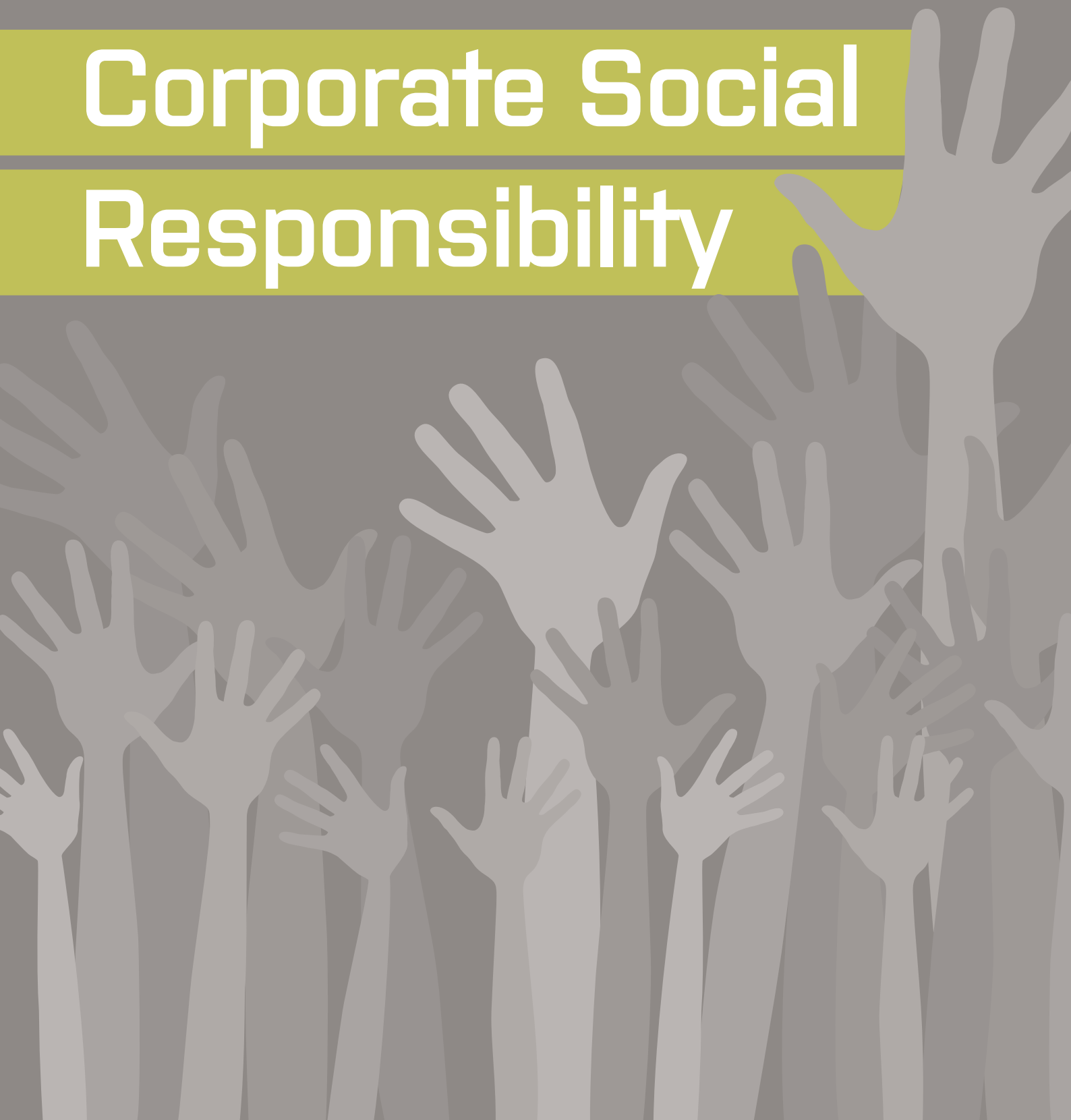
Best Practice Guide

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B2B Marketing™

Corporate Social Responsibility



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About B2B Marketing

B2B Marketing is the comprehensive information resource for B2B marketers. Its mission is to provide practitioners with the information they need to perform better and achieve more, whatever sector of the B2B space they are operating in.

Launched in 2004 as *B2B Marketing* magazine, it has since evolved into a multi-faceted resource, delivering a broad range of content in a variety of different forms and formats.

Its key products are:

Magazine: The essential monthly guide to B2B marketing, with a key focus on best practice guidance, plus monthly features looking at current trends, regular research and profiles.

Awards: The showpiece event for brands and practitioners, attracting over 800 people. Former winners include a host of top-tier B2B brands, including Amex, Barclays, Cisco, Dell, Fujitsu, IBM, KPMG, Nokia, O2, Oracle, Orange, SAP, Thomson Reuters, Vauxhall UK, and many more.

Research and reports: A library housing the best in B2B practice, in-depth practical guidance and research into specific channels or industry issues.

Training: Comprehensive, integrated and flexible training programmes enabling client side and agency marketers to boost their skillsets and confidence, improve their effectiveness and increase impact on their brand.

Events: Quarterly headline events providing essential learning and networking opportunities, including the B2B Summit, the Annual B2B Conference, the B2B Leaders Forum.

Membership: Become a member and receive all research and reports for free. You will also receive exclusive invites to members-only networking events, get discounts on training seminars, workshops and conferences and receive a subscription to the monthly magazine. There are different levels of membership available.

For more information on any of these products or services go to b2bmarketing.net or call +44 0207 014 4920

"The concept of CSR includes a wide variety of activities ranging from strategic business change to charitable giving and staff volunteering"

Executive Summary

Section 1. Introduction

Corporate social responsibility (CSR) has become a significant and increasingly expected aspect of modern business. However, there can often be huge variations in the activities that are considered to be a part of CSR, ranging from strategic business change to charitable giving and staff volunteering. Against this background, significant trends in the competitive environment including; growing resource costs, increasing customer demand, price volatility and the leadership positions taken by a number of global companies, mean no B2B company can afford to ignore CSR or fail to respond to requests for details on their approach.

This section will provide detail on the meaning behind the definitions of CSR; explore the context and drivers for more responsible business practice; present the critical dimensions of business value CSR can impact upon and contribute to; drive down to the B2B context and why a supply chain and value chain focus is vital for winning business, creating value and delivering vital customer requirements.

Section 2. Guidelines and standards

Sustainable business is not a new thing. Indeed, as the UK's oldest businesses would tell you, sustainability is essentially about an organisation's ability to keep offering services society needs: from banks to breweries, paper mills to publishing houses. These businesses observed and responded to people's needs – the need to eat, drink, take shelter, learn or keep their money safe – and make sure they adapted to the changing world they were working in. Socially-minded businesses have also long-contributed to infrastructure to benefit their stakeholders. So, while it doesn't matter whether you call it corporate responsibility or sustainability, it does count if you're managing it well. In this section, we share some insights on which standards and guidelines you'll need to embed – as well as offering advice on why it's worth going beyond compliance to really stand out from your peers.

Section 3. Legislation and threats

It is nigh impossible nowadays to pick up a company annual report that does not allocate substantial space to talking about its CSR activities. From being a fringe interest 10 years ago, CSR is now at the heart of many companies' stated philosophy. CSR has become a corporate buzzword. But how much of the reporting reflects real corporate social responsibility and how much is lip service? Much of this rapid change has been driven by the actions of NGOs and international organisations such as the UN, the OECD and others – what the European Commission named: 'An evolving and recently strengthened global framework for CSR.' To date, companies' adoption of CSR principles has been entirely voluntary, as there is no EU legislation specifically dealing with it, although aspects of responsible behaviour are covered by individual pieces of legislation.

Section 4. Measuring CSR success

For the efficient allocation of resources – time, money and manpower – measurement is of the utmost importance. This is as true for marketing as it is for CSR. HCL assesses its CSR impact around responsible business practices, responsible work place practices, societal impact and environmental impact, and ensures that effective and efficient business practices are carried over to its social responsibility

"CSR means the same things to most people: the balancing of environmental, social and economic priorities over the long term"

initiatives. This chapter will discuss CSR impact assessment, and leverage experiences in impact assessment from HCL's marketing practice, HCL's CSR activities, the Shiv Nadar Foundation (the philanthropic initiative of Mr. Shiv Nadar, HCL's founder and chairman, and the largest transparent private foundation for education in emerging nations) as well as other efforts in its 31 countries of operations.

Section 5. Google 'Grow your charity online' case study

Google teamed up with Technology Trust and Media Trust to launch 'Grow your own charity online'. This joint CSR and outreach programme was developed to help charities gain the tools and understanding they needed to build and maintain their digital presence.

Contributors' biographies

Krishnan Chatterjee

Head of strategic marketing
HCL Technologies



Krishnan Chatterjee is a multi-disciplinary strategic marketer with 18 years of experience straddling across B2C and B2B technology industries. Currently, the senior vice president and head of strategic marketing at HCL Technologies, he is acknowledged for incubating the global marketing team and evolving a differential positioning for HCL. He has created a distinctive identity for HCL by leveraging the 'employees first customers second' management philosophy. Additonal contributions have been made by Nikhil Shanker, brand manager with HCL Technologies, and Deepti Mahajan, editor of TERI University's business sustainability newsletter.

Email: krishnan.chatterjee@hcl.com
Telephone: +91 120 438 2800

Dominic Lyle

Director general
EACA



Dominic Lyle is the director general of EACA, the European Association of Communications Agencies, which represents the interests of commercial communications agencies in Europe. Dominic studied International Law at Lausanne University, worked as European sales & marketing manager for a UK food manufacturer and spent 25 years in the communications business in London and Brussels. In 1994 he moved to Brussels to set up a PR company for Omnicom's global PR Group Porter Novelli, handling international clients. Since joining EACA in 2002, he has co-ordinated major initiatives for the European agencies. He is currently vice chairman of the European Advertising Standards Alliance.

Email: dominic.lyle@eaca.be
Telephone: +32 (0) 2 740 0711

Joss Tantrum

Founding partner
Terrafiniti LLP



Joss Tantram is a recognised expert in sustainable strategy, reporting and management with more than 20 years' experience in the private and not-for-profit sectors. He is a frequent contributor to leading sustainability news and guidance websites, including Guardian Sustainable Business, 2degrees, Sustainable Brands, Green & Blue Tomorrow and Green Conduct. Joss provides practical guidance for sustainability, CSR management and big ideas for a sustainable future, Joss blogs at: terrafiniti.com/blog. Additional contributions have been made by Paul Cash, CEO of Rooster Punk.

Email: joss@terrafiniti.com
Telephone: +44 (0) 1483 531 766

terrafiniti®

Ben Richards

Lead sustainability consultancy
Radley Yeldar



Ben helps clients to create and implement strategies relating to sustainability – from working out what matters most to a business, how to engage stakeholders with key challenges and how to report on these challenges. Ben works with Cargill, PwC, Lloyds Banking Group and Shell. He also works as an advisor to the World Business Council for Sustainable Development and the Climate Disclosure Standards Board.

Email: b.richards@ry.com
Telephone: +44 (0) 20 7033 0700

ry.

Introduction

1

JOSS TANTRUM
FOUNDING PARTNER
TERRAFINITI LLP

with additional contribution from Paul Cash, CEO, Rooster Punk



Corporate social responsibility (CSR) has become a significant and increasingly expected aspect of modern business and can be more notable by its absence than by its presence.

However, the concept of CSR includes a wide variety of activities ranging from strategic business change to charitable giving and staff volunteering.

Against this background, significant trends in the competitive environment including: growing resource costs, increasing customer demand, price volatility and the leadership positions taken by a number of global companies, mean no B2B company can afford to ignore CSR or fail to respond to requests for details on their approach.

This chapter provides detail on: the meaning behind the definitions of CSR; the context and drivers for more responsible business practice; the critical dimensions of business value CSR can impact on and contribute to; why a supply chain and value chain focus is vital for winning business, creating value and delivering vital customer requirements.

1.1 What is CSR?

The term CSR, like 'sustainability', 'green business' and 'corporate citizenship' has become increasingly common. It is rare to pick up a product nowadays and find no information on the packaging referring to recyclability, fair trade, organic or some other characteristic. In addition, it is increasingly the norm to find a CSR or sustainability section on company websites.

At its heart, CSR, just like corporate sustainability, actually means the same things to most people: the balancing of environmental, social and economic priorities over the long term.

In turn, both CSR and corporate sustainability management activities are simple, they should:

- Focus upon core business.
- Address fundamental business dependencies (e.g. resources, energy, a capable workforce and capable customers, functioning and resilient supply chains).
- Apply performance targets to the company as a whole.
- Be capable of verification by independent third parties.

The key thing then is not the words used to describe the management of these three dimensions but the ambition and intent that drives action.

1.2 CSR approaches and initiatives

There is no single approach to CSR management. However, there are a wide range of initiatives and approaches that can provide structured guidance, information and support for companies wishing to adopt a responsible approach. Here are four which worth exploring:

1. ISO 26000: Social responsibility guidance standard

ISO 26000 is an international standard encouraging the responsibility and sustainability of organisations of all types. Developed through a multi-year, global process involving a variety of stakeholders, it covers a very wide range of issues, including ethics, human rights, ecological sustainability and stakeholder engagement.

"There can still be a gulf between identifying CSR issues and key factors currently shaping overall business direction"

ISO 26000 is being designed to be of use to the widest possible range of organisations, from large companies to public sector bodies, small businesses and NGOs.

ISO 26000 is guidance rather than a management standard. This means that, unlike ISO 14001 (environmental management) or ISO 9000 (quality), companies cannot be certified to it. Nevertheless, ISO 26000 does represent a very valuable source of guidance and information.

2. Business in the Community (BITC)
Business in the Community is a UK-based charity dedicated to supporting and guiding the social responsibility of businesses of all sizes. A membership organisation, BITC has a wide range of support activities, guidance and information, mentorship programmes and initiatives for delivering more responsible business practice.

3. Global Reporting Initiative (GRI)
The Global Reporting Initiative is a multi-stakeholder international initiative that supports and drives best practice in sustainability and CSR reporting. The GRI produces detailed guidance and a wide range of materials to support and help organisations (and especially businesses) to understand, analyse, respond and report on their environmental and social performance.

4. UN Global Compact
This is a voluntary global programme for companies to engage in a systematic approach to responsible management. Members (more than 10,000 globally) are required to sign up to and report their progress in implementing 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

1.3 CSR management

Given the potentially global nature of many CSR issues, such as climate change, resource prices and inequality, companies can find it difficult to know where to start.

Responding to those issues that are of relevance requires a focus first upon what you control (your products, services and operations) and then what you depend upon (resources, energy, partners and suppliers). In addition, it also involves what you influence through relationships, leadership and innovation.

The changes you may be able to make might be incremental (how you do things) or more major (the things you do).

Examples might include your very approach to business, specific projects or products, behavioural change programmes, changes to your value chain, alterations to performance management or governance.

1.3.1 The strategic dimension

While many companies have made good progress in identifying the CSR issues most relevant to their own organisations, there can still be a gulf between this focus and the key factors currently shaping overall business strategy and direction.

This gap between CSR and strategy presents a barrier to CSR activities being understood and valued strategically, by investors and customers.

A strategic approach is therefore required, examining environmental and social issues alongside conventional business issues, and assessing them as potential sources of business opportunity and risk.

The key tool to achieve this integration is materiality.

1.3.2 Materiality

Materiality is a concept that is absolutely essential to any serious business approach to CSR.

It is a well recognised accounting term – a test used to assess what is included in financial reports. More recently, it has been used in terms of assessing and prioritising the importance of non-financial issues

"Stakeholder engagement is considered a key aspect of operating as part of, rather than apart from, society"

(environmental and social risks) and how they can be understood in the context of overall business priorities.

Put simply, materiality is a way of assessing and prioritising environmental and social issues, in the context of their importance to external stakeholders and the company as a whole. Materiality has recently been placed at the heart of the GRI's new G4 reporting guidance, and materiality assessment can be seen at the heart of the CSR/sustainability management approaches of some of the world's biggest companies. To explore such approaches, simply Google 'materiality assessment' and have a look at the results.

1.4 Stakeholder engagement

As noted above, the process of materiality assessment involves a consideration of the perspectives of stakeholders. These views are commonly gathered through a process called stakeholder engagement. Stakeholder engagement refers to a range of formal activities to gain insight, understanding and perspectives from a range of people and organisations, about the company and its performance.

Historically, stakeholder engagement has been viewed as a 'nice-to-do' business activity, an add-on to core business as opposed to something central to the reputation or direction of the company.

Changes in society, including higher expectations from customers, investors, government and pressure groups, means that stakeholder engagement is considered a key aspect of operating as part of, rather than apart from, society.

Stakeholder engagement can also be viewed as a way of gaining competitive advantage. Instead of trying to anticipate new trends or customer reactions to new products, engaging with your stakeholders means you know what they think. Effective stakeholder engagement must be a two-way process, a dialogue rather than a monologue. It is sometimes considered as distinct from public engagement, which can be a statutory obligation in some contexts and, in others, a wider process including anyone.

1.4.1 Who are your stakeholders?

Stakeholders can be broadly divided into two categories: internal and external. Everyone who works for the company is an internal stakeholder. However, identifying external stakeholders can be more complex.

A standard list of external stakeholders could include the following:

- Existing customers
- Communities living near your operations/offices
- Potential customers
- Business partners/allies
- Suppliers
- NGOs and pressure groups
- Regulators/government
- Competitors
- Investors
- The media

There is no one-size-fits-all approach, you need to understand how you might affect stakeholders, their interest (or otherwise) in your business and what they want from you. This must also be assessed together with their potential to influence or have an impact on your activities.

1.4.2 Fundamental principles for stakeholder engagement

There are a number of very good sources of information and guidance on how to conduct stakeholder engagement and this article is not long enough to go into these in detail. If you want the 'gold standard' for stakeholder engagement start by looking at accountability's AA1000SES (Stakeholder Engagement Standard).

In addition, Terrafiniti has produced a short practical overview of approaches and key principles for stakeholder engagement.

"While it is possible to identify CSR alignment with overall concepts of good management, the 'holy grail' of sustainability has remained elusive"

1.5 B2B context and drivers

Businesses are increasingly expected to deliver value for shareholders and owners but also for wider society. Recent high profile issues such as the tax paid by multinationals and the adventures of the financial sector over the past few years have highlighted the recognition that businesses exist within society and, as such, should demonstrate how they are responsible for their actions.

In addition to this 'social licence to operate', there are also a wider range of factors driving the growth and importance of CSR.

1.5.1 Resource costs and volatility

Globalisation and population increase, coupled with growing rates of material consumption and the environmental and social implications of such consumption have focused attention on businesses' dependence upon key resources. In addition, there is increasing recognition of the potential vulnerability of current business models to changes in supply dynamics and the price of raw materials.

However, these trends do not only impact upon businesses in terms of ever increasing costs. They can also manifest in terms of the volatility of key resources or goods. Volatility is a significant problem for businesses, especially B2B companies, as they may be vulnerable to price changes that are hard to predict, and even harder to pass on to clients and customers, especially where they have a long-term contract with limited price flexibility.

1.5.2 Demand and supply chain pressure

There has been a slow and steady growth in awareness of the environmental and social implications of the products and services customers buy. Despite the economic downturn, these 'green customers' are steadily connecting their ethical beliefs to their buying intentions. For example, a recent survey found that over 25 per cent of respondents said they would buy environmentally preferable products, even if they cost more.

For B2B companies, the preferences of end customers may be more remote than for consumer-facing brands. However, in a world of connected supply chains, the pressure is closer than ever.

1.5.3 Legislation

There have been a number of developments in relevant legislation in the UK and Europe that drive the responsibility and performance of companies. They have notably included the Carbon Reduction Commitment, requiring economically significant companies to measure, report and reduce their carbon emissions. Recent changes in the law on financial reporting require disclosure of greenhouse gas emissions performance and European derived regulations focus on the composition and safety of materials.

In addition, the UK has seen a steady rise in the taxation of waste disposal to landfill, which has risen from £7 to £72 per tonne over the past 15 years.

1.6 CSR and business value

1.6.1 The business case

The business case for sustainability has been a key area of investigation and exploration for the last 10 to 15 years.

A number of studies have been undertaken seeking to identify the 'killer case' – undisputable evidence that sustainability yields better results. Such evidence has proved elusive. While it is possible to identify the alignment of CSR with overall concepts of good management and that it also plays a key role in reducing share price volatility, the 'holy grail' of sustainability has remained elusive.

However, a great 'survey of surveys' on the evidence for alignment between more sustainable companies and positive financial performance has been published by the Natural Capital Institute – *Sustainability Pays.*

"When planning new initiatives, it is fundamental to ensure these are aligned with the way your organisation competes"

While the business case for sustainability is difficult to identify within current market models, a business case undoubtedly exists for your organisation – it's just a case of finding it and making sure your approach to sustainability enhances the way you compete commercially.

1.6.2 Where are the benefits of sustainability likely to be found?

Sustainability can provide clear commercial benefits but they will differ from company to company. However, for your company – they will lie somewhere within the following four categories, depending upon your exact business model and market positioning:

- **Revenues and earnings –** sustainable innovation can create new markets or provide your organisation with a clear set of product and service performance characteristics with market recognition and differentiation.

- **Costs –** environmental efficiency and cost efficiency are, in the majority of cases, very closely aligned. This is becoming especially important as some of the fundamental resources which all businesses rely upon (energy, water, fuel, raw materials etc) become more volatile in terms of price and supply.

- **Risk –** risk identification, assessment and management are processes in place in any significant business, and can provide a vehicle for putting sustainability issues onto the business agenda. Sustainability issues can often be easily translated into the language of business risk (or opportunity).

- **Intangibles –** intangible value is increasingly understood to represent a significant proportion of overall company value, and refers primarily to 'soft' issues that do not feature directly upon company balance sheets such as leadership, transparency, intellectual capital, human capital, workplace organisation and culture. Environmental, social and ethical issues have been identified as top 10 drivers of intangible value and there is a strong link between sustainable business practices as key drivers of intangible value.

1.6.3 The competitive dimension

In addition to identifying where the commercial benefits of sustainability might lie for your organisation it is also fundamentally important to ensure that, when planning new initiatives, these are aligned with the way your organisation competes – your market positioning.

Such an analysis is key because it is possible for sustainability projects and ideas to either align (and support) the way you compete in the market, or undermine (and clash with) your competitive position.

This commercial alignment of sustainability activities with strategic positioning is often ignored by companies and consultants. However, it is essential to the longevity and commercial sustainability of efforts to improve environmental and social performance.

1.7 The supply chain dimension

There is increasing recognition that a focus upon supply chains is an essential part of CSR best practice. The vast majority of today's businesses rely upon complex, often global interrelationships between business partners and suppliers in order to deliver their products or services. As a result, the public ambitions and commitments of leading companies can only be achieved through the coordinated work and joint delivery of environmental and social performance gains of the supply chain. This means any B2B company that already sells (or aspires to) to the big brands, is likely to be already receiving messages and questions about their CSR approach, or will need to be preparing their answers and actions for when this question does reach them.

Sustainable supply chains are not just a matter of minimising risk; they also contribute to the efficient management of resources and waste,

"CSR is increasingly becoming just another business norm, not just an add-on"

and help spread social and environmental best practice.

There are some very useful resources available providing guidance and information on developing a responsible supply chain, these include:

- The Danish company, Novo Nordisk, is a recognised leader in sustainable and responsible business practice.
- Vodafone publishes its approach to responsible sourcing along with its expectations of suppliers.
- The UK Government's responsible supply chain guidance and programme 'Procuring the Future' contains a wide range of guidance and resources.
- The United Nations Global Compact global responsibility initiative provides a comprehensive overview of supply chain information and guidance.

Responsible procurement is more than a matter of risk protection. It is also an opportunity to use market leverage to encourage best practice and help suppliers to raise ambitions and performance. In addition to spotting and anticipating potential issues such as labour conditions and environmental performance, responsible supply chain management can play a significant role in delivering clear business benefits in terms of security of supply, supplier innovation and reduced resource costs.

1.8 Summary

CSR is increasingly becoming just another business norm, not an add-on. The companies you sell to now, and aspire to sell to in the future, will be requiring their suppliers to be part of the solution. Companies that will grow in such circumstances will be those that provide goods and services with reduced environmental impacts and positive social performance and share in providing value chain solutions to some of the world's big challenges.

Soon, all business will need to be responsible business. Those companies wishing to prosper and grow over the long term will be those that understand and respond to environmental and social trends as powerful sources of new business opportunities.

Guidelines and standards

2



BEN RICHARDS
LEAD SUSTAINABILITY CONSULTANT
RADLEY YELDAR

Sustainable business is not a new thing. Indeed, as the UK's oldest businesses would tell you, sustainability is essentially about an organisation's ability to keep offering services that society needs: from banks to breweries, and paper mills to publishing houses. These businesses observed and responded to people's needs – the need to eat, drink, take shelter, learn or keep their money safe – and make sure they adapted to the changing world they were working in. Socially-minded businesses have also long-contributed to infrastructure to benefit their stakeholders.

But today, the world's best businesses recognise they need to stay ahead of the game when it comes to sustainability. With more of the planet's resources being used faster than ever before, and the world's population soaring above seven billion, it's also good to remember that sustainability is no longer a choice: it's essential for those organisations wanting to stick around for the long-term.

So, while it doesn't matter whether you call it corporate responsibility or sustainability, it does count if you're managing it well. In this section I share some insights on which standards and guidelines you'll need to embed, as well as offering advice on why it's worth going beyond compliance to really stand out from your peers.

Before we get into some of the more practical advice in this article, it's worth us pausing for a moment to remind ourselves of some of the science around sustainability.

If everyone in the world lived like we do in Europe, we'd need three planets to keep up the lifestyles we live. According to the planet's physical boundaries, there's a finite amount of 'stuff' – be it food, energy, or water – that needs to be shared around to ensure survival. Access to all this has become tougher in recent decades: considering energy alone, we're now fracking tiny pockets of gas from the earth, drilling in deeper water than ever before, and extracting oil from tar sands, just to keep the lights on.

Meanwhile, in November 2012, a Bloomberg Businessweek cover shouted in large black capitals: 'It's climate change, stupid' in the aftermath of Hurricane Sandy. Just a couple of months ago – closer to home, and in an arguably more British style – a recent piece for *The Guardian* by Lord Nicholas Stern, the climate economist, mused on the recent UK flooding, and the fact four of the five wettest years recorded in the UK have occurred since 2000. His verdict? It's 'not a coincidence'.

Challenges of climate change and resource security once seemed far off and remote. In 2014, it's clearer than ever before that they're closer to home than we'd care to admit. To paraphrase James Lovelock, the climate scientist: it's becoming clear that the earth will muddle along, no matter how much carbon we pump into the atmosphere – but that humans might not make it through the resulting climate change that models now predict will happen. The planet sets standards, and maximum capacities: the challenge for us, here and now, is what we do about these limitations. But what does this mean for action on sustainability? It means we need to start a little closer to home.

For most companies, the science still isn't quite enough – and the case for developing a sustainability programme still requires a clearly articulated business benefit. When thinking about the drivers for a sustainability programme, there are a few places to start. Most public businesses in the UK have to do it, for one reason or another – while others do it to give something back. But beyond this, there's a world of opportunity to build a stronger and

"Studies suggest a correlation between good sustainability management and long-term business performance"

more resilient business through a credible sustainability programme.

2.1 Sustainability as compliance

Put simply, one crucial driver for developing a sustainability plan is that you have to. Environmental and social laws are not a new thing. Most organisations, in one way or another, devote some energy to minimise the negative impacts of their products as part of their license to operate. While legislation is often deployed on a national basis, the difference made globally from these interventions is huge – helping to clean up, close the hole in the ozone layer, reduce the number of fatalities in industrial processes, and improve standards in the banking sector. Legislation often helps to start the conversation on responsible business internally too: businesses risk license to operate if they don't comply, which often makes a more compelling case to senior teams.

So, for starters, it's worth looking at the sustainability standards and guidelines you have to comply with. But before we look at the things you have to do, how can you turn the development of a sustainability plan to your advantage? There are many drivers for pushing beyond regulation when it comes to sustainability, and it's worth remembering that today's pioneers quickly become the new normal – so their work is likely to be reflected in future standards.

2.1.1 Saving or making more money

Through bottom-line savings and top-line sales, Marks & Spencer claims its Plan A sustainability programme delivered £135 million in net benefits to the business in 2012-13. Every tonne of waste diverted from landfill saves a business £64. And, while harder to prove empirically, studies by numerous organisations, including Ethisphere and Bloomberg, suggest a correlation between good sustainability management and long-term business performance. These arguments support the work of bodies seeking to articulate the relationships between human and natural resources with financial capital. Ultimately, they make the very compelling case that managing the first two responsibly can help to create more of the third in the long-term.

2.1.2 Engaging stakeholders more effectively

Whether investors, customers or employees, we're seeing more and more evidence that you can create deeper engagement with these groups by talking about sustainability.

With employees, work like Ipsos Mori's seminal 2008 study helped to illustrate the link between an effective sustainability programme and an employer's likelihood to build a workforce that would go the extra mile and act as an advocate. Much of Radley Yeldar's work sees CSR or sustainability as a golden thread in businesses – bringing together the boardroom and shop floor, across functions and geographies. And as illustrated in recent research at Caesars Entertainment in the USA, Harvard Business School has joined the likes of Gallup who subscribes to the belief that staff who engage with sustainable business activities are also more likely to deliver brilliant customer experiences.

Sustainability programmes can similarly help find and keep customers, particularly in a B2B context. With many large players seeking like-minded partners, the requirement to disclose information on carbon management is increasingly standard in supplier questionnaires from large, publicly listed companies. Similarly, any organisation seeking to win the trust of government customers needs to tell a clear and credible story about what they're doing to manage and enhance the benefits of their business to the environment and society.

Investors, too, want to know what you're doing. In a 2011 study by Radley Yeldar, *Accounting for Sustainability and the Global Reporting Initiative*, more than 90 per cent of investors and analysts found management of natural capital to be relevant or highly relevant to their assessment of a business; a similar percentage found these levels of relevance for social capital. As divestment campaigns, which encourage organisations to dispose of shares in companies that fail to curb carbon

"Becoming an exemplar of a big customers' supplier codes can yield significant benefits – it might mean winning more work"

emissions, grow in popularity, so too do volumes of responsible investment. Signatories to the Principles now manage 15 per cent of the world's investable assets for responsible investments – a figure that has grown eightfold since 2006.

Ultimately, a clear commitment to setting standards in sustainability for your business can differentiate yourselves from your peer group, helping you to get ahead faster – and for longer.

2.1.3 Making your business more resilient

Beyond reputational benefits – that may be defined in terms of engagement, trust or loyalty – looking to your own supply chain may also represent opportunities to become stronger and more resilient. Cargill, the US-based agriculture and commodities company, last year launched a tool for its customers to help identify the biggest sustainability risks in their supply chains – highlighting particular social and environmental issues that may present threats to an element of their supply chain, and therefore affect their ability to deliver for customers. It's this kind of thinking we applaud and recommend.

2.2 External standards and guidelines

With the drivers in place, it's time to consider what standards and guidelines might help you to demonstrate that you're a well-governed organisation in terms of sustainability.

When it comes to external standards and guidelines, there are a few that are worth a look if you're thinking about upping your performance on CSR or sustainable business. These standards can be particularly useful for SMEs looking to formalise processes as they grow – making the informal, common sense activities (like switching off the lights or engaging in dialogue with employees) part of the culture.

For businesses looking for standards of basic quality management ISO 9001 is the best place to start: its tried and tested approach to delivering processes that are quality assured is a good signifier of being a well run business.

Beyond this, the environmental standard ISO 14001 and the social standards AA 1000 and ISO 2600 are worth a look, depending on the impacts of your business. The former is the most formal of these three, with most large businesses adopting this as a sign of having recognised standards in place. Meanwhile the latter two offer useful guidance for stakeholder engagement and social responsibility.

2.3 Developing standards and guidelines

When it comes to larger businesses, we're seeing increasing evidence of organisations seeking to demonstrate they go further than the letter of standards and guidelines of sustainability. Since the launch of Marks & Spencer's Plan A in 2007, many other companies have followed suit with their own tailored commitment to sustainability. Unilever's 'Sustainable Living Plan' is arguably the industry's poster boy at the moment, though notable new commitments from companies as diverse as Lloyds Banking Group with its 'Helping Britain prosper plan' that shows bold external commitment can hold you accountable to driving sustainable change, no matter what sector you're in. They can also help to show which issues matter most to your business specifically – acting like a manifesto or an agenda for sustainable business, and showing clearly where you want to get to.

Many businesses have also sought to capitalise on the influence they have over their suppliers, increasing supply chain resilience and delivering more sustainable outcomes in the process. From a B2B perspective, becoming an exemplar of a big customers' supplier codes can yield significant benefits – which might mean winning more work as a result of deeper relationships and increased visibility, generating efficiencies in your own organisation through environmental initiatives, or implementing better HR practices. As a highly visible global brand, run on a franchise

"Bringing standards and guidelines to life requires a whole different set of thinking when it comes to making CSR cultural"

basis, McDonalds has long-recognised the need to have bulletproof supplier standards in place – or risk significant reputational damage as a result. Its supplier code of conduct highlights many material sustainability challenges – and its much-coveted Best of Sustainable Supply Awards also do a great deal to showcase global best practices across ethical, environmental and economic dimensions.

For SMEs that might not have the experience or resources to develop sustainability initiatives from scratch, looking to bigger brands for guidance and inspiration can be a good place to start. Not only are many bigger companies keen to share best practices and offer a helping hand to support suppliers that have the energy and passion to change, but demonstrating alignment with the position of your key customers on sustainability issues is never a bad thing to do.

2.3.1 Codes of conduct

These codes don't have to be entirely extrovert in their focus though. Internal codes of conduct can similarly offer help to galvanise performance on sustainability – by showing people inside the organisation what they have permission to take decisions on. To quote water company Severn Trent, in the preamble to its 'Doing the right thing' code of ethics:

> 'Every day Severn Trent employees have to make choices about what they do and how they do it. Most of the time it is clear what the right thing to do is, whether it is about doing what's safe, doing the right thing for customers, doing what is right ethically – and indeed what is right legally. But sometimes it is not so clear, so [our code] details the principles we work by. It explains who we are, what we stand for and how we work.'

Here, the code is less a set of rules and more a framework for sharing accountability for acting in a way that protects the safety of colleagues, as well as the ethical reputation of the business. This is a principle that's true for all of the codes listed above; following them to the letter is one thing, but following them to the spirit – understanding what they mean both personally and philosophically – separates the good from the brilliant when it comes to corporate sustainability.

2.4 The role of culture

So, armed with the right standards and guidelines, companies are well equipped to start creating change. But bringing standards and guidelines to life requires a whole different set of thinking when it comes to making it cultural. Leaders and managers each have a crucial role to play here.

Over the last few years, it has become clearer that the behaviour of leaders is instrumental in creating change when it comes to sustainability. In this context, leadership means sticking your neck out and sticking to your guns. Organisations best known for taking strides in sustainability have one thing in common, and that's committed leadership.

In a recent piece by *The Guardian*, two leaders from organisations we've already mentioned were selected as being particularly standout: Unilever's CEO, Paul Polman, for his 'intense energy and fierce commitment' and his 'truly holistic view' and Marks and Spencer's CEO, for 'sticking with a focus on sustainability even when he is under intense pressure from the markets to focus only on its financial performance.' Both leaders challenge their organisations to do more, and to deliver more positive outcomes when it comes to sustainability.

When realising the vision of an organisation's leaders, it's just as important to get the cultural coordinates right for delivery. Middle managers, as with any organisational change programme, can be the biggest blockers to more sustainable outcomes. With to-do lists that are already full to bursting, and sustainability initiatives that seemingly contradict commercial imperatives, it's important to reframe the demands placed on these communities of people in your business that are so essential.

"While there's plenty of great theory on measuring the real impact of your business or sustainability initiatives, there's less guidance on how to do it"

Through balanced scorecards, the measures that define success can move to more than just the commercial. Similarly, by changing incentives from outputs – which tend to focus on questions such as: 'How many? How fast and how much?' – think about the outcomes you're creating for customers and for society at large. How do you create value in a meaningful and rounded way? How does this help to secure your supply chain? How does what you do increase efficiency or reduce harm?

2.5 Proving sustainability works

Over the last few years, there's been a big push to show the value of sustainability initiatives. The shift from input and output measures, towards measures that are outcome-led, has, for many, become the 'holy grail' of corporate sustainability.

In this shift, some of the more established tools for measuring the success of sustainability activities in a comparable way have come under question – notably the Global Reporting Initiative, whose G4 Guidelines have had a lukewarm reaction among users.

2.5.1 Effectively understanding sustainability performance

So what does the future of measurement look like? In a piece for the *Harvard Business Review*, Peter Bakker, CEO of the World Business Council for Sustainable Development said:

"We need to ensure [we are] clear how a company is making its money, not just how much money it has made. For every robust, time-tested measure of return on financial capital, we need another for social capital – the economic benefits that derive from cooperation among groups, and yet another for natural capital – the supply of natural ecosystems (think forests, oceans, mineral deposits) that we turn into valuable goods or services future."

Bakker goes on to say: "If the world wants to address our many challenges – if business wants to restore societies' trust – business must be more transparent and acknowledge the resources we exploit or conserve and the social benefits we engender or lose, must be factored into a company's value and thus into day-to-day management. This is not a matter of incremental change, but a radical transformation. And it's the accountants who will lead the way."

Bakker's perspective is echoed by other leading reporting organisations that are seeking to better illustrate the difference sustainability initiatives can make to a business' bottom line. Accounting for Sustainability, one of HRH Prince Charles' charities, has been offering organisations guidance on reporting that 'connects' the financial to the environmental and social dimensions since 2009. Similarly, the International Integrated Reporting Council has been championing, the merits of demonstrating the relationships of financial capital, natural capital and social capital.

Practitioners, too, have been keen to express in financial terms the dependency they have on environmental resources. Apparel company Puma published the world's first environmental profit and loss account in 2010 – a bold move that assessed the value of the impact the company had on the environment, and translated it into a 'cost' to the company, which they placed at an estimated £145 million. The methodology has now migrated from the brand to Kering, its parent company, and we look forward to seeing the first results of this methodology later in 2014.

2.5.2 Measuring social impact in practice

While there's plenty of great theory on measuring the real impact of your business or your sustainability initiatives, there's much less practical guidance on how to actually do it. Indeed, returning to *Harvard Business Review*, here's what Alnoor Ebrahim from its Social Impact Measurement Programme had to say: "Measuring impact matters, but we need to be realistic about the constraints. It requires a level of research expertise, commitment to longitudinal study and allocation of

"There's plenty of good reasons to be engaged in the kind of change that needs to create positive outcomes"

resources that are typically the capabilities of implementing organisations. It is crucial to identify when it makes sense to measure impacts, and when it might be best to stick with outputs – especially when an organisation's control over results is limited and causality remains poorly understood."

In short, it's tough to do without time, investment, smart thinking and bundles of energy. Some organisations, however, seem to have these in abundance, and are seeking to quantify the unquantifiable.

PwC is one such example, and fit Peter Bakker's model of accountant-turned-world-saver, if the new methodology it developed becomes more widely used. Launched last year in the UK, its total impact measurement and management technique seeks to illustrate its own impacts on society – both positive and negative. Through the tool, it clearly shows how, by simply existing, its core business creates benefits for society through taxes paid and jobs created, as well as demonstrating the impacts of the business environmentally.

2.6 Summary

When talking about sustainability and CSR, it's vital to remember the ultimate standard setter is the planet itself. We're edging ever closer to the planet's limits. But when it comes to companies, there's plenty of good reasons to be engaged in the kind of change that needs to be created to prevent environmental degradation, and to do more to create positive outcomes.

When thinking about the right standards to use, there's plenty of choice – particularly for smaller organisations looking to take their first steps into sustainability. However, bigger organisations need to take a lead in setting standards for the rest of their supply chains – as some of the world's biggest companies have done. And when it comes to measuring the success of your work, there's no shortage in guidance, but doing it really well is the holy grail.

Legislation and threats

3



DOMINIC LYLE
DIRECTOR GENERAL
EACA

It is nigh impossible nowadays to pick up a company annual report that does not allocate substantial space to talking about its CSR activities. From being a fringe interest 10 years ago, CSR is now at the heart of many companies' stated philosophy. CSR has become a corporate buzzword. But how much of the reporting reflects real corporate social responsibility and how much is lip service?

Much of this rapid change has been driven by the actions of NGOs and international organisations such as the UN, the OECD and others. It is what the European Commission calls 'An evolving and recently strengthened global framework for CSR.'

To date, companies' adoption of CSR principles has been entirely voluntary, as there is no EU legislation specifically dealing with CSR, although aspects of responsible behaviour are covered by individual pieces of legislation, such as the Misleading Advertising Directive or the Unfair Commercial Practices Directive.

In October 2011, the European Commission adopted a new strategy on corporate social responsibility. The strategy placed a strong emphasis on a core set of internationally recognised CSR guidelines and principles. It highlighted in particular the 10 principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the ISO 26000 guidance standard on social responsibility, the ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy and the UN Guiding Principles on Business and Human Rights.

As part of its strategy, the European Commission invited large enterprises to make a commitment to take account of these instruments when developing their own policies on CSR and announced an intention to monitor such commitments for enterprises with more than 1000 employees.

Of course, actions speak louder than words, but a credible policy statement is an important starting point, especially for larger enterprises adopting a more formal approach to CSR than smaller enterprises.

The Commission's analysis of publicly available information from 200 randomly selected large companies (over 1000 employees) showed the following main findings:

- Sixty-eight per cent of the sample companies make reference to 'corporate social responsibility' or an equivalent term, and 40 per cent refer to at least one internationally recognised CSR instrument.
- Thirty-three per cent of the sample companies meet the European Commission's call to refer to at least one of the following: UN Global Compact, OECD Guidelines for Multinational Enterprises or ISO 26000.
- Two per cent of the sample companies meet the European Commission's call to refer to the ILO MNE Declaration.
- Three per cent of the sample companies refer to the UN Guiding Principles on Business and Human Rights, which the European Commission expects all enterprises to implement with regard to the corporate responsibility to respect human rights.
- The UN Global Compact and the Global Reporting Initiative, with 32 per cent and 31 per cent respectively, are the most commonly referenced instruments, followed by the Universal Declaration of Human Rights and the Instruments of the International Labour Organisation.
- Very large companies in the sample

"By renewing efforts to promote CSR, the European Commission aims to create conditions favourable to sustainable growth, responsible business behaviour and durable employment generation"

(those with over 10,000 employees) are about three times more likely to refer to internationally recognised CSR instruments than companies with between 1000 and 10,000 employees.

Interestingly, publicly listed companies are almost twice as likely to refer to CSR instruments as privately owned companies. Company size may be a contributing factor to this result, since very large companies (over 10,000 employees) are more likely to be publicly listed than large enterprises (between 1000 and 10,000 employees). However, company size alone cannot explain this result and the pressure of public scrutiny seems very likely to play an important role.

3.1 Where are we today?

Since the dot.com bubble burst, a new global economy has taken shape all around us. It is built on new forms of value creation and, as when consumers reacted to genetically modified foods, or more recently to the banking crisis, it is often a collision of old and new values. As one controversy follows another, a new vocabulary has emerged. Corporate social responsibility and sustainable development are increasingly used by politicians and business leaders, even if the definitions are sometimes rather vague. More recently, marketers have begun to talk about 'marketing with a purpose', to describe placing social, humanitarian or environmental issues at the heart of their activity.

While no one doubts the importance of the issues being discussed, the cold fact is that, to date, most governments and most businesses have failed in their attempts to communicate this new agenda convincingly to voters, citizens and consumers. The truth is the majority of consumers will only fully embrace social or environmental causes espoused by commercial operators if it requires little or no change in their behaviour or consumption patterns.

Every so often, of course, connections are made. Back in 1988, for example, SustainAbility's co-founders published *The Green Consumer Guide* – which sold roughly a million copies around the world and helped to launch a revolution. The key to its success was developing a new language – green consumerism – that resonated with the mood of the times and captured the zeitgeist. As a result of such initiatives, and over several years, groups pressured industry to get CFCs out of aerosols, mercury out of batteries, chlorine out of paper, phosphates out of detergents and so on.

Today, the pressure on companies to respond to customer opinion has been made all the greater by the explosion of social media platforms and the ability and willingness of customers to share information on any subject – there is literally no place left to hide. Transparency is a pre-requisite for doing business and the risks attached to saying one thing, but doing another, are simply too great.

Whatever line they take in their communication, almost all of today's major advertisers are aware of the risks and opportunities the new agenda can create.

Indeed, many businesses first encounter CSR in the context of brand – when the brand is in trouble. A company does – or fails to do – something that lands it in the CSR hot seat. In such cases, poor CSR performance poses a risk to both corporate reputation and brand and tends to make the company wary of putting its corporate head above the parapet again.

The economic crisis and its social consequences have, to some extent, damaged consumer confidence and levels of trust in business, focusing public attention on the social and ethical performance of enterprises. By renewing efforts to promote CSR now, the European Commission aims to create conditions favourable to sustainable growth, responsible business behaviour and durable employment generation in the medium and long term.

"CSR concerns actions by companies over and above their legal obligations towards society and the environment"

3.2 Brand opportunity

CSR is now moving from the sphere of brand risk to brand opportunity. Smart companies are realising good CSR performance can be advantageous. The exciting question now is not how companies can protect their brands from reputation debacles, but how they can build brands aligned with strong CSR performance and global citizenship. Trust is essential to brand success, but trust is in short supply when it comes to CSR – and that presents an opportunity for alert brand owners and their agencies. What's important is that the search for responsibility has moved from an ethical niche into the mainstream.

Early leaders, such as The Body Shop and Ben & Jerry's, promoted environmental, social and economic responsibility alongside their products. Then we saw BP rebrand as moving 'Beyond Petroleum', while Toyota ran messages about green cars and sustainable mobility in its 'Today tomorrow Toyota' campaign and BASF promoted its contribution to saving energy. The new emphasis being put on business agendas like CSR, global citizenship and sustainable development has huge implications for the commercial communications sector.

The European advertising and communication sector faces a great challenge – and an even greater opportunity: helping clients rebuild the trust lost in recent years. The critical point to keep in mind is that CSR need not restrain, but can – and should – open up new avenues for creativity. Society has a new range of concerns; companies have a new set of messages. This is an open invitation to communications agencies.

In fact, CSR reporting has become a growth industry. So, for example, we have seen a range of developments consolidate into the Global Reporting Initiative (GRI); www.globalreporting.org launched in the US but is now based in Amsterdam. The sheer range of issues against which companies will increasingly be held to account is illustrated by the GRI reporting guidelines, which has 97 different indicators for sustainability performance.

As the concept of the triple bottom line (economic, social and environmental) has gained traction in the business world, so too corporate reporting and communication has expanded into new areas. In addition to the traditional financial reporting challenges, the economic bottom line embraces such issues as employment and other impacts on local communities. The social bottom line measures progress in areas such as diversity (e.g. age, gender and race) and working conditions. And the environmental bottom line sums up a company's ecological footprint, in terms of the energy and raw materials used, the emissions and wastes produced.

3.3 Does regulation help?

Can regulatory measures create an environment more conducive to enterprises voluntarily meeting their social responsibility?

NGOs and green groups are broadly in favour of mandatory regulation in the field of CSR, instead of the sole voluntary approach adopted so far, and of a more systematic involvement of civil society in the building of CSR policies. In addition, consumer organisations advocate clearer and more transparent methods concerning the display of CSR information aimed at consumers, to enable them to make conscious and independent choices. On the whole, NGOs and green groups call for mandatory regulation to implement clear, transparent and effective CSR measures and fight against the 'green wash' and 'blue wash' phenomenon, with standardised methods and independent monitoring to increase the credibility of the procedures.

However, the legislative wind seems to be blowing in the direction of a voluntary approach. The European Commission has defined CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.' Another way to look at this is to say that corporate social responsibility concerns actions by companies

"The European Commission will focus on sectoral approaches and the dissemination of responsible business conduct through the supply chain"

over and above their legal obligations towards society and the environment.

The development of CSR should be led by enterprises themselves. Public authorities should play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation, for example to promote transparency, create market incentives for responsible business conduct or ensure corporate accountability. But enterprises must be given the flexibility to innovate and to develop an approach to CSR that is appropriate to their circumstances. If the market comes to admire honesty, transparency and good corporate governance, executives will rush to acquire those characteristics.

The role of trade unions and civil society organisations is to identify problems, bring pressure for improvement and work constructively with enterprises to build solutions jointly. Similarly, consumers and investors are in a position to enhance market reward for socially responsible companies through the consumption and investment decisions they take. The media can raise awareness of both the positive and negative impacts of enterprises. Public authorities and these other stakeholders should also demonstrate social responsibility, including in their relations with enterprises.

In March 2002, Adrian Henriques noted in *Ethical Performance*: "The most common reason given for why new legislation would set CSR back is the lowest common denominator argument. This suggests that if there were legislation on CSR, then companies would deliver what the law requires, but never more."

3.4 European Commission

The Commission has played a pioneering role in the development of public policy to promote CSR ever since its 2001 *Green Paper* and the establishment of the European Multi-stakeholder Forum on CSR. In 2006, the Commission published a new policy whose centrepiece was strong support for a business-led initiative called the European Alliance for CSR.

The policy also identified eight priority areas for EU action: awareness-raising and best practice exchange, support to multi-stakeholder initiatives, co-operation with member states, consumer information and transparency, research, education, small and medium-sized enterprises and the international dimension of CSR.

This policy has contributed to progress in the field of CSR. Indicators of progress include:

- The number of EU enterprises that have signed up to the 10 CSR principles of the United Nations Global Compact has risen from 600 in 2006 to over 1900 in 2011.
- The number of organisations with sites registered under the Environmental Management and Audit Scheme (EMAS) has risen from 3300 in 2006 to over 4600 in 2011.
- The number of EU companies signing transnational company agreements with global or European workers' organisations, covering issues such as labour standards, rose from 79 in 2006 to over 140 in 2011.
- The Business Social Compliance Initiative, a European, business-driven initiative for companies to improve working conditions in their supply chains, has increased its membership from 69 in 2007 to over 700 in 2011.
- The number of European enterprises publishing sustainability reports according to the guidelines of the Global Reporting Initiative rose from 270 in 2006 to over 850 in 2011.

By giving public recognition to what enterprises do in the field of CSR, the EU is helping to disseminate good practice, foster peer learning and encourage more enterprises to develop their own strategic approaches to CSR. The Commission has launched a wide range of programmes to work with enterprises and other stakeholders on critical social and environmental issues. It will, in particular, focus

"Self- or co-regulation processes designed in an appropriate way can earn stakeholder support and be effective means of ensuring responsible business conduct"

on sectoral approaches and the dissemination of responsible business conduct through the supply chain.

These include the Retail Forum for Sustainability; the EU Platform for Diet, Physical Activity and Health; the Business and Biodiversity Campaign; the process on corporate responsibility in the pharmaceutical industry; the European Food and Sustainable Production Round Table; the University-Business Forum; the Advertising Round Table; and the European Pact for Mental Health and Wellbeing and most recently, the Community of Practice, chaired by Robert Madelin of DG CONNECT and the High Level Group on Business Services.

Enterprises often participate in self- or co-regulation processes, for example sector-wide codes of conduct on societal issues relevant to the sector in question. When such processes are designed in an appropriate way they can earn stakeholder support and be an effective means of ensuring responsible business conduct. Self and co-regulation are acknowledged by the EU as a part of the better regulation agenda.

Experience suggests that self- and co-regulation processes are most effective when based on an initial open analysis of the issues with all concerned stakeholders, in the presence of, and if necessary convened by, public authorities such as the European Commission. It results in a subsequent phase, in clear commitments from all concerned stakeholders, with performance indicators to provide for objective monitoring mechanisms, performance review and the possibility of improving commitments as needed. It includes an effective accountability mechanism for dealing with complaints regarding non-compliance.

The Commission launched the Community of Practice in 2013, working with enterprises and other stakeholders to develop a code of good practice for self- and co-regulation exercises, which should improve the effectiveness of the CSR process.

3.5 Self-regulation

Europe's national communications industries have developed self-regulating bodies in an effort to maintain and foster positive public opinion about the industry. The European Advertising Standards Alliance brings together these national organisations, managing cross-border complaints and evolving the self-regulation system.

Self-regulation is based on the principles set out in the International Chamber of Commerce's International Code of Advertising Practice – first issued in 1937, and most recently updated in 2011.

The Code has three fundamental precepts:

1. All advertising should be legal, decent, honest and truthful.
2. Every advertisement should be prepared with a due sense of social responsibility and should conform to the principles of fair competition, as generally accepted in business.
3. No advertisement should impair public confidence in advertising.

While the code links social responsibility to issues like discrimination, human dignity and manipulation, this concept needs to chime with wider societal values, which are constantly evolving.

For the industry to maintain a high public reputation, it will need to ensure that it lives up to changing expectations of social responsibility.

The industry, clients and national governments favour self-regulation because it is more flexible than legislation and can adapt quickly to new forms of advertising and changes in public attitudes. But in those areas where the public perceives that its best interests are not being served by industry self-regulation, there will be increasing pressure for government regulators to get involved. This is currently happening in a few issue areas – particularly related to tobacco, alcohol and advertising to children.

"CSR enables enterprises to better anticipate and take advantage of fast-changing societal expectations and operating conditions"

3.6 CSR boosts competitiveness

A strategic approach to CSR is increasingly important to the competitiveness of enterprises. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management and innovation capacity. Because CSR requires engagement with internal and external stakeholders, it enables enterprises to better anticipate and take advantage of fast-changing societal expectations and operating conditions. It can therefore drive the development of new markets and create opportunities for growth. By addressing their social responsibility enterprises can build long-term employee, customer and citizen trust as a basis for sustainable business models. Higher levels of trust in turn help to create an environment in which enterprises can innovate and grow.

Successful brands have to develop strong relationships with emerging 'consumer tribes' of like-minded individuals – relationships mainly based on values. But values have been shifting, especially in the advertising-rich industrialised world, from a focus on material prosperity to one increasingly emphasising quality of life.

This shift means customers are increasingly taking an interest in the 'ethical' performance of companies. This value shift is also echoed in youth culture, although with its own distinctive twist. Today's youth have a high interest in social, human rights and environmental issues, and want companies to do more about them. Yet at the same time they love consuming and identify strongly with certain brands. They will take action on CSR issues, but rarely alone. They are looking for leadership, and blame governments, companies and the media for failing to provide it.

Another trend clearly discernible in youth culture and the general public is a desire for transparency. It is no coincidence that the European Advertising Standards Alliance reports that the highest number of complaints received by self-regulatory organisations concern 'misleadingness'. This perception threatens to undermine trust in advertising and brands as customers become increasingly cynical and critical about advertising claims.

3.7 Greater transparency

There are a number of international frameworks for the disclosure of social and environmental information, including the GRI, whose mission is to develop and disseminate a global framework of sustainability reporting guidelines for voluntary use by organisations, encompassing the economic, environmental and social dimensions of their activities, products and services.

Started in 1997 by Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP), but independent since 2002, the GRI is directed by representatives from business, accountancy, environmental, human rights, research and labour organisations. It publishes guidelines and indicators designed to be flexible, promoting transparency, inclusiveness, auditability, completeness, relevance, accuracy, neutrality, comparability, clarity and timeliness of sustainability reports.

In recent years, socially responsible investment (SRI) has experienced a strong surge in popularity among mainstream investors. SRI combines investors' financial objectives with their concern about social, environmental and ethical issues. Consumer or retail SRI refers more particularly to individuals' investments made according to their personal values, while institutional SRI refers to investments made within an SRI framework by institutions such as pension funds, banks, foundations and asset management and insurance companies.

There are three main types of SRI activity:

1. Ethical screening – the inclusion or exclusion of stocks based on ethical, social or environmental grounds, such as avoidance of alcohol and tobacco, or support for environmentally benign products.
2. Shareholder engagement – SRI analysts

"The trend towards greater transparency and honesty will bring huge benefits to those who embrace it and manage it well"

seeking to influence the ethical, social and/or environmental behaviour of companies in their regular portfolios.
3. Cause-based investing – supporting a particular cause or activity by investing in it, e.g. renewable energy.

3.8 Summary

The trend towards greater transparency and honesty among commercial enterprises now appears to be irreversible and will bring huge benefits to those who embrace it and manage it well, but there are caveats:

- Don't pinpoint or accuse people.
- You will harm yours elf and the issues if you exaggerate the effect of your actions.
- There is no quick fix.
- CSR must become part of the company lifestyle, not just a chapter in the Annual Report.
- Communicate. You must become known for it.

The economic operators have so far been able to avoid any suggestion of regulation of CSR at the European level, despite the calls of NGOs for mandatory controls – how long that continues is entirely down to the level of commitment they continue to show in developing real social and environmental initiatives that are based on genuine principles rather than being an excuse for image- or brand-building. As *The Economist* predicted back in 2002: 'If the market comes to admire honesty, transparency and good corporate governance, executives will rush to acquire those characteristics.' Perhaps that should have read: 'admire and reward.'

Measuring CSR success

4



KRISHNAN CHATTERJEE
HEAD OF STRATEGIC MARKETING
HCL TECHNOLOGIES

At a broad level, marketing impact assessment is done by measuring mindshare, marketshare and wallet share. CSR can be leveraged by companies to impact all three areas – especially mindshare. An Interbrand study shows close to 13 cents out of every dollar of brand value is linked to CSR. This added brand value from CSR translates into an attractive company to work for, a desirable company to do business with for clients and partners, and a responsible company for society and government.

For the efficient allocation of resources – time, money and manpower – measurement is of the utmost importance. This is as true for marketing as it is for CSR.

In a study by Duke University on CSR, 50 per cent of US-based CFOs rated CSR and sustainability as moderately important or very important to their business strategies. These numbers were even higher in other regions, with 63 per cent among CFOs in Europe, 67 per cent among CFOs in Asia, 76 per cent among CFOs in Latin America and 83 per cent among CFOs in Africa – showing the significance given to CSR by individuals responsible for managing the bottom lines and top lines of companies. This also highlights the importance given to CSR as a strategic tool by companies across the world.

In the same survey, 66 per cent of US companies that consider CSR an important objective cited that 'it's the right thing to do' as one of their top three reasons for engaging in CSR. This was followed by 'improving external image and brand' (61 per cent), 'improving employee morale and hiring' (49 per cent) and 'in response to legal or regulatory requirements' (28 per cent). It appears that while there are business calculations at work to encourage investment in CSR, there is also the desire to do it because it's right to be a responsible corporate citizen.

This is explained by the Global Reporting Initiative (GRI), a leading organisation in the sustainability field, promoting the use of sustainability reporting as a way for enterprises to contribute to sustainable development. The report highlights how:

> 'A sustainable global economy should combine long-term profitability with ethical behaviour, social justice and environmental care. This means when companies and organisations consider sustainability – and integrate it into how they operate – they must consider four key areas of their performance and impacts: economic, environmental, social and governance.'

GRI's list of benefits from sustainability impact assessment provides a good guide to the benefits that a corporate can receive from measurement of its CSR impact:

- Increased understanding of risks and opportunities.
- Streamlining processes, reducing costs and improving efficiency.
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards and voluntary initiatives.
- Avoiding being implicated in publicised environmental, social and governance failures.
- Mitigating – or reversing – negative environmental, social and governance impacts.
- Improving reputation and brand loyalty.
- Enabling external stakeholders to understand the organisation's true value, tangible and intangible assets.

"A sustainable global economy should combine long-term profitability with ethical behaviour, social justice and environmental care"

4.1 Measurement practices

To maximise these benefits, a lot of companies measure and report CSR in accordance with GRI guidelines – on economic, environmental, social and governance parameters. Some examples of this are Etihad, Hitachi, General Electric (GE) and HSBC.

GE, for example, divides its impact into economic, environmental, labour practices and decent work, human rights, society and product responsibility. It shows its performance on both input and outcome parameters, with some examples listed below:

Input:

- Contributed an estimated 1.3 million GE volunteer hours through 7400 company-sponsored initiatives.
- Committed more than $5 million in grants to victims of Hurricane Sandy.

Outcome:

- GE's freshwater use was reduced by 46 per cent from the 2006 baseline.
- GE estimates its fuel and carbon solutions (FCS) helped save the global airline industry more than 1.3 billion gallons of fuel annually and eliminate more than 12.4 million metric tonnes of CO2.

It becomes evident that as CSR becomes strategic to business and investments increase, measurement becomes increasingly important. Companies can then align their CSR activities partially or completely with their business, and leverage it for business benefits in terms of brand image, cost savings or revenue generation.

4.2 Case study: CSR at HCL

HCL Technologies, a leading global IT and engineering services firm, effectively manages its CSR efforts through its foundation, a chief sustainability officer and a structured employee volunteer programme: 'Power of 1'. For these investments in CSR to yield desired results goal setting and measurement is paramount.

In accordance with the GRI reporting framework, HCL measures impact in four areas – responsible business practices, responsible employment practices, environmental impact and societal impact. In each of these areas, HCL defines programmes, sets annual goals, strategies to achieve these goals and measurement parameters. Some of these are described in more detail below:

1. Responsible business practices: promote responsible business practices that impact the way you conduct business, and the end-impact created by its solutions:

- Design innovative IT solutions for climate and community efficiencies, where impact is assessed by the scale of integration of innovative IT solutions into IT offerings. One example of such innovation is HCL's engineers designing sophisticated solar energy systems that track the movement of the sun to maximise output from solar energy devices. Such systems are running successfully in the USA, Mexico, Greece and Spain.

- Place a robust corporate governance practice where impact is gauged by continuous risk assessment of different functions. Leveraging best practices from the 31 countries of its operations, HCL has in place a well-defined code of business ethics, anti-bribery policy, anti-corruption policy and whistleblower policy.

- Advocacy on social and environmental issues, where participation and thought leadership at events assesses impact. As a result, HCL has been a member of the Gender Parity Group at the World Economic Forum, the Global Reporting Initiative advisory council and the steering committee groups of NASSCOM and CII in India.

2. Responsible employment practices: strive to create an environment suitable for employees to contribute:

"As CSR becomes strategic to business and investments increase, measurement becomes increasingly important"

- Inclusive employment practices ensure gender and nationality diversity among employees. As a result, HCL's 90,000 employees have 96 different nationalities.

3. Environmental impact: proactively run programmes that drive the company to become more environmentally sustainable:

- Carbon footprint impact is assessed by measuring the percentage reduction in per capita power consumption in company-owned facilities. A goal has been set to reduce this by 20 per cent over a five-year period.
- Energy sustainability impact is assessed by measuring the percentage of total power consumption from renewable energy sources. A goal has been set to substitute 20 per cent of traditional energy usage with renewable energy over a five-year period.
- Water sustainability impact is assessed by the percentage reduction in per capita water consumption in company-owned facilities. A goal has been set to reduce this by 30 per cent over a five-year period.

4. Social impact: run programmes that leverage the strength of employees contribution to society:

- Power of one: an employee volunteer programme, where impact is assessed by employee generated funds channelled into social initiatives and disaster relief.

This structured approach to CSR helps HCL identify the key areas it wants to create impact, set targets for each, channel resources, create output, and through continuous measurement and improvement, maximise impact.

4.3 How private philanthropies measure impact

Private philanthropic organisations, set up using the personal wealth of individuals to give back to society, operate with the same objective of maximising impact.

4.3.1 Impact created

Some such global foundations include the Bill and Melinda Gates Foundation, the Clinton Foundation and the Getty Trust – all clearly providing the inputs going into their programmes, and the impact being created.

The Clinton Foundation, for example, lists climate change, economic development, global health, health and wellness and women and girls among its focus areas. An example of the end impact is its reported impact from a programme targeting climate change – the Trees of Hope programme – where 2000 Malawian farmers have planted more than two million trees, sequestering more than 200,000 tonnes of CO2.

On similar lines, some studies by leading educational institutes and the UN provide a good example of how investment in education yields results in terms of GDP impact, jobs created and creating gender equality, and can be leveraged by foundations and organisations operating in this space.

Impact area one: GDP created

- The Indian Institutes of Technology (IITs) are among the top global technology institutions. Their alumni have set up 10,000 companies since 1990, which annually generate $170 billion in annual revenue.
- Similarly, Massachusetts Institute of Technology Alumni has founded 25,800 companies that currently generate annual revenue of $1.8 trillion.

Impact area two: Jobs created

- The 25,800 currently active companies founded by MIT alumni employ 3.2 million people.
- On an average, an IIT Alumnus is associated with the creation of around 100 jobs.

Impact area three: Gender equality

- Education significantly narrows the wage gap between women and men in India – a primary school educated woman will have a 60 per cent wage of a man,

Students at Shiv Nadar Foundation's VidyaGyan Leadership Academy in Bulandshar, India



Students in a government school in rural Uttar Pradesh, India, where a Shiksha pilot programme on ICT intervention is being run



increasing to 70 per cent for a woman educated at secondary school level.
- A literate mother is on average 23 per cent more likely to seek support from a skilled birth attendant.
- Each extra year of a mother's schooling reduces the probability of infant mortality by five per cent to 10 per cent.
- A child whose mother can read is 50 per cent more likely to live past age five.

4.3.2 The Shiv Nadar Foundation

The Shiv Nadar Foundation (SNF) is the largest transparent private foundation for education in emerging nations, with $50 million spent on education in 2012–2013, a total investment of $500 million as of today, a commitment to take investment to $1 billion by 2019 and promote sector-leading standards of governance, transparency and leadership. A private foundation set up by HCL's chairman and founder Mr. Shiv Nadar, it focuses on leveraging the multiplying power of education to create non-linear inclusive growth, primarily through its VidyaGyan and Shiksha programmes.

VidyaGyan is a world-class leadership institute in India, providing free education to talented children from rural low income backgrounds, selected through a rigorous screening process. The last batch of 163 students was selected after screening 163,790 applicants from 78,120 schools. In a period of five years, a pool of 1400 extremely high caliber students are being trained as leaders to create substantial social and economic impact.

Shiksha is a scalable model for ICT intervention classroom teaching aimed at eradicating illiteracy by substantially increasing the quality of learning in rural government primary schools. It is currently being piloted in 20 schools in India, with an aim of scaling it to 50,000 schools by 2017, in collaboration with the government. The impact of the programme is measured by analysing the improvement in the learning ability of students, with the goal being that 90 per cent of students retain 90 per cent of the content they learn in Shiksha classrooms.

SNF's investment in education seeks to lower inequality:
- In income through wealth creation, especially in rural areas.
- Among rural and urban population by creating new jobs, specifically in rural areas.
- Among genders by creating male and female leaders who will impact their societies.

To measure its impact, the foundation looks at both long-term impact – by using parameters similar to the impact assessment parameters used in IIT, MIT and UN studies – and programme level impact, such as that used for impact assessment of its Shiksha programme, where improvement in the learning ability of students is measured. Such measurement help the foundation consistently align and realign its programmes to stay committed to leverage education for non-linear inclusive growth.

4.3.3 S&P Dow Jones

There are indices that track sustainability-driven companies. To be listed among the top on these indices provides good branding to companies. S&P Dow Jones run one of the most popular sustainability index. The Dow Jones Sustainability Indices (DJSI) track the financial performance of leading sustainability-driven companies worldwide, through an integrated metric of economic, environmental and social criteria, with a strong focus on long-term shareholder value. As stated by DJSI, it identifies sustainability-driven companies through the following attributes:

- **Strategy:** integrating long-term economic, environmental and social aspects in their business strategies while maintaining global competitiveness and brand reputation.

- **Financial:** meeting shareholders' demands for sound financial returns, long-term economic growth, open communication and transparent financial accounting.

- **Customer and product:** fostering loyalty by investing in customer relationship

"If properly implemented, a CSR programme can bring a variety of work and business benefits"

management and product and service innovation that focuses on technologies and systems. These use financial, natural and social resources in an efficient, effective and economic manner over the long-term.

- **Governance and stakeholder:** setting the highest standards of corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting.

- **Human:** managing human resources to maintain workforce capabilities and employee satisfaction through best-in-class organisational learning and knowledge management practices and remuneration and benefit programmes.

4.4 CSR and marketing

In the book *Conscious Capitalism* by Machey and Sisodia, the authors say that companies should engage in conscious CSR, to enhance the strength and reputation of their brands and even boost their bottom lines. Surveys show customers are rarely aware of the CSR activities of their favourite brands. As a result, stakeholders often question the company's motivation for engaging in such activities.

Marketing tools can help companies shift to a stakeholder-centric approach to position and promote the CSR activities, such that it results in increased customer and employee loyalty, which successively translates into financial gains. Marketing conducts campaigns and measures ROI on a daily basis and, as such, has the capability to run CSR programmes so the ROI is maximised.

This in turn also provides marketing with a channel through which it can share softer messages, and thereby distinguish itself from the competition by going beyond product and price differentiation.

Forbes states that many businesses champion their credentials in the area of corporate responsibility, but few capitalise on effective implementation and measurement of it to strengthen their brand identities. As corporate responsibility becomes a big shaper of companies' public images, ignoring the advantages of effective corporate responsibility marketing becomes an increasingly high stakes gamble.

4.5 Summary

Designing and implementing a CSR programme is a difficult exercise, involving significant commitment of both human and financial resources, and presents challenges for project management. Despite these potential challenges, if properly implemented, a CSR programme can bring a variety of work and business benefits; CSR activities provisioning for water in a remote Ugandan school, to providing skill development programmes to youth in rural Bangladesh, or designing inclusive employment programmes that encourage application and selection of employees from diverse backgrounds.

Companies seeking to implement CSR can use the following set of guidelines on goal setting, measurement and processes, enunciated well in a whitepaper on CSR by Rob Gross of CR Strategies.

Set overall goals: CSR programmes, especially in the early stages, cannot be all things to all people. Therefore, focusing on one to three key issues and setting general intentions related to those issues will serve as an overall guide for the process.

Keep the process targeted: for example, if the goals of the CSR programme are to improve employee engagement and reduce environmental impact, focus on policies and programmes that will help to achieve these goals.

Start small and build upon past efforts: You have to crawl before you can walk and walk before you can run. Focus on issues that matter to key stakeholders. In the case of

"Report CSR goals, progress and impact, to ensure transparency, realignment of efforts and efficient allocation of resources"

employees, this often means issues that they feel personally connected to, such as helping the community or protecting the environment.

Include employees in the process: a recurring theme in the surveys and studies described

above is the fact that involving employees serves to enhance the effect CSR has on employee engagement.

Measure and report: a continuous cycle of measurement, through audits and surveys, and reporting of results, ensures continuous improvement.

Place a cycle of reporting: report CSR goals, progress and impact, to ensure transparency, realignment of efforts and efficient allocation of resources.

Link closely with marketing: don't only use CSR as a brand building tool; also leverage marketing to showcase the benefits of a well-run CSR programme and set up good measurement metrics.

Google 'Grow your charity online' case study

5

Small charities and not-for-profit organisations often lack the time and resources to compete effectively online. To help alleviate this problem, Google teamed up with Technology Trust and Media Trust to launch 'Grow your charity online', a joint CSR and outreach programme developed to help charities gain the tools and understanding they need to build and maintain their digital presence.

Launched last year, 'Grow your charity online' is an ongoing programme that continues to help thousands of small UK charities boost their fundraising efforts through online and social media engagement. With the support of the three organisations behind it, the programme gives access to online business resources, applications and training opportunities to participating charities – all free of charge.

Act locally

In addition to providing online support and resources, 'Grow your charity online' has held a series of free, regional workshop and training events, making it as easy as possible for small, local charities to gain access to and learn from the programme. These half-day sessions have been held throughout 2013 and 2014 in various locations across the country, including London, Manchester and Bristol. Each event has hosted representatives from approximately 80 different local charities and has offered talks, and tips, from experts on subjects such as email marketing, social media and digital marketing.

The events have also provided participating charities the opportunity to network with other like-minded organisations and access to one-to-one sessions with representatives from Google, Media Trust and Technology Trust to help tackle issues or answer specific questions their particular organisation is struggling with.

Martina Gant from The Kenyan Orphan Project attended 'Grow your charity online' Bristol, which took place in November. She shares her experience from the event: "We signed up with the aim of learning more about what we can do to maximise our presence online and to help us shape our social media practices, but we got a lot more than that out of it. The whole event was thoroughly enjoyable; we learned a great deal about online trends and opportunities in a fun and engaging way. It gave us an opportunity to meet other local charities and network, as well as the chance to discuss the needs of our organisation in a one-to-one session with the experts.

"Both speakers were interesting and inspirational and their presentations offered practical advice that wasn't overwhelming for us as a small charity. We came away from the event with a new way of thinking about our online presence and feeling really positive and excited about what we could achieve. Since the event, we've undertaken our first-ever online fundraising appeal and exceeded our target. We've also redesigned the way we communicate with our supporters, taking a clear message from 'Grow your charity online' that we should be offering something different to our network and we're getting a great response."

Mutual benefit

As Martina's testimonial reflects, the programme has been successful in reaching smaller charities that would not normally have the resources to access the level of tools and training that it provides.

The 'Grow your charity online' website has also received a steady flow of traffic, attracting nearly 25,000 visits from charities since its launch last year. The most popular pages of the site include those providing information on

"Successful CSR marketing will set overall goals, keep processes targeted and include employees in the process"

Google Grants, as well as web analytics and social media strategy, reflecting the importance of online marketing tools in an increasingly digital world. In addition to those attending the regional events, charities are engaging with the programme's online resources. Over 1000 charities have completed the digital health check so far, and more than 2500 have signed up to receive the programme's newsletter.

As well as providing small charities with the tools and support they need to extend their own marketing outreach, 'Grow your charity online' has provided the campaign partners involved with the opportunity to build their own networks. It has been used as the basis for blog posts, media stories and other forms of online content that in turn, have helped to enhance the partner organisations' own marketing programmes – an added benefit of the CSR programme's outreach.



B2B Marketing

Clover House
147-149 Farringdon Rd
London
EC1R 3HN

info@b2bmarketing.net
b2bmarketing.net