials and updates; indeed, a new version is due in 2006. Like all reporting frameworks it does have its critics, but you can just use parts of it – for example, specific key performance indicators that are relevant to the scope and objectives of your reporting.

The widespread use of GRI allows reports to be compared and benchmarked with those of other companies. The guidelines are underpinned by reporting principles that cover transparency, inclusiveness, auditability, completeness, relevance, sustainability context, accuracy, neutrality, comparability, clarity and timeliness. As a precaution you should check that the principles match and/or complement those of your own company.

There are other reporting tools and protocols. For example, the Association of British Insurers' disclosure guidelines require company directors to report on risks and opportunities facing the company. The association sees disclosure against its guidelines as an opportunity to demonstrate the quality of management and build confidence in the company within the investor community. And the comments of international accountancy body ACCA on annual CSR reports are a useful barometer of reporting in the UK.

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What should the report cover?

The first time, you should only report on the most relevant issues. Choosing what is relevant is an important decision. Reporting is an iterative process and you will be able to build on the first example in future years.

The format and style can vary, depending on the medium used. It can be paper-based, online or using CD-Rom. Reports using GRI guidelines generally have the following sections: company vision and strategy; company profile (an overview of the company, operations, stakeholders and the scope of the work); a description of governance and management structures; a GRI content index; and performance indicators.

The GRI has both quantitative and qualitative performance indicators that are grouped under the three dimensions of sustainability – economic, social and environmental. For example, an economic indicator might be taxes paid and subsidies received; a social indicator might be accidents in the workplace, while an environmental indicator might be water consumption.

Most importantly, you need to be clear about the scope of the report – what it does and does not aim to cover. Involve your staff and others relevant to the business, and don't be bound by any particular approach. Be innovative and do what instinctively feels right. ■

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