



True Volunteer Foundation



Corporate Social Responsibility – A White Paper





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Introduction

The strategic imperative for Corporate Social Responsibility (CSR) continues to build as both the social need and the business case for corporate giving grow over time. From the early beginnings in the 1950's with the proposal that corporations should focus on more than just profit, CSR has developed into an integrated approach of social involvement. The initial attempts at philanthropy in the form of charitable donations for the sake of positive publicity have become programs that reach to the core business of corporations and involve all levels of employees.

This exponential growth in CSR has come in response to increased accountability and heightened expectations from employees, customers and shareholders for corporations to start giving back to the community. Globalisation of the media has also meant that social issues all over the world are at the forefront of consciousness and environmental concerns have reached fever pitch with global warming awareness.

In a survey of corporate executives from around the world, *The McKinsey Quarterly* found that 84 percent of CEOs believe that society now expects businesses to take a much more active role in environmental, social, and political issues than it did five years ago.

As corporations take on more ambitious CSR programs, the relationships they build within the community are becoming more meaningful, particularly with the charities they contribute to. However these relationships have also placed added pressure on charities to be more transparent in their accounting and feedback processes. In many cases they have failed to do this and it has led many large corporations to form their own corporate foundations to channel their CSR contributions. The challenge is now before charities to address these issues and build back the confidence in their ability to play an active role in the development of CSR worldwide.



Section 1: Definitions

1.1 What is Corporate Social Responsibility?

The World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families and the local community and society at large. It is an attempt by organisations to take responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.

More than goodwill, corporate community involvement or strategic corporate philanthropy, corporate responsibility is a genuine attempt by a company to build meaningful relationships between the corporate sector and the rest of society.

Corporate responsibility is achieved when a business adapts all of its practices to ensure that it operates in ways that meet, or exceed, the ethical, legal, commercial and public expectations that society has of business.

1.2 What is Corporate Philanthropy?

Corporate philanthropy (CP) refers to the practice of companies of all sizes and sectors making charitable contributions to address a variety of social, economic and other issues as part of their overall corporate citizenship strategy. Companies make philanthropic donations through either company-sponsored foundations or direct giving programs. These are different in their relationship to the company and it is important to understand the difference.

Although foundations are separate legal entities, they maintain close ties with the parent company and their giving usually reflects the company interests. They generally rely on regular contributions from the parent company as a percentage of profit. This means that the contributions fluctuate with the profit level of the company, so can be difficult to predict. On the other hand, direct giving programs are not separately incorporated and enable the corporation to deduct up to 10% (but more often around 1%) of its pre-tax income for direct charitable contributions. Whereas foundations must report annually to the tax department and are therefore accountable, direct giving programs require no public disclosure.

As well as cash donations, in-kind support such as the donation of equipment, the use of corporate facilities or access to staff expertise are common forms of corporate giving.

The difference between CSR and CP is therefore that while CP consists of mainly donations and charity, CSR involves a more involved approach of ongoing community involvement. Corporate philanthropy is often a component of a corporation's broader social responsibility and includes cash gifts, product donations and employee volunteerism. So in fact, Corporate Philanthropy is one component of CSR.



Section 2: From Small Beginnings Big Things Grow: The Evolution of CSR

2.1 Questioning the Role of Business

A concern for social responsibility can be traced back to the 1950s when it was more commonly known as SR or social responsibility. In 1953, Howard Bowen published his book, *Social Responsibilities of the Businessman*, and is largely credited with coining the phrase 'corporate social responsibility' and is perhaps the Father of CSR. Bowen asked: "what responsibilities to society can business people be reasonably expected to assume?" Bowen also provided a preliminary definition of CSR: "*its refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*".

There were a few other landmark books during the 1950s, most notably Morrell Heald's 1957 publication, *Management's Responsibility to Society: The Growth of an Idea*; and Eell's 1956 work, *Corporate Giving in a Free Society*. The literature expanded the definition during the 1960s with Keith Davis' definition of CSR as referring to "*..businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest*".

In 1963, Joseph W McGuire in his book, *Business and Society*, stated: "*The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations*". This is perhaps getting closer to the contemporary understanding of CSR as being an obligation to citizenry, the environment etc and not merely to shareholders or wealth creation.

The 1970s and 1980s saw attention being focused on articulating with more clarity exactly what were the responsibilities of a corporation. The grand old man of management theory, Peter Drucker, stepped onto the CSR stage in 1984 when he wrote, in the *California Management Review*, about the imperative to turn social problems into economic opportunities. And ice-cream manufacturers, Ben & Jerry's, were the first company to publish a social report in 1989.

2.2 The Three-Tiered Model of CSR

A watershed in CSR was 1971 when the Committee for Economic Development (CED) published its *Social Responsibilities of Business Corporations*. As a code of conduct, the CED outlined a three-tiered model of CSR:

- the **inner** circle: the basic responsibilities an organisation has for creating profit and growth;
- the **intermediate** circle: an organisation must be sensitive to the changing social contract that exists between business and society when it pursues its economic interests; and
- the **outer** circle: the responsibilities and activities an organisation needs to pursue towards actively improving the social environment eg poverty or urban crowding issues.

This model is even now used in CSR project planning. By focusing on the responsibilities within all rings of the model, a corporation is working within and caring for the ecosystem it belongs to.



Around the 60's and 70's, the changing social values of the time and Vietnam war protests seem to have had a significant impact on corporations and their social responsibilities and perhaps as a result, the 1970s also saw the use of the term "neighborliness", which has hints of our contemporary use of metaphors such as "village" or "ecosystem" to describe a construct that is broader than just the boundaries of a particular system ie organisation, society etc. Eilbert and Parket defined CSR as: "...*think of it as 'good neighborliness'*. *The concept involves two phases. On the one hand, it means not doing things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighborhood problems.*"

2.3 Corporate Scandals and the Importance of Public Image

By the 1980s and 1990s, corporate giants had woken up to the fact that attempts were being made to regulate them and the corporate backlash began. Most notably, corporate meddling in the 1992 Earth Summit in Rio impeded the Summit's aim of finding ways to halt the destruction of the natural environment and its resources. 48 companies were specifically formed to participate in and influence the Summit's outcomes, particularly trying to shift towards voluntary reporting.

But the climate turned nasty for corporations in 1995 when Shell was accused of complicity in the execution of Ken Saro Wiwa and eight other activists in Nigeria. Around that time, other corporate scandals emerged like the collapse of Enron, Nike's supply chain of sweatshops in Asia, BP's connection with human rights abuses in Colombia and the McLibel campaign against McDonald's. As companies struggled to clear their names and improve their reputations, corporate social responsibility was granted a new lease of life.

Suddenly, corporations started to realise the importance of their public image and reputation. And they began to understand that they needed a strategy to convince the public that they could play a very valuable and socially meaningful role within the ecosystem they occupied. Contemporary CSR and CP was ushered in to give the corporation a caring, human face and get rid of any whiff of unethical conduct whilst providing corporate accountability and transparency.

Likewise, the concept of environmental sustainability came very much to the forefront around the 1990's after the Exxon disaster, still considered one of the most devastating man-made disasters ever to occur at sea, and the rising environmental consciousness.

2.4 The Birth of the Triple Bottom Line

The sustainability movement and the social responsibility movement joined forces on a corporate level to give birth to the concept of the Triple Bottom Line (3BL) of "People, Planet and Profit" and the new face of CSR - "Doing well by doing good". This has led to a revolution in the social conscience of corporations all over the world. Triple bottom line reporting means expanding the traditional reporting framework to take into account the environmental and social performance of a company in addition to its financial performance. The Triple Bottom Line is made up of "Social, Economic and Environmental" indicators, and the phrase "People, Planet, Profit" phrase which was coined for Shell by SustainAbility has become the buzz word for corporations everywhere.

"**People**" means fair and beneficial business practices toward labor and the community and region in which a corporation conducts its business. (Wikipedia). A triple bottom line enterprise seeks to benefit many constituencies, not exploit or endanger any group of them. In concrete terms, a 3BL business would



not knowingly use child labor, would pay fair salaries to its workers, would maintain a safe work environment and tolerable working hours, and would not otherwise exploit a community or its labor force. A 3BL business also typically seeks to "give back" by contributing to the strength and growth of its community with such things as health care and education. Quantifying this bottom line is relatively new, problematic and often subjective.

"Planet" refers to sustainable environmental practices. A 3BL company endeavors to benefit the natural order as much as possible or at the least do no harm and minimise environmental impact or "ecological footprint". This includes carefully managing its consumption of energy and non-renewables and reducing manufacturing waste as well as rendering waste less toxic before disposing of it in a safe and legal manner. In the manufacturing industry this means conducting a "life-cycle assesment" to its products to determine the true environmental cost from the growth and harvesting of raw materials to manufacture to distribution and eventual disposal by the end user.

"Profit" is the bottom line shared by all commerce, conscientious or not. In the original concept, within a sustainability framework, the "profit" aspect needs to be seen as the economic benefit enjoyed by the host society. A 3BL approach to the concept of profit is therefore completely different to the traditional corporate profit understanding because it includes the lasting economic impact the organisation has on its economic environment. Organisations therefore cannot simply add social and environmental programs onto their existing corporate accounting, but must reevalate the organisation as a whole.

In 2007 the UN ratified the 3BL standard for urban and community accounting for local government and in the private sector, a commitment to corporate social responsibility implies a commitment to some form of 3BL reporting.

2.5 The Integrated Model of CSR

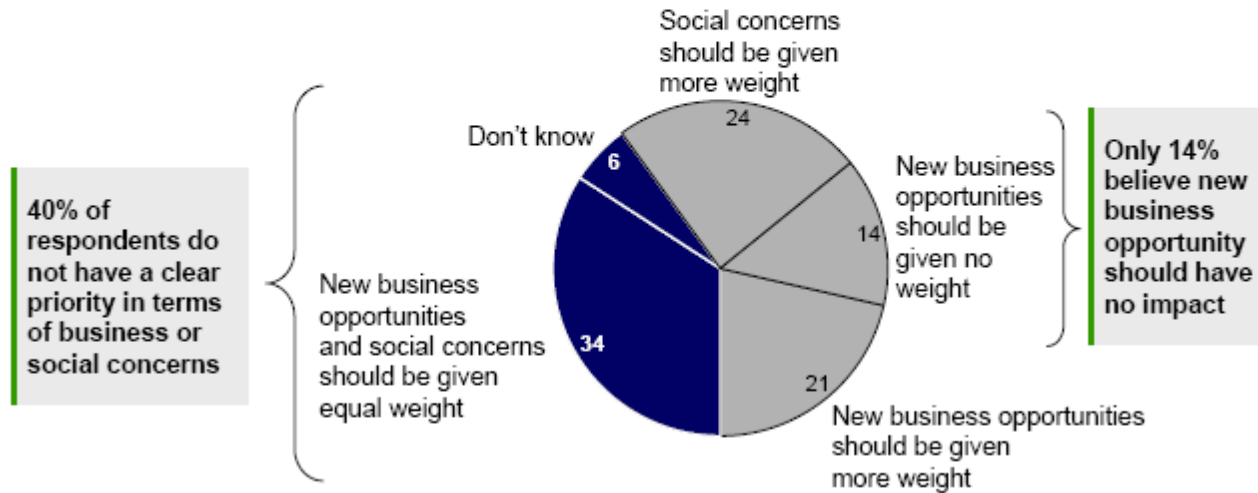
CSR is now at the stage where it is being integrated into the core business of companies rather than being simply an ad-on for the sake of positive publicity. Shelly Lazarus, CEO of Ogilvy & Mather Worldwide says; "Have your philanthropy be an organic extension of who you are as a brand, so that it does not appear to be something that you do out of obligation, but instead something that you do to be consistent with your company's ethos."

The McKinsey Report "Businesses Social Contract: capturing the Corporate Philanthropy Opportunity" Uses the following graph to demonstrate the growing importance of social concerns when new business opportunities are being considered.

EXHIBIT 7: Weighing business vs. social benefits

In decisions to fund corporate philanthropy programs, how much weight, if any, do you think should be given to finding new business opportunities, relative to social concerns?

Percent of respondents



(Business's Social Contract: Capturing the Corporate Philanthropy Opportunity, McKinsey and Company)



Section 3: The Way Forward: Emerging Trends in CSR

3.1 Beyond Chequebook Philanthropy

“Today, corporate social responsibility goes far beyond the old philanthropy of the past - donating money to good causes at the end of the financial year - and is instead an all year round responsibility that companies accept for the environment around them, for the best working practices, for their engagement in their local communities and for their recognition that brand names depend not only on quality, price and uniqueness but on how, cumulatively, they interact with companies’ workforce, community and environment. Now we need to move towards a challenging measure of corporate responsibility, where we judge results not just by the input but by its outcomes: the difference we make to the world in which we live, and the contribution we make to poverty reduction.” Gordon Brown, as the Chancellor of the Exchequer, 2004.

Until the end of the 1990’s the concept of CSR was largely in terms of charity or philanthropy. Organisations used their giving programs through charities and NGOs to show their social conscience, but ongoing involvement within the communities was minimal. The limitations of this approach were that grants were very often one-off gifts and lacked a planned long-term approach, plus community participation in the project design was limited, leading to limited long-term effectiveness at addressing the real issues in communities. Also, the lack involvement from the corporations led to low levels of accountability and transparency.

With the rapid increase in consciousness of the need for the triple bottom line and spurred on by the enthusiasm of the CEOs of several major companies like Apple, Microsoft and Nike, the concept of CSR has grown into a stakeholder-based model of empowerment and participation encompassing a wide range of community and environmental activities. In the stakeholder model, the community in which the corporation operates is seen as a stakeholder in the company and therefore, the company has certain obligations and duties towards it like it has towards its other stakeholders (customers, employees, shareholders). It is a recognition of the fact that companies operate in non-financial arenas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues and company should be held accountable for its social and environmental performance and not just the financial aspect.

Companies have begun to adopt a more holistic approach to corporate philanthropy. Cash contributions remain significant, but companies are increasing other types of contributions that draw on more of the company’s resources including corporate matches, product donations, capacity sharing, and asset leveraging.

Aside from the “feel-good” aspect of CSR, it acknowledges the growing importance attached to the ‘eco-social’ stability i.e. social and environmental stability and sustainability is necessary for the survival of a free-market economy in the long run. It also makes CSR programs more effective and efficient, resulting in multiple benefits like increased sales and customer loyalty, enhanced brand value and reputation, increased ability to attract and retain quality employees, investors & business partners, better productivity of workforce, cooperation with local communities, efficient operations resulting in improved financial performance, increased stock value, reduced litigation & environmental costs, better and faster governmental approvals, and of course the tax benefits that come from good CSR practices.



A recent IBM survey of 250 executives around the world found that, for 68% of firms, corporate social responsibility (CSR) is viewed as a potential source of revenue growth rather than a regulatory or philanthropic issue. 54% of the executives surveyed said CSR initiatives are giving their companies a competitive advantage, because of the favourable response such initiatives attract from customers. In the study it was found that companies believe that when they are more open with stakeholders and place social responsibility at the core of their business strategy they will be more competitive, attract and retain the best talent, and gain access to new business opportunities. "Doing well by doing good: IBM Study says Businesses Seeking Growth through Social Responsibility" 2008.

3.2 Meaningful Relationships Between Corporations and Charities

One aspect of a more integrated approach to CSR is the establishment of more meaningful relationships between corporations and charities. Here charities move from being simply the recipients of donations to being partners in ongoing CSR programs.

Jackie Tanner, Head of Corporate Partnerships at Cancer Research UK says: 'The Corporate fundraising market place gets more competitive day by day with the recognition that corporate partnerships can deliver real benefits well beyond the traditional funding proposition. In the best examples, they can deliver against the key management objectives for both charity and corporate partners alike'.

This will be discussed in detail in the following sections.

3.3 The Rise of Corporate Foundations

Corporate foundations have been subject to the spotlight recently with the collapse of two major foundations in the UK but there seems to be no doubt that the benefits of a corporate foundation are many and the growth in the number of foundations indicates this is a widespread view. As discussed, with the shift from simple charity donations to more involved stakeholder participation, corporate foundations are one of the ways businesses have approached this. Susan McKenzie of... says that first, by definition a foundation's purpose is charitable, so its grants cannot be confused with sponsorship and marketing. Similarly, because their staffs are professionals focused solely on charitable work, their primary expertise is in grant making. In contrast, CSR staff may have many responsibilities in marketing or human resources. Furthermore, because the foundation is at arms length, it mitigates the risk to the reputation while also freeing the foundation to provide longer-term funding. Most importantly however, corporate foundations provide medium to long term funding opportunity to make real differences in the target communities rather than the one-off donations of the past.

David Emerson, Chief Executive of the Association of Charitable Foundations (ACF) says "A foundation requires responsibility but gives legitimacy". He says that it can also play an important role in the company's ability to recruit top-quality talent. A survey published in 2007 by Deloitte in the UK revealed that almost two thirds of young people under 30 want to work for companies that allow them to incorporate community involvement into their professional development.



The SMART company in the UK, in their 2007 report *“The Changing nature of corporate responsibility: What role for corporate foundations?”* talked of three main models of foundations currently operating.

The first is grant-makers who work alongside the company’s CSR program in making grants to a range of community and charitable organisations in alignment with the corporation’s core focus and key stakeholders. They use the example of the Vodafone Group Foundation (VUKF) which focuses on helping 16-25 year-olds facing exclusion from society, whether reaching a cross road in their lives, struggling with emotional well-being or having difficulty accessing the information that they need. It is committed to creating sustainable change and working collaboratively with its charity partners providing a range of resources in addition to financial support wherever possible. Thanks to £35,000 of funding from VUKF, Deafax have launched their new interactive online resource to assist with the education and development of deaf young people. It is the only website for deaf people that uses signing, text and visual audio (enabling lip reading).

There are also foundations which are focused on a specific issue and have been set up as an opportunity to further a particular aspect of a company’s CSR program. The Waitrose Foundation is used as an example of this approach which was established in 2005 to help improve the welfare of farm workers in South Africa, and is funded through a partnership between Waitrose, its fruit importers, exporters and local farm owners in South Africa.

Despite the success of the corporate foundation model, there have been several examples recently of the issues which can arise from the insecure source of income from parent companies to their foundations. David Emerson, CEO of the Association of Charitable Foundations questions the need for greater financial independence for foundations after the collapse of two major foundations in the UK. The Northern Rock Bank was in 2006 the second largest charitable giver in the UK and set up their own Foundation to direct this charity. By the end of 2007 £190 million had been donated to the foundation by Northern Rock Bank. That income flow was threatened in late 2007 by the collapse of the bank and the charities it supports were faced with losing their income. However the nationalisation of the bank has meant that instead of the 5% pre-tax profit it previously donated, £15 million will be donated for three years.

Similarly, in September 2007 the Camelot Group, which was operated by the UK National Lottery, found that their source of funding was to be discontinued immediately and the foundation would be wound up by March 2008, leaving the foundations budget £2 million short and many valued projects without funding.

With these examples in mind, David Emerson questions whether the risk of lack of control of their existence is a price worth paying for the benefits that corporate foundations can bring and whether a new model of secure endowment or long term funding can allow greater independence to foundations.

3.4 Reporting of CSR Achievements

The growth in CSR initiatives mean that organisations need a way to account for their social and environmental impacts in order to assess the areas that require improvement and then to have their CSR achievements known within the community.

Assessment and reporting of subjective and intangible factors like social impacts of a company’s core business have brought a new challenge to CSR and as a result a number of reporting guidelines or



standards have been developed to serve as frameworks for social accounting, auditing and reporting, plus environmental impact.

Perhaps the most common are the AA1000, Global Reporting Initiative and the ISO 14000.

AccountAbility was established in the UK in 1996 with the stated aim to, "Develop new tools, thinking and connections that enable individuals, institutions and alliances to respond better to global challenges." At the core of AccountAbility's work is the AA1000 Series, a series of recognised CSR standards, which is an open source framework for organisational accountability developed through a multi-stakeholder consultation and review process. The standards are designed to be compatible with other key standards in this area, including the GRI Guidelines, SA8000, the ISO Series and financial accounting standards. (Wikipedia)

The GRI is an independent institution that disseminates globally applicable sustainable reporting guidelines for companies use in reporting on economic, environmental and social dimensions of their activities, products, and services. As of March 2005, 69 U.S. firms had registered to use the GRI guidelines for reporting CSR Issues. The GRI's mission is to make sustainability reporting by all organisations as routine and comparable as financial reporting. The GRI Guidelines are the most common framework used in the world for reporting. More than 1000 organisations from 60 countries use the Guidelines to produce their sustainability reports such as corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others.

Currently, 81 per cent of FTSE 100 companies are producing stand-alone reports on corporate responsibility, sustainability, environment or similar. Also 56 per cent of companies listed in the FTSE All World Developed Index, representing 77 per cent of its total value, have adopted clear environmental policies. These numbers will continue to grow as reporting methods continue to develop and gain popularity.

3.5 CSR in the face of the Global Recession

CSR has gained prominence against a backdrop of relative economic stability and growth. The question of the moment is whether the predicted global economic downturn will cast a shadow over the current trend towards ethical goods, services and business practices? Bleaker forecasts from economists suggest that the unravelling housing market in the US coupled with persistently high energy prices may well lead to a global recession - or at least a slowdown. If any downturn is compounded by global insecurity as a result of increased conflict, the further development of CSR will be seriously challenged, in particular its ability to go beyond being a philanthropic add-on and move into the core of business strategy.

In its article "Slowdown fails to dent US corporate charity", The Financial Times (June 3 2008) reported that big US corporations had lifted their charitable giving last year by 5.6 per cent - to a median \$26m - despite worsening economic conditions and a slowdown in earnings. This came from the annual report of the Committee Encouraging Corporate Philanthropy (CECP) which said corporations were also likely to maintain 2007 levels of giving this year, "with some expected to increase or restructure their budgets to reach community partners most strongly impacted by the economy". The total given by CECP members who responded to the survey was \$10.6bn (£6.8bn, £5.4bn), with two-thirds of the 150 members who



responded increasing their giving last year. The median amount given remained steady at just less than 1 per cent of pre-tax profits.

In terms of ethical products, Mark Robertson, spokesman for Ethical Investment Research Services (Eiris), which investigates companies' non-financial performance, says ethical consumers are like ethical investors, in that they care about more than price and show greater commitment to their investments than their more neutral counterparts. Robertson adds that consumers' "deeper ties" with ethical brands could mean that such brands will fare better during recession than their non-ethical equivalents.

During the last US recession, John Quelch, associate dean of Harvard Business School, said: "Only when you get into a recession will you know whether your values will hold up." According to Corporate Register, a global corporate responsibility directory, the number of sustainability reporters actually accelerated during the last economic downturn of 1999-2001.

Professor Malcolm McIntosh, founding editor of the Journal of Corporate Citizenship, suggests that the immediate need for businesses to address climate change will continue to pull corporate responsibility from the periphery into the mainstream, regardless of any economic slowdown.

Mark Vogel, author of "The Market for Virtue", says the impact of a global slowdown on corporate responsibility investment would be modest "because companies don't spend much on it anyway". He adds: "We might see a shift away from green marketing campaigns and a refocus of managerial energy, but there will be no major impact." He thinks cuts will most likely occur in payroll, green marketing, capital investments and research and development. "Laying off people is likely to be the first cost-cutting measure - and CSR firms are no more likely to retain employees than non-CSR firms," he says. "A downturn is unlikely to negatively impact companies' current CSR commitments, given that these companies will be unwilling to lose their established competitive edge."

Some even argue that during recession, companies practising corporate responsibility may have an advantage over those that are not. Robertson says: "A company that is well run, managing its environmental and social impact, is more efficient in its own right." He says companies actively addressing environmental, social and governance issues are usually better at managing risk and may even outperform others in a recession.

On the flip side, some say that recession may be the catalyst that drives ethical business into the mainstream, as consumers and companies turn to energy-efficient practices and products as a means of cost savings.

In the same vein, companies should be taking a longer-term view of their practices. From a purely operational perspective, energy-efficient strategies deliver cost benefits, whether an investment into wind turbines or energy-efficient light bulbs. Reporting and outward-looking strategies, such as greater stakeholder engagement, have also been proven to deliver a competitive advantage, the benefits of which are greater brand loyalty from both consumers and investors, and more finely tuned risk strategies.

While the portion of consumers and companies taking ethics seriously remains a minority, an increasing body of evidence indicates that it will continue to grow as society addresses climate change issues. And so it appears that, recession or no recession, ethical consumerism and ethical business are here to stay.



Section 4: The Driving Force Behind CSR

There are many driving forces fostering the evolution of corporate social responsibility.

4.1 The Rise in Ethical Consumerism

As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns.

Ethical consumerism has also evolved substantially from an almost exclusive focus on environmental issues to a concept that more broadly covers all matters of conscience including human rights, labour standards, social impact and environmental impact. Consumers use their ethical choices to either purchase products and services that meet certain ethical standards, or by choosing to boycott products that do not meet these standards.

A 2005 poll by Global Market Institute (GMI) across a wide range of countries including the United States, United Kingdom, India, Australia, Canada, and countries throughout Europe found that 54 percent of consumers would be prepared to pay more for organic, environmentally friendly, or fair-trade products. The Datamonitor Report on Ethical Consumerism in Dec 2005 showed that the Dutch and Swedish are leading the way with 50% of Dutch and Swedish consumers supporting five or more ethical causes such as recycling and charitable donations. They also reported that the UK market for ethical goods and service has grown by 15% every year since 1999.

In their 2007 report “Measuring the Importance of Ethical Consumerism: A Multi-Country Empirical Investigation”, Auger, Devinney and Louviere observe that the number of groups focusing their attention on the social behaviors of companies seems to have increased in recent years. For example, they identified over forty anti-sweatshop organisations in the U.S. alone, a large number considering the focus of those organisations is on a single issue. Even larger numbers of groups and members can be found in areas such as environmental protectionism, human rights, and animal rights.

The breadth of issues associated with ethical consumerism suggests that it has wide-ranging implications for managers and can affect the strategic decisions firms are making—from entering and selling into foreign markets to outsourcing work to specific countries. For example, the importance consumers attach to the use of child labor in production could affect decisions about the use of offshore production, the selection of a country in which to produce, the human resources policies of sub-contractors, and/or whether or not to sell a particular product in a specific country market. It also provides a very real reason for corporations to develop their CSR programs to fulfill the growing demands of the general public for ethical products.



4.2 Globalisation and market forces

The expansion of world trade and investment has led to the increasing integration of the world economy in recent decades—a process often referred to as “globalisation.” Total trade in developing countries, exports and imports, rose from less than \$1.5 trillion in 1990 to \$3.8 trillion in 2002, while foreign direct investment in developing countries grew even faster during this period, from \$22 billion to \$154 billion. Some view globalisation as fostering economic growth, increasing employment, and improving living standards in both developed and developing nations. At the same time, others view globalisation as resulting in negative social impacts and raise concerns about the expanding activities of multinational corporations, particularly in developing countries. Multinational corporations are now faced with difficult issues, such as the treatment and conditions of foreign workers in corporate supply chains, environmental and health issues associated with production in diverse local communities, and human rights issues associated with authoritarian governments in countries where multinationals operate. In addition, some negative incidents involving large companies have been widely publicised, and have damaged their own and their country’s images.

There are many opponents of the “offshoring model” on the basis that it relies on the exploitation of workers in developing countries to achieve economic advantage for large corporations. Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. Global competition places particular pressure on multinational corporations to examine not only their own labour practices, but those of their entire supply chain, from a CSR perspective.

4.3 Social and Environmental awareness and education

The role among corporate stakeholders to work collectively to pressure corporations is changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly in both the social settings and environmental settings. There is a great deal of increased concern about the damage caused by economic activity to the environment, particularly in the face of the unprecedented attention being given to climate change worldwide and the resulting international conventions being produced like the Kyoto Protocol.

Non-governmental organisations are taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their social and environmental impacts is growing.

4.4 Transparency in corporate activity

A major driver of CSR is the new level of transparency of business activities brought about by the media and internet. Now information is not only available freely but it is expected that all levels of business provide information about their business activity. Where once Annual Reports were read by only a few of the most interested in the community, now the disclosure of all aspects of corporate management is demanded. This also gives corporations the opportunity to promote their good practices and receive recognition for their efforts in CSR.



4.5 Crises and their consequences

Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental management is the CERES, a national network of investors, environmental organisations and other public interest groups working with companies and investors to address sustainability issues that was formed after the Exxon Valdez incident in Alaska in 1989. Other examples include the lead poisoning paint used by toy giant Mattel which required a recall of millions of toys globally and caused the company to initiate new risk management and quality control processes. In another example, Magellan Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The company had to cease business immediately and work with independent regulatory bodies to execute a cleanup. Now the global climate change movement is spawning some of the most active and widespread organisations.....



Section 5: Building Bridges: The Relationship Between Corporations and Charities in CSR

In the Mc Kinsey Report “Businesses Social Contract: Capturing the Corporate Philanthropy Opportunity”, five main forms of corporate giving were identified.

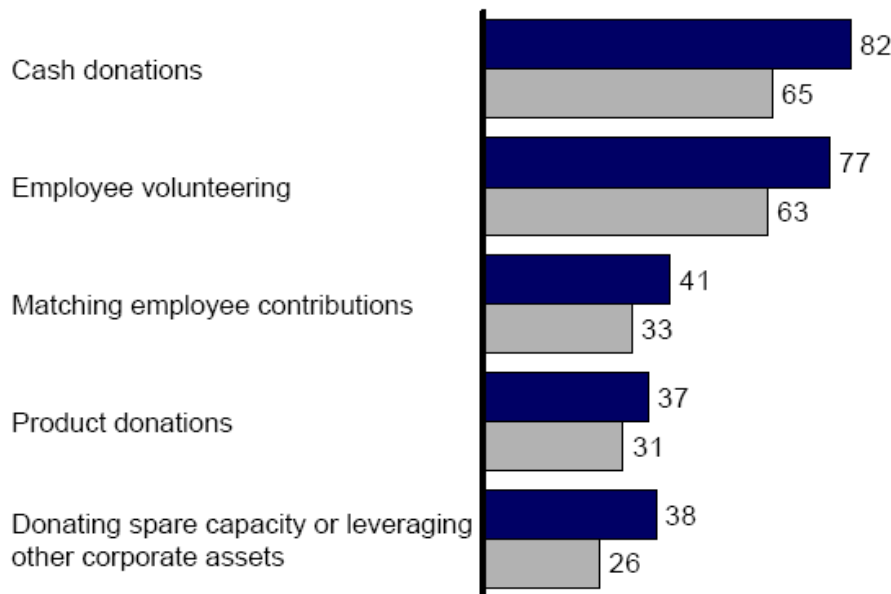
- Cash donations
- Product donations
- Employee volunteering
- Matching employee contributions
- Donating spare capacity or leveraging corporate assets

EXHIBIT 3: Corporate philanthropy programs draw on more resources

Which form(s) do your company’s corporate philanthropy programs take?

■ Efficient Philanthropists
 ■ All Other

Percent of responses*



“A company’s priority should be to do something that makes a difference, not just write out checks.”
 – CEO, Technology Company

* Respondent could choose more than one option – responses may not add to 100%

(Business’s Social Contract: Capturing the Corporate Philanthropy Opportunity, McKinsey and Company)

These tend to be channelled through either charities/NGOs with partnerships to the company, or through Corporate Foundations set up by the company themselves.



In the past, the most common CSR channel was donation to charities. However recently the image of worldwide charities has suffered tremendously after a series of scandals involving financial mismanagement and embezzling.

5.1 Financial Mismanagement by Charities

Perhaps one of the most public of these was the American Red Cross who were shown time and again to be seriously neglecting their financial accountability. One of the Red Cross fundraisers in Louisiana was caught siphoning money into her own bank account from donations, then a manager in Pennsylvania stole money to support her crack cocaine habit, and one of the Maryland executives forged signatures on purchase orders meant for disaster victims. Then the biggest scandal of all, and in fact one of the biggest charity frauds of all time, occurred in 2001 when Joseph Lecowitch, chief executive of the Hudson County Chapter, and his bookkeeper Catalina Escoto stole well over \$1 million in Red Cross funds, squandering it on gambling and each other.

Then a huge outcry was sparked after the Sept. 11, 2001, terrorist attacks, when the Red Cross announced that it would divert to other causes some of the donations to its Liberty fund set up for 9/11 victims. The hue and cry from donors who said they had been misled about where their money would go prompted a reversal, with the organisation vowing to spend every dollar on those affected by the attacks. However the reputation of the American Red Cross has suffered badly ever since.

In other examples of charity scandal, The Washington Post reported in 2003 that the Arlington, Va.-based environmental non-profit organisation Nature Conservancy, had acted unethically in selling discounted tracts of land to trustees, who then wrote the payments off on their income taxes. The conservancy denied any wrongdoing, but stopped selling to trustees.

In Australia, the "Great Mates" charity was founded in 1998 to address issues of accommodation for at risk children. The Great Mates charity collapsed in August last year, with more than \$3 million worth of debts. Liquidator Ferrier Hodgson blames the charity's demise partly on a \$1.5 million loan made to a company controlled by the charity founder and former owner of the Hunter Pirates NBL team, Jeff Blandon. Questions are also being asked about why they received millions of dollars in funding from several state governments even when there were indications it was hopelessly insolvent.

5.2 Further Issues with Charities

Other issues have also arisen in the partnerships between charities and corporations that have damaged the reputation of charities. In the "Exploring Corporate Philanthropy" Report 2006 by the Committee to Encourage Corporate Philanthropy (CECP) in the US, the results of extensive surveys with its member companies were published. It itemised the issues that corporations were having with their non-profit partners as:

- Inability/unwillingness to publicize the corporate partner and raise awareness of the company's philanthropic efforts in a particular area;
- Unwillingness to vouch for the funding company as a good corporate citizen when
- the company faces public or media criticism;
- Negative reactions from organisations that expected funding based on a past history
- of consistent funding;
- Lack of delivery from nonprofits, especially around operations and procedures;



- General inability to promote or market themselves;
- Lack of commitment to consistency and measurement;
- Lack of knowledge of similar nonprofit groups operating in the same cause/area leading to resource-intensive fund-raising for the same limited pool of funding;
- Inability/unwillingness to use nonprofit peers for resources or best practices.

Another issue has been the sometimes exorbitant administration costs charities scoop off their donations. Both corporations and private donors alike have expressed concerns that their charitable contributions are being used to pay someone from their own country to sit behind a desk rather than help the people who really need it. In Australia, a survey of charities by "Choice" Magazine was published in March 2008 that claimed, "Charities aren't clearly showing how much of the money they raise goes towards overheads". In the study it was shown that many charities make overheads seem "lower than they really are" to make it look like more money was getting to those in need. "Many charities put their own definitions on items such as administration and fundraising costs and juggle these expenses around to achieve low cost ratios," CHOICE spokesman Christopher Zinn said.

A representative of one charity, who did not want to be named, told CHOICE that reported "costs" were often not the real expenses. Charities pluck numbers out of the air for their fundraising costs," the representative said. "There's no agreement about what constitutes administration costs... some will say it's only the people in your fundraising department. "Others might include IT, HR, marketing departments ... there's no consistency."

The scepticism that has arisen about how charities handle their donation money as well as these ongoing relationship issues with charities has led many large corporations to develop their own corporate foundations where they can retain a greater deal of control over their CSR effort.

This is a real problem for many charities that rely on corporate funding for their existence. The benefits that a working partnership with a corporation offers include: improved community relations and involvement, corporate contribution to long-term fundraising, company input and expertise and help in-kind (donations or loans of equipment, facilities or training) and/or in-time (volunteers or staff on secondment working with your organisation).

5.3 Charities' Issues with Corporations

However even for charities, the relationship with their corporate partners has often proved problematic. For many companies, CSR is merely corporate jargon and aimed at political correctness and publicity rather than a real commitment to action. According to a recent survey for UPS's Europe Business Monitor, companies that help charities through corporate social responsibility (CSR) projects are more concerned with improving their reputation than making a difference. Almost half (49 per cent) of the European managers interviewed in the survey said that the need to improve brand reputation and corporate image is one of the biggest drivers of their company's CSR activities. Fewer than two in five cited giving something positive back to the community as their motivation.

The findings echo comments made by Camila Batmanghelidjh at NCVO's annual conference. Speaking about what she called the 'toxic corporate responsibility group', she said: 'They come along with their paint brushes, fag in mouth, and their mobile phone in hand, and they roll the paint up and down because



they've been told that they've got to give one hour of voluntary time to the charity. They're not interested, they're dragged there because they're under pressure to appear to be doing something.'

This lack of true community concern can limit the good works that the charity can do in their name. Another hazard for charities is the risk to their own reputation by association with controversial corporate behaviour. Ultimately for most corporations, their CSR activities are a small part of their core business, and therefore a lower priority for them than for the charity. It is important that charities do not become overly reliant on a corporate body and maintain their independence.

5.4 Building More Effective Relationships

The relationship between charities and corporations is now reaching a state of maturity whereby in some cases they are becoming working partners in achieving social improvement rather than the simple donor-recipient relationship of the past. With these partnership issues in mind it has become extremely important that the relationship between charities and corporations is carefully negotiated and agreed upon.

For corporations, the key requirements that Giving Officers seek in their nonprofits partners are:

"Business benefits gained through involvement with the nonprofit" (39%)

"Strong financial management and governance" (32%)

"Alignment with the company's philanthropic cause/focus" (29%)

"Ability and desire to develop in-depth and wide-ranging partnerships" (26%)

("Exploring Corporate Philanthropy" Report 2006 by the Committee to Encourage Corporate Philanthropy (CECP))

There is no doubt the increasing requirement for corporations to report how they spend their CSR dollars puts added pressure on the charities they work with to be able to provide this kind of information regularly. Therefore the successful charities in CSR partnerships are those who can provide transparent accounting, minimize administration costs and maintain open communication with the corporations.



Section 6: Corporate Fundraising for CSR Projects

As demonstrated in the McKinsey report, cash donations to charities remain one of the main forms of CSR. This most commonly takes the form of a Charity of the Year program, where the corporation forms a partnership with one or more chosen charities for the year, and their fundraising is channelled into this charity. Deutsche Bank in the UK is a leader in this approach, raising millions of pounds every year towards their charity partners (see Success Stories).

There are several way in which corporations raise money to support charities and their own CSR goals:

6.1 Fundraising from Customers

Many companies use their customers to help them raise money towards their charity partners. One of the signature campaigns of this approach is an innovative partnership between British Airways and UNICEF. The “Change For Good” program celebrated it’s 10 year anniversary in 2007 and now involves 10 other major international airlines. Airline personnel collect the spare coins and paper currency from passengers. Funds collected are then donated to the respective National Committee for UNICEF, which regularly transfers the funds to UNICEF’s programmes helping children in over 150 countries around the world. In the last 10 years, British Airways has raised over 16 million pounds (\$30 million US) for the program.

“Change for Good” provides UNICEF and the international airline industry with a unique partnership opportunity: It enables UNICEF to deliver its message to a captive global audience while showcasing the airlines’ commitment to social responsibility, thereby increasing customer loyalty. Airlines benefit from their association with UNICEF, the world’s leading children’s organisation. In addition, Change for Good gives airline staff an opportunity to give back while travelling internationally. A survey conducted by one of the participating carriers showed that travellers are happy to generously donate their foreign change.

6.2 Payroll Giving

Payroll Giving is a scheme that enables employees to give to the charity of their choice straight from their gross salary (before tax is deducted), and to receive immediate tax relief of up to £4 for every £10 donated. For charities it means regular, reliable donations that allow them to plan ahead and budget for the future.

The Institute of Fundraising reported in 2007 that since the launch of the Payroll Giving Quality Mark 20 years ago, the number of companies that have achieved a 10% take-up of Payroll Giving amongst employees has almost doubled. Donations to UK charities through Payroll Giving schemes have reached almost £90 million, a figure topped up by an additional £10million through employer matched giving. This represents an increase of 4.6%. In addition, the number of new Payroll Giving donors has increased by 6.5%, with the number of new contracts also increasing by 40%.



FACTBOX - 20 YEARS OF PAYROLL GIVING		
	1987 - 88	2005-6
Amount raised by payroll giving	£1,034,695	£84,740,956
Number of employees giving through payroll giving	60,629	600,000

Institute of Fundraising UK, March 2007 Press Release

6.3 Matched giving

Many corporations, as part of their CSR efforts, have a matched giving program which runs alongside their employee giving program. The corporation makes a commitment to match the employee donations to qualified charities which effectively doubles the contribution.

BHP Billiton run an international Matched Giving program and publish a regular internal newsletter to encourage their employees. In their Melbourne Office they ran a 'Get Matched in March campaign' to promote Matched Giving and how employees can get involved with different community groups. A range of twenty community organisations were invited to have a stall and talk to staff over lunchtime about their organisation. Organisations included Oxfam, WWF, CVA, Guide Dogs, Very Special Kids, MS Australia, Leukaemia Foundation, Amy Gillett Foundation, and Gas Works Art Park.

Matched Giving can also operate by matching single employee gifts, matching the money raised by staff from putting on fundraising events and matching volunteering time by "paying" your employees time with a donation to their charity. This helps corporations because they do not pay tax on the money used to match employee giving.

Matched Giving programs motivate staff and show the company's commitment to supporting the things that are important to their employees. Plus for charities it is enhances their reliable income and increases their project opportunities.

6.4 Volunteering

Nearly every not-for-profit organisation relies on volunteers. Some involve them on a project-by project basis, others have ongoing programs with a stable group of volunteers, most have boards or committees of management and all spend time and energy recruiting and training new volunteers for a variety of projects or tasks.

Corporate Volunteering has been growing in popularity since the 1990s and is another way in which businesses can fulfill their social responsibility goals. The recent growth of corporate volunteer programs has opened up a new pool of willing recruits from business staff who are not only looking for ways to be meaningfully involved in their communities but contribute new skills, knowledge and technical expertise.



The benefits of volunteerism include creating wider community awareness of local issues and needs, promoting the work of a not-for-profit organisation through associated publicity, improving understanding between the business and the voluntary sectors and within the corporation building team morale.

Through the Honda Heroes, which is administered at Honda of America Manufacturing in Ohio, a group of associates, their spouses and retirees support community programs of their choice through volunteering. Their volunteer hours, along with those of their spouses, are rewarded with "Dollars for Doers" grants of \$200 to eligible non-profit organisations. To date, Honda Hero volunteers have donated more than 198,000 volunteer hours and have received more than \$400,000 in Dollars for Doers grants to their non-profit organisations since 1995.

Also every September, a team of Honda associates spends a Saturday at Torrance Beach, picking up trash and debris during the Annual California Coastal Cleanup Day. During the one-day event the team joins more than 10,000 other volunteers at more than 55 locations in Los Angeles County to pick up debris from beaches, creeks, lakes and inland waterways. More than 65,000 pounds of trash are collected annually.

As another example of volunteerism, Warren Hitchcock, Snr Principal Geotechnical Engineer of Technology in BHP Billiton Melbourne Office recently travelled to Fiji to use his technical expertise to assist Homes of Hope. Homes of Hope was founded in 1996 to stop the cycle of poverty and destruction of families throughout the South Pacific. A group of local businessmen and women in Suva, Fiji incorporated this registered charity non-government organisation to bring hope to poverty-affected families. Homes of Hope strengthens and restores families in the South Pacific, operates residential homes for young single mothers and their children, and offers training in small business, parenting and marriage. As a Geologist, he was able to advise on how to build the houses. The site was steeply sloping and composed of tropical soils. I ran the site investigation by directing a local soil testing company and then used the information to recommend what options they had available for types of buildings that could best be placed on the site.

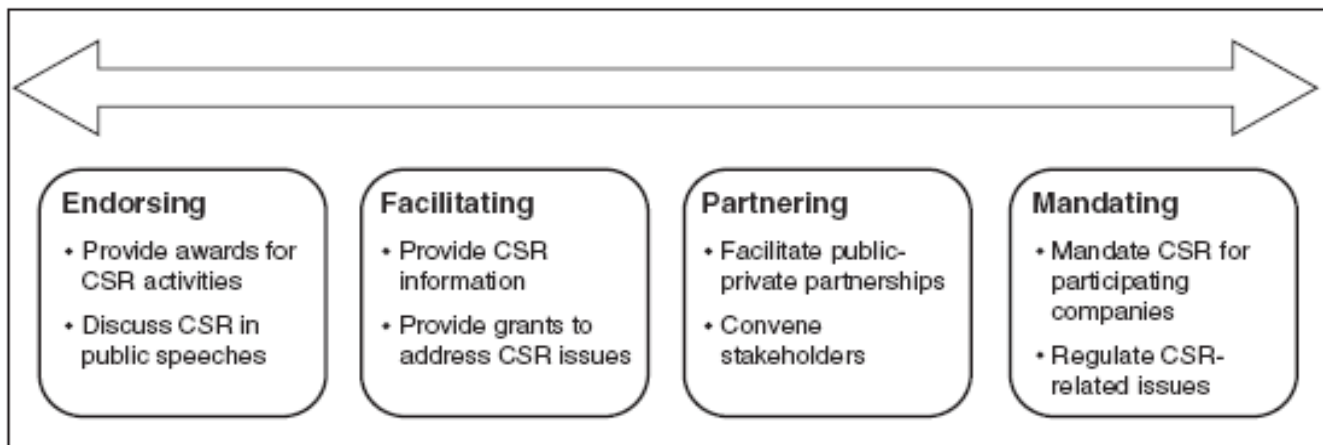
Section 7: The Role of Government in CSR

One of the key issues facing CSR is the role that governments should play in its development. Paul Hohnen, an Australian diplomat, in his paper *“Improve CSR performance in three simple steps”*, points out that by definition, the concept of corporate social responsibility involves the voluntary acts of the business sector - outside the realm of government regulation - to improve their own sustainability and that of the world they operate in.

So what is the case for government engagement, and what is its optimal role?

Ironically, government itself is largely responsible for the emergence of the CSR concept. As far back as the 1992 Earth Summit, governments defined and endorsed "responsible entrepreneurship". At the UN World Summit on Sustainable Development in 2002, for example, they undertook to encourage business to "improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues". At the same time, in 2002, a World Bank study identified four major CSR roles for government: Endorsing, facilitating, partnering, and mandating.

Figure 2: Illustrative U.S. Government Activities Related to CSR Range from Endorsing CSR to Mandating CSR



Source: GAO illustration based on World Bank report.

(from “Globalization: Numerous Federal Activities Complement US Businesses Global CSR Efforts” GAO)

It is clear that governments have both identified the issue and committed to playing an active role, which some are already doing at the national level. Most governments see CSR as a tool to advance towards internationally agreed goals through non-mandated action. Privately, officials regularly hint that if voluntary instruments do not work, mandatory approaches will become necessary.

Recognising this window of opportunity, the business community has largely taken the lead in developing many of the hundreds of CSR norms and codes of conduct that now exist. To judge by the flourishing of



sustainability reporting, CSR conferences and advertisements vaunting societal sensitivities and contributions, the concept is moving from fringe to de rigueur, at least among the big players.

Concurrently however, some industrialized countries have established government programs to foster CSR. For example, in 2001, the European Commission published a green paper to launch debate on how the European Union could promote CSR. Subsequently, the commission held a forum to foster dialogue among the business community, trade unions, civil society organisations, and other stakeholders on CSR. In May 2001, France became the first country to require all publicly listed companies to report on the social and environmental consequences of their activities. In 2000, the United Kingdom appointed a Minister for Corporate Social Responsibility, who maintains a central Web site that highlights government departments with CSR responsibilities.

In the paper *“CSR, a government update”* UK paper, Stephen Timms, the then Minister for CSR, says, “I am well aware of the many and increasing calls for more regulation of company behaviour. And I agree that Government has a responsibility to ensure minimum legal standards. I remain convinced that the main focus of CSR should continue to be a voluntary one. Our role in Government then is to be clear on the future direction and the challenges facing us and to set the appropriate framework that enables us to tackle them. The policy framework must use the right mix of tools - including fiscal and regulatory measures where appropriate - to boost socially and environmentally responsible performance. Where regulation is the right solution it should be well designed and focused.”

Paul Hohnen argues that if the voluntary actions by business to improve their impact on society are to be more systematically encouraged - and taken seriously - by the thousands of companies that have limited awareness or interest in CSR issues there are 3 key areas for the government to address.

By establishing a Minister for CSR, the UK Government is now leading the way towards really integrating these kind of general vision statements into government practice.

In the GAO report *“GLOBALISATION: Numerous Federal Activities Complement U.S. Business’s Global Corporate Social Responsibility Efforts”* (2005), the following diagram is used to illustrate the range of CSR related activities undertaken by the US Government.

Overall in CSR voluntary initiatives will never replace regulation as the engine of change. But they can provide an innovative, flexible and low-cost means for business to assess and respond to changing societal expectations. In this light, it would be tragic if officially-endorsed voluntary instruments lost the credibility and support they deserve though lack of attention and nurture from the sector that will benefit most from their success: government.



Section 8: The Case Against CSR

Although the support for CSR amongst businesses and the wider community has been driving the evolution of the movement, CSR has attracted a great deal of criticism as well. Here we will outline just a few of the critics arguments.

8.1 CSR as just a great opportunity for a public relations campaign?

Some critics believe that CSR programs are undertaken by many companies to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. The bottom line is that CSR sells. By appealing to customers' consciences and desires CSR helps companies to build brand loyalty and develop a personal connection with their customers. Many corporate foundations and philanthropical activities gain companies access to target markets and gives the company's message much greater power.

Wikipedia cites the example of British American Tobacco(BAT) who recently came under fire for the way the company targets young Africans with branded music events, competitions and the sale of single cigarette sticks which break BAT's own code of conduct and company standards. The petroleum giant BP, well-known for its high-profile advertising campaigns on environmental aspects of its operations, faced massive public criticism when, in July 2006, they admitted that it was facing criminal charges for allowing 270,000 gallons of crude oil to spread into the Alaskan tundra. Environmental advocates pointed to the relative lack of press coverage about the spill as evidence that BP had successfully boosted its environmental image while maintaining environmentally unsound practices. McDonald's has long been involved with their major community program, Ronald McDonald House, and recently as CSR has become more popular, they have increased their other CSR programs especially in relations to its environmental practices (eg its Rainforest coffee). However at the same time, in *McDonald's Restaurants v Morris & Steel*, Lord Justices Pill, May and Keane ruled that it was fair comment to say that McDonald's employees worldwide 'do badly in terms of pay and conditions' and true that 'if one eats enough McDonald's food, one's diet may well become high in fat etc., with the very real risk of heart disease.

Steven Addis, CEO of branding firm Addis Creson, says that what passes as CSR is very often "greenwashing." He calls it the 95-5 rule: 5 percent green business and 95 percent green public relations. Instead of making environmental improvements, companies sometimes use the guise of CSR to spur otherwise low sales.

8.2 CSR as nothing but a clever way to side-step regulation?

Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner. However many companies are using their CSR practices as a way of showing that regulation of their social and environmental practices is unnecessary.

In an Echo research poll, most financial executives interviewed strongly resisted binding regulation of companies. Companies argue that setting minimum standards stops innovation; that you can't regulate for ethics, you either have them or you don't; and that unless they are able to gain competitive advantage from CSR, companies cannot justify the cost. Companies are essentially holding the government to ransom on the issue of regulation, saying that regulation will threaten the positive work they are doing. CSR



consultancy "Business in the Community" supports corporate lobbying against regulation, arguing that 'regulation can only defend against bad practice - it can never promote best practice'.

The International Chamber of Commerce (ICC) has lobbied against any binding emission targets in the Kyoto Protocol at the climate summits; the implementation of the Convention on Biodiversity; the inclusion of the precautionary principle in the Biosafety Protocol; and the Basel Convention banning the export of hazardous waste. As a key organisation in the UN Global Compact, the ICC vigorously defended its position that the UN should in no way measure or regulate the way the companies live up to the principles they have promised to follow.

As another example of the fight against regulation, Business Action for Sustainable Development (BASD) was launched in 2001 jointly by the ICC and World Business Council on Sustainable Development (WBCSD) to 'ensure maximum participation of the business community' in the Johannesburg Earth Summit in 2002. BASD succeeded in thwarting efforts to achieve binding international regulation of corporations through its promotion of voluntary mechanisms.

The question remains; should corporations be able to decide for themselves what is an acceptable level of emissions or what rights workers should be afforded? Many argue that leaving corporations to act voluntarily is a dereliction of the duties of government. If the corporation is left to regulate itself then far from curbing it, the corporation gains power.

As Joel Bakan, a renowned Canadian lawyer and writer, puts it, 'no one would seriously suggest that individuals should regulate themselves, that laws against murder, assault and theft are unnecessary because people are socially responsible. Yet oddly we are asked to believe that corporate persons - institutional psychopaths who lack any sense of moral conviction and who have the power and motivation to cause harm and devastation in the world - should be left free to govern themselves.

The latest twist in the regulation story is that companies are beginning to lobby in favour of regulation. In a recent article, titled 'A World Upside Down', George Monbiot commented that "Environmental managers from BT and John Lewis (which owns Waitrose) complained that without tighter standards that everyone has to conform to, their companies put themselves at a disadvantage if they try to go green.

8.3 CSR as effectively theft from the profit of shareholders?

Businesses are owned by their shareholders so there is an opinion that any money they spend on so-called social responsibility is effectively theft from those shareholders who can, after all, decide for themselves if they want to give to charity.

This is the voice of the 80s, still being given powerful voice by advocates such as Elaine Sternberg. Sternberg argues that there is a human rights case against CSR, which is that a stakeholder approach to management deprives shareholders of their property rights. She states that the objectives sought by conventional views of social responsibility are absurd. Not all aspects of CSR are guilty of this, however. Sternberg states that ordinary decency; honesty and fairness should be expected of any corporation.

However this argument assumes CSR follows the philanthropic model of simply "giving away" money, which rightfully belongs to other people. If CSR is seen as a process by which the business manages its relationships with a variety of influential stakeholders who can have a real influence on its licence to operate, the business case becomes immediately apparent. CSR is about building relationships with customers, about attracting and retaining talented staff, about managing risk, and about assuring reputation.



Section 9: CSR Success Stories

9.1 Deutsche Bank UK

Deutsche Bank, like many large CSR programs, uses an integrated approach to their CSR program which includes not only grants, but volunteering, community awards, matched giving and environmental initiatives.

From June 2006 to December 2007, the Deutsche Bank Charity of the Year was SPARKS, the children's medical research charity. Thanks to the commitment and generosity of our staff, they raised over £1.3 million which will fund vital research into Neuroblastoma, Auto-Immune Liver Diseases, Leukaemia and Cystic Fibrosis. Deutsche Bank are hopeful that this will ultimately save and improve the lives of many small children and their families.

Throughout 2008 the Bank is supporting three charities through the Charities of the Year programme. These are:

- The Angus Lawson Memorial Trust, which aims to support directly marginalised children worldwide by meeting health care and educational needs. They are one of the few charities who have no administration costs or payment of professional salaries so every pound donated goes directly to the cause identified.
- CHICKS which supports disadvantaged children by offering them retreats in the countryside.
- Teenage Cancer Trust. Which is devoted to improving the lives of children and young people with cancer.

Coordinated by the Bank's Corporate Social Responsibility department, these charities will work together to put on a range of fundraising events and activities for Deutsche Bank staff throughout the year. It's a team effort between all parties - the charities, the CSR team and the employees. Together, they arrange sports events, overseas challenges, music concerts, wine tasting evenings, parties and glamorous balls, pub quizzes, raffles, auctions, art competitions etc.

Each of the charities also offer staff unique events and fundraising initiatives in order to raise funds specifically for their cause, but for the jointly organised events funds raised are shared between all three charities.

Many of the Deutsche Bank staff make regular donations to charity. The Give As You Earn (GAYE) payroll giving programme makes it easier for them to donate on a regular basis. Employees can instruct payroll to donate a portion of their gross monthly salary to a nominated charity. This donation is not only maximised by the tax advantage of withdrawing from gross salary, but also the Bank automatically matches employee donations.

The Matched Giving scheme matches employee charitable donations like for like, (up to £3,000 per person per year) - no matter whether they donate through GAYE, a one-off donation or through sponsorship. In 2007 the Bank pledged £794,000 in matched giving donations for a number of charities.

Deutsche Bank focuses on motivating its people to volunteer with some of the UK's most forward-thinking charities. In conjunction they run two programmes - Initiative Plus and Community Awards - to ensure the volunteers' efforts make as much of an impact as possible.



Initiative Plus - the global grant programme - enables staff volunteering on a project related to education, community development, music and art to apply for up to £300 for the project. Community Awards have been devised to recognise commitment of time by the employees to these good causes, 'out of hours'. The Awards are between £100 and £1,000 each to the benefiting cause. Each year there is also a 'Community Award of the Year', selected from all the year's Community Awards. This Award is worth up to £5,000 to the benefiting cause. In 2007 57 Community Awards were granted.

In 2007, Deutsche Bank gave over £15,000 worth of gifts to over 20 charitable organisations and schools including their recycled office furniture, stationery and equipment through Green-Works.

Volunteering is an integral way for Deutsche Bank to reach out to the communities their people live in, work in and rely on. The Volunteer Manager puts employees in touch with projects managed by some of the UK's most motivated and pioneering charities, including CSV, which places volunteers in schools to help pupils embrace learning; and the East London Business Alliance, which helps to bring business skills and experience to projects in East London.

Last year approximately 1,100 employees volunteered in London and in 2003, Deutsche Bank won a London Corporation Dragon Award for their volunteering in London. The Dragon Awards annually recognise the effort and impact of businesses that engage in improving the social, economic and physical conditions in some of the most disadvantaged parts of Greater London

9.2 Home Depot US

Home Depot in the US has spent the past eight years repositioning its charitable efforts to align with volunteer initiatives, in recognition of the benefits of volunteering for employees, local stores and the communities in which it operates.

Recently, the company helped establish the Corporate Month of Service. The project originated in fall 2004 with Home Depot's Week of Service, where company employees donated over 260,000 hours toward 1,600 projects. During this year's events, taking place in September 2005, Home Depot partnered with the Hands On Network to enlist thirty other companies to engage in volunteer projects across North America. The ultimate goal through this initiative is to expand corporate volunteerism in the U.S. by 10%. As a result the Corporate Month of Service had over 75,000 volunteers working on 1905 service projects, logging over 850,000 hours of community engagement. Home Depot led 1288 of these projects with 41,000 volunteers and logged over 320,000 hours as an associate lead volunteer program, working on 130 schools, 44 parks, 20 community centers, 20 educational murals and 54 playgrounds.

A survey of Home Depot employees revealed:

- 94% of employees said Corporate Month of Service had positive impact on their community
- 33% of employees never volunteered before
- 92% of employees said they are likely to volunteer again
- 91% of employees experienced a greater sense of pride in their company



For the company, the business case for a volunteer-based approach begins with the knowledge that an engaged volunteer is a strong employee. Volunteerism gives employees the chance to enhance their skill sets, and gain confidence in their abilities, which ultimately enhances their professional development. It also ties associates to the company on a more emotional and impactful level. This has been proven by internal employee surveys that show associates are excited by Home Depot's efforts, and want the company to enter into more volunteer programs

9.3 American Express International

In many countries, AMEX turns to its employees to determine the areas of focus for some of its significant grantmaking through a program called the International Community Service Fund.

In countries with an important employee concentration, an employee committee works with local intermediary organisations or nonprofit consultants to develop a list of important social issues as well as the charitable organisations addressing these issues. This list of causes is then put to a vote (email or paper) among the employees of that country, and the charity or charities working in the chosen cause area are awarded a grant.

The availability of volunteer opportunities for employees is an important criterion in the choice of charities to fund, and in some cases the support for the nonprofit in questions is renewed over several years. Three immediate benefits are apparent through this approach. First, AMEX is able to show its responsiveness to the concerns of its employees. For example, in Hong Kong, the employees chose to work with the elderly, while in India, employees elected to work with children. Second, by working with its employees in this manner, AMEX provides local management and employees with an introduction to organized and sustained philanthropy. Third, by giving grants to the intermediate philanthropic organisations that assist in developing the program, AMEX supports the charitable infrastructure of these countries, and helps specific nonprofits build capacity.

9.4 General Electric

In October 2004, GE launched a five-year, \$20 million commitment that fuses GE's extensive knowledge and technology in water purification, power generation, and health care to help upgrade existing hospitals and build new medical centers in Africa.

The first major project sites are located in Ghana, where the company converted a local clinic into a district hospital for a community of 100,000 people. The company enlisted relevant stakeholders in the community (e.g. the health ministry to furnish supplies and assign a doctor; local community members to volunteer labor) and provided the necessary high-tech equipment (power generators, water purification) and project management expertise. While GE's aggressive timeline to complete the project was questioned, the company completed the hospital in 5 months and 28 days. Since then, the company has completed four projects in Ghana, including a water purification project that reached 30,000 people.

GE plans to expand this initiative to other African countries and is currently assessing potential sites. In the U.S., GE's 5,000-strong African American Forum of employees became deeply involved in the project, traveling to Africa to work on the project, and adopting individual sites to manage project sustainability



and track community health. These local chapters have started funding drives to assist these African communities (in one instance sending 2,000 backpacks to school children in Africa).

9.5 Glaxo Smith Kline

GSK has made a 20-year, \$1 billion commitment to help eliminate Lymphatic Filariasis in partnership with the World Health Organisation (WHO). Ultimately, GSK will donate medicine to WHO that will treat one-fifth of the global population, and involve 83 countries (to date, 40 of those countries have projects already underway). GSK provides £1m per year in grants and has four people dedicated to this project, plus a new manufacturing line devoted to producing a special formulation of the medicine, albendazole. In addition, GSK co-funds an employment position with Merck to manage the many overlapping layers between river blindness and LF programs in Africa.

Malaria - GSK's community work on malaria disease is focused on prevention efforts. GSK piloted the Malarone Donation Program as a mechanism to treat malaria while preserving this new highly effective medicine as "third line" therapy. This revealed that the most needy did not have access to standard "first-line" treatments, so, working with malaria experts, GSK defined a new program to target prevention and encourage mothers to seek early treatment for sick children. GSK's African Malaria Partnership program supports activities that encourage behavioral change, such as use of mosquito nets and early treatment for the most vulnerable - pregnant women and young children. In the first three years, GSK-funded initiatives will reach two million people in eight African countries. Mobilising for Malaria, GSK's new advocacy program, aims to raise the profile of malaria, call for increased funding and resources and intelligent, targeted application of those resources to achieve the greatest impact.

9.6 Heinz

Heinz' Corporate social responsibility mission is:

"Heinz will achieve sustainable growth by enhancing the nutrition, health and wellness of people and their communities. We will conduct business in an ethical manner, guided by our strong commitment to integrity, safety, and the principles of social and environmental responsibility. In communities where we operate, Heinz will manufacture safe, high-quality products, reduce environmental impacts, and maintain business and labor practices that ensure human safety and dignity. As a global company, Heinz will also make the world a better place to live by helping people in need through our charitable foundations, employee contributions, and community partnerships."

Heinz donated more than \$17 million in cash and products across the globe over the past two fiscal years to support community programs, with a focus on promoting the health, nutrition, and well-being of children and families.

Heinz recognizes a responsibility to work with governments and non-governmental organisations to help all children around the globe grow up strong and healthy. That is why the H. J. Heinz Company has committed to provide free micronutrient assistance to 10 million children by 2010 through our Foundation and the voluntary contributions of our employees and partners.

More than two billion people, or roughly one-third of the world's population, are malnourished. Those most at risk are young children in impoverished countries.



According to the World Health Organisation, the three most common forms of micronutrient malnutrition are iron, vitamin A and iodine deficiencies. These deficiencies can increase childbirth mortality rates, lower resistance to disease, and impair growth and cognitive development.

Compounding that health impact, a recent World Bank report determined that micronutrient malnutrition also perpetuates poverty and costs deprived countries of as much as 3% of their yearly gross domestic product.

The Heinz Micronutrient Campaign (HMC) focuses on the most at-risk populations in underdeveloped nations, where nearly 750 million young children are affected.

Since 2001, when Heinz first pledged its support to Dr. Stanley Zlotkin of Toronto's Hospital for Sick Children and his development of Sprinkles™ more than 1.2 million children in Ghana, Guyana, Haiti, Indonesia, Mongolia, and elsewhere have benefited from the Heinz Micronutrient Campaign. According to Dr. Zlotkin's research, children who received Sprinkles™ showed marked improvement in overall health. They experienced increases in appetite and physical activity levels, slept better, and were more playful.

As a leading manufacturer of food products, Heinz focuses on Innovation and Research & Development to make advances in the areas of packaging and recycling. For example In North America, they have switched their frozen Boston Market meals to trays made from recycled pulp and cartons that are not chemically bleached. Their glass ketchup bottles are now manufactured using 100% post-consumer reground and recycled glass. In the U.K., Australia, Indonesia, and New Zealand, Heinz has been converting to lighter-weight cans for products such as beans and soups. In China, infant food jars are being wrapped in paper sleeves, a more environmentally-friendly alternative to plastic shrink wrap.

Heinz's work in sustainable agriculture includes collaborating with suppliers around the world to implement water conservation initiatives, particularly drip irrigation methods that are substantially reducing crop-production water usage in North America, Europe, and Australia. Drip irrigation delivers a steady supply of moisture close to the ground to nourish plants, resulting in slower evaporation and lower overall water usage. Over the past two fiscal years, nearly 3 million cubic meters of water have been saved at the global manufacturing operations.

Energy consumption is a major concern at Heinz. By addressing energy consumption, Heinz can mitigate the financial impacts of rising energy costs and reduce greenhouse gas. In North America, under the Utility Optimization Process, Heinz expects to save 19.5 million kilowatt hours of electricity and 54 billion British Thermal Units of natural gas in Fiscal 2008.

9.7 Microsoft

As a global leader in technology, Microsoft has an opportunity and a responsibility to apply its expertise in software to helping people, particularly people in underserved communities. Microsoft has a long history of community engagement, and this has led to many community partnerships around the world. These partnerships are founded on a mutual commitment to creating sustainable technology solutions that make a lasting difference in people's lives.

Through monetary grants, software and curriculum donations, technology solutions, and employee volunteer hours, Microsoft supports programs and organisations that address the needs of communities worldwide.



By partnering with governments, nonprofits, and nongovernmental organisations, the Microsoft Unlimited Potential-Community Technology Skills Program promotes workforce development and IT skills training programs that enable young people and adults to realize their potential. Through cash grants, software donations, technology solutions, and specialized curriculum, the program supports community technology centers around the world.

Through partnerships with nongovernmental organisations like TechSoup and NPower, Microsoft is helping nonprofit organisations address their technology needs and increase their capacity to serve clients. In addition, the Microsoft Authorized Refurbisher program assists nongovernmental organisations in making more software and hardware available to eligible nonprofits, community centers, and academic institutions.

The Puget Sound region of Washington State has a thriving arts and cultural scene, a network of human services providers, and a world-class education system. These resources support the vitality and attractiveness of the Puget Sound region. Microsoft provides direct grants and matching support to a broad range of nonprofit organisations that address community needs in the region.

Through the Microsoft employee community engagement programs, Microsoft works to mobilize the skills, knowledge, and volunteer time of its employees to help achieve a shared vision of creating social and economic opportunities in communities worldwide.

Microsoft employees are often on the front lines in times of crisis, giving help wherever it's needed and devising ways to use technology to aid relief efforts in times of disaster around the globe.

9.8 IBM

Ranked #10 in the 2006 Fortune 100 listing, IBM strategically designed its corporate philanthropy program such that 68% of its 2006 philanthropic contributions of \$152 million were non-cash. This approach recognizes that IBM's state-of-the-art technology and skilled global workforce are key differentiating assets for the company.

In its long history of supporting nonprofit organisations around the world, IBM has discovered that its non-cash contributions are often valued even more highly than cash grants. With the conviction that small businesses are the growth engines of nearly every economy, IBM launched an innovative philanthropic program in July 2007 that fully leverages the company's distinctive technical expertise: the SME Toolkit. The heart of the SME Toolkit project is a Web site that contains free software, business templates, training documents, and other resources designed to assist small businesses in emerging markets. To bring this project to fruition, IBM collaborated with the nonprofit International Finance Corporation (IFC). Additional partner organisations in the 22 countries hosting Toolkit Web sites provide users with local support, increasing the probability that those small businesses will thrive.

9.9 The Indian Experience of CSR

Sudip Mahapatra and Kumar Visalaksh, in their 2003 paper "Emerging Trends In Corporate Social Responsibility: Perspectives And Experiences From Post-Liberalized India" (from the University of Law, Hyderabad) discuss the Indian experience of the changes in CSR.



“The post-liberalization phase saw the increased presence of large transnational corporations like IBM in India which have highly developed corporate social responsibility initiatives based on the stakeholder participation model that were introduced in India by them. The success and effectiveness of these programs had a ‘rub-off’ effect on Indian enterprises, which were also operating in the same market, in their approach to corporate social responsibility initiatives. Also, the Indian industry started competing in the developed markets of Europe, America and the Far East it had to comply with entry level norms like certification for responsible corporate practices like ISO 14000, SA 8000, AA 100 as well as compliance codes formulated by OECD and UN Global Compact which meant that they had to adapt new corporate social responsibility standards. “

In India, this has meant the establishment of a host of innovative programs and schemes in several areas like education, healthcare, rural development, environment protection, protection of artistic and cultural heritage and disaster management that are customized to meet the specific needs of the target group and corporations devote not only financial resources but expertise, manpower, products and services for the successful implementation of these schemes.

For example Lupin India Ltd, India’s third largest manufacturer of pharmaceuticals has started a project for providing sustainable development in 154 villages across Rajasthan. The scheme instead of providing for piece-meal assistance that does not lead to effective alleviation of poverty or adequate development is designed as a holistic action plan that includes an Agricultural Income Generation Scheme, land cultivation and fruit plantation programs, fodder preservation schemes, sericulture and water-recycling programs, establishment of medical and educational centers, adult literacy programs and credit schemes.

Tata Consultancy Services (TCS) has set up a fully-equipped computer training laboratory for children from the Society for the Welfare of the Physically Handicapped and Research Centre, in Pune for imparting basic computer knowledge. NIIT has launched a highly popular ‘hole-in-the-wall’ scheme where it places a computer on a public wall in urban and rural areas so that neighborhood children can learn computer basics using the play-way method.



Section 10: Conclusion

CSR has become a strategic imperative for corporations world-wide as the pressure to play a more active role in the social and environmental impacts of their business grows.

The most successful CSR programs in the future will be those that integrate their social and environmental goals into their core business function. They will implement many levels of CSR activity, from fundraising and employee donations, to community involvement through volunteering, and environmental improvement of their business processes.

The pressure is not only on corporations, but also on charities to play their part in the new partnerships that are being formed for social improvement. As the recipients of a large portion of the CSR dollars, charities must improve the transparency of their accounting, minimise administration costs and upgrade their feedback mechanisms so that they can fulfil the needs of corporations in these partnerships. The large number of recent charity scandals involving financial mismanagement and embezzling has left charities with a significant amount of catching up to do to restore their reputation in this respect. However there are many positive examples of the mutually beneficial relationships between corporations and their charity partners that can act as international role models.

Successful CSR today is not simply writing cheques to the local charity. By choosing the right philanthropic programs that yield social benefits and address stakeholder interests, as well as choosing the right community partnerships, companies can build a good corporate reputation and make a real difference in the community.

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