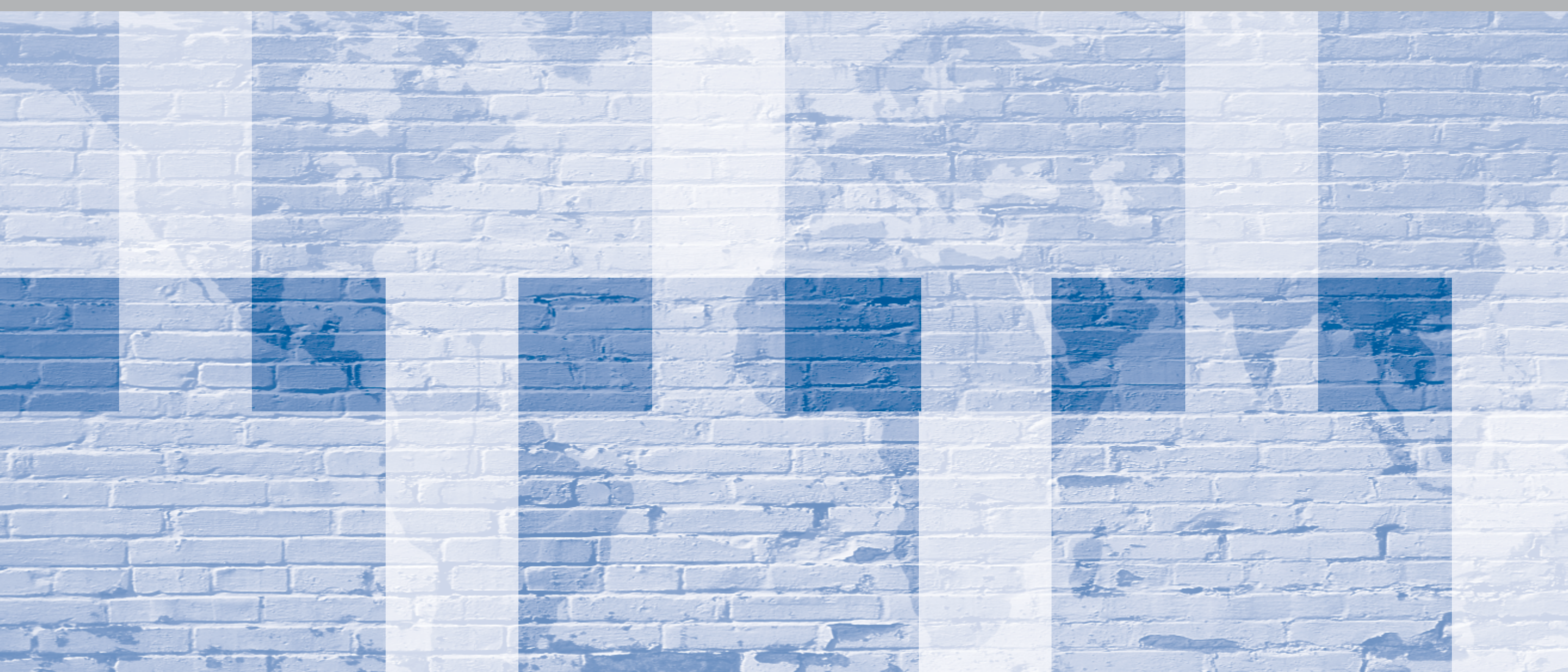
The Conference Board

RESEARCH REPORT

Corporate Citizenship in the New Century

Accountability, Transparency, and Global Stakeholder Engagement



Companies and their stakeholders are beginning to realize that they need each other to shape a common vision of what is best for business *and* society–a truly global ethic of corporate citizenship.

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The Conference Board creates and disseminates knowledge about management and the marketplace to help businesses strengthen their performance and better serve society.

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About this Report

The Conference Board's Working Group and Research Forum on Global Corporate Citizenship* seeks to facilitate an exchange of views among global companies regarding their citizenship activities. During an organizational meeting on June 2, 2000, the group raised the following issues for research and study:

- defining corporate citizenship leadership, policies, and goals
- organizing and managing citizenship in a global company
- examining corporate philanthropic programs and activities
- implementing and reporting citizenship practices
- dealing with a plethora of citizenship codes, guidelines, and standards

This report is based on case study interviews and data derived from the following survey questionnaires**:

Corporate Citizenship Practices and Trends During spring 2001, The Conference Board polled 93 global managers responsible for their companies' corporate citizenship activities. Respondents are referred to in the text as managers.

The New Role of Business in Society Conducted in the United States, Brazil, Europe, and Asia in 2000 and 2001, this global CEO survey sought the views of CEOs on their companies' corporate citizenship values. Over 700 CEOs responded.

Corporate Citizenship in the Boardroom Conducted in spring 2001, this survey asked the Boards of Directors of 152 U.S. companies whether and how corporate citizenship is addressed in the boardroom.

* Appendix A includes a listing of Working Group participants.

** Appendix B includes profiles of the corporate respondents to these surveys.

Acknowledgments

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Peter Drubin design

Andrew Ashwell production

Corporate Citizenship in the New Century

Accountability, Transparency, and Global Stakeholder Engagement

By Sophia A. Muirhead, Charles J. Bennett, Ronald E. Berenbeim,
Amy Kao, and David J. Vidal

Contents

Highlights

More and more companies are accepting corporate citizenship as a new strategic and managerial purpose requiring their attention. Once seen as a purely philanthropic activity—a source of general goodwill, with no bottom-line consequence—citizenship is moving from the margins of concern to the center at leading companies.

Strategies for implementing citizenship vary widely depending on the company, the industry, and the region of the world. Moreover, perspectives on what a broadened concept of citizenship is, or should consist of, remain in flux. But factors common to global business are driving a fast-emerging agenda of corporate citizenship for the new century. These drivers include:

- globalization as a result of the worldwide expansion of business, private enterprise, and the market economy;
- heightened expectations—from consumers and society at large—that business can and should fill needs formerly left to governments, and should better align shareholder and stakeholder interests;
- pressure from an increasingly assertive civil society and nongovernmental organization (NGO) sector empowered by information technology and public trust;
- the influence of the environmental movement's growing emphasis on transparency, sustainability, accountability, and "triple bottom line" reporting; and
- signs that the markets for capital and employee talent are trending toward punishing companies that slip and fall in citizenship matters—and favoring those firms that rise to meet the challenge.

Over 700 companies participated in a research study incorporating three surveys conducted by The Conference Board between 2000 and 2001—one each for corporate managers of citizenship programs, CEOs, and board members. Based on the views and experiences of these corporate practitioners, this report examines the state of global corporate citizenship practices, expectations, and trends. It provides a framework—as well as specific examples—of how companies and managers are addressing and solving their citizenship challenges.

Board of Directors and Citizenship

The citizenship agendas of Boards of Directors focus primarily on:

- ethics or codes of conduct;
- health and safety; and
- contributions/philanthropy.

Chart 1

Spelling Out Citizenship Goals

Are your citizenship goals a part of your corporate written statement of core values or business principles?

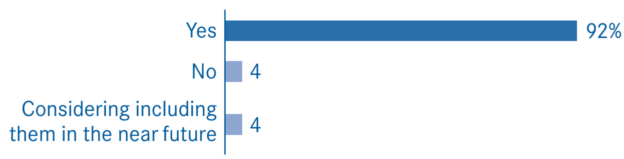
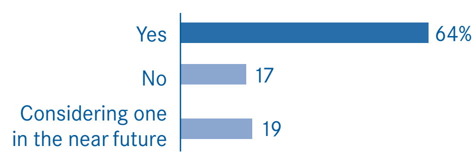


Chart 2

Reviewing Citizenship Policies

Has your company conducted a strategic review of its corporate citizenship policies?



Becoming Global Corporate Citizens

Corporate citizenship's foothold is strengthening. Nearly 90 percent of corporate managers report that their companies have a citizenship goal as a part of a statement of core values or business principles; these goals have been in place an average of 14 years. While traditional corporate relations, community affairs, and contributions programs predominate, an emphasis on a broader citizenship approach—including the environment and sustainable development—is emerging as a new model.

The Corporate Role

Although companies that integrate these elements into their citizenship programs—including those pursuing more aggressive citizenship agendas on the whole—regard CEO initiative and leadership as crucial, CEOs themselves are divided about what roles their companies should take in creating a business environment based on these insights. CEOs express preferences that their companies be a:

42% partner
33% leader
25% supporter

Among those preferring not to be leaders, CEOs prefer to work alongside

56% government
28% business associations

Developing a Corporate Citizenship Policy

Management Factors

- CEO initiatives
- Company reputation and trust issues
- Inquiries from investors/socially screened funds
- Products or markets
- New management
- Negative media attention

Managing and Measuring

Citizenship-specific management structures—including job titles, performance incentives, training, and other indicators of organizational responsiveness and main-streaming—are still emerging:

30 percent of managers report that the accountability for citizenship remains associated with the manager/director in a corporate community or public affairs department.

Citizenship performance measures are attracting much interest, but the notion of measuring citizenship remains in its infancy. In fact, although…

68 percent of managers cited the link between citizenship and performance appraisal as "increasingly important"…

57 percent of managers say that their companies do not yet have appraisal systems built around their professed recognition of citizenship's significance.

In the 43 percent of instances where citizenship is used for appraisal, it impacts management's compensation, particularly that of:

18% business unit or line managers; and
16% CEOs and senior management.

As for measuring their larger citizenship enterprises, managers were almost evenly divided—although the trend is decidedly in favor of citizenship metrics:

39% measure
37% do not measure
24% will measure within the next three years

Beyond Philanthropy

In the United States, citizenship is often viewed as synonymous with corporate contributions and philanthropy. In countries where there is not as much of a contributions infrastructure and tradition, however, corporate citizenship is viewed and practiced from the perspective of how business operations and citizenship *performance* interact.

Companies around the world are beginning to place even greater emphasis on citizenship activities that do not rely exclusively on philanthropy. Managers report that their top citizenship priorities are:

- employee health and safety;
- sustainability;
- equal opportunities/global diversity; and
- globalization of contributions.

About 60 percent of managers say that these and other citizenship activities have led to:

- goodwill that opens doors in local communities; and
- an enhanced reputation with consumers.

Going Global

As U.S.-based corporations expand globally, their contributions programs are struggling to find a new balance between the traditional focus on geographically defined community programming and the need to establish a global presence. This comes at a time when business operations are going global more quickly than giving budgets are growing—or can keep up with.

As corporations expand their global operations, their international contributions programs emerge as an increasingly significant component in their grantmaking strategies:

42% currently have an international giving program
10% plan to implement a program in the next three years

The top-ranking drivers for determining corporate engagement in contributions activities outside of the headquarters country are:

- concentration of employees;
- location of plant; and
- relation to global business objectives.

Managers ranked the top three recipient regions as:

- North America;
- Europe; and
- Asia.

They report that the top three challenges in international giving and/or social investing are:

- structuring the program;
- integrating cultural differences; and
- measuring results.

The Short Term

Managers say that citizenship challenges over the next three years will include:

- growing one global identity;
- integrating with business decision making; and
- measuring results.

Reporting Citizenship

Companies are adopting more involved methods of corporate reporting on citizenship, sustainability, and environmental performance. Decisions on such "nontraditional" reporting can be influenced by the nature of the industry, the history of the company, and external pressure to adopt one or another approach.

Asked about their nontraditional reporting practices, managers say that:

60% currently publish either a "contributions or philanthropic" or a "social or citizenship" report

27% plan to publish one or both of these reports in the near future

The demand for targeted corporate reporting on citizenship is growing in tandem with the emergence of market funds aimed at investors seeking to encourage it. This is increasing the *quantity* of corporate citizenship reporting, but the *comparability* of these reports—across companies, industries, and regions—remains at issue.

Stakeholder and NGO Relations

Although most companies report established ties with at least some stakeholders, the trend now is toward more *systematic and open* relationships, especially as the bar of expectations for social responsibility and sustainability goes higher. The tradition of *managing* stakeholders is giving way; meaningfully *engaging* them is now the key to achieving a credible citizenship focus.

58 percent of companies have a structured program to engage stakeholders, which typically include employee/labor groups and local communities.

25 percent do not have relationships with NGOs.

Among those that do, one in five relationships are with environmental groups and 15 percent are with labor groups. The relative dominance of relationships with environmental NGOs is unsurprising, since the environment—and groups representing it—became an active concern for companies earlier than did other citizenship issues. Of the four NGOs that had more than one or two companies indicating relationships, three—The Nature Conservancy, the World Business Council for Sustainable Development (WBCSD), and The Coalition for Environmentally Responsible Economies (CERES) (the other was Amnesty International)—are environmental groups, further underscoring the relative significance of that area of interest.

Coaxing Consensus

Responding to the public's interest in the social and environmental behavior of business, a growing number of international organizations, industry associations, NGOs, and citizens' groups have developed codes, principles, standards, and guidelines designed to encourage particular types of corporate conduct or performance on issues ranging from labor to human rights to sustainability. Examples of these maps of corporate conduct include the UN Global Compact and the Global Sullivan Principles.

Steering a Middle Course on Codes

While some companies view the proliferation of codes—what some call *codemania*—as an onerous, inefficient, and potentially costly distraction promoted by non-business entities, advocates say that by embracing such standards, companies can:

- protect and enhance their reputations;
- insulate themselves from demands to sign other statements;
- establish management's commitment to stakeholder confidence in the company; and
- demonstrate their emphasis on prevention rather than corrective action.

Indeed, companies' tactical decisions to adopt citizenship or sustainability approaches in corporate reporting, or to endorse external codes and guidelines, often lead to broader company self-assessments on citizenship strategy.

But the issue of codes remains sensitive…

Only 20 percent of responding managers answered questions relating to global business conduct standards; the remaining 80 percent ignored them. This suggests that only a small number of participating companies have seriously considered endorsing the major global citizenship or business conduct standards. In fact, while companies are willing to "endorse" or "support" a set of principles, statements of "adherence"—particularly those requiring third-party verification—are much more rare, as are formal declines. Most managers prefer to say that such matters are "under review" at their companies. By far the largest number of companies say that they were "not approached," or did not answer the question.

The Way Forward

In assessing what will be necessary to assure a more successful business future, CEOs are split between:

internal factors, such as better managing their external relationships and creating industry-led guidelines and collective corporate initiatives, that reflect a sense of accountability for their own future success; and

external factors, such as clearer leadership from government and clearer consensus in civil society about solutions to critical challenges.

As globalization progresses, business is being drawn toward greater participation in nontraditional areas of accountability. Many businesses appear to accept this trend, but have yet to come fully to grips with it.

CEOs on Citizenship

Becoming Global Corporate Citizens

Citizenship has found its way onto the permanent corporate agenda—a new Conference Board survey of corporate citizenship managers finds that the average citizenship statement has been in place for fourteen years. Managers and board members agree that CEO leadership is crucial, both for charting their own company's course and for shaping an emerging global consensus on citizenship. But as the Board's new survey of CEOs reveals, differing regional priorities provide vital subtext to the ongoing conversation.

CEO Survey Highlights:

- *Company traditions and values to act ethically and be a force for economic development* is far and away the primary driver for corporate social involvement throughout the world.
- But there is also a clear commitment to a *long-term investment to improve society*, including *expanding economic progress to underserved segments*, which (it is felt) ultimately benefits the business.
- CEOs see an active role for their companies in assuring future business success through their citizenship programs, but are divided on whether their companies should be partners or leaders. Merely supporting the process is generally seen as somewhat less attractive.
- Among companies that opt not to lead the process, government is the clear choice for leadership, followed by business associations. This suggests considerable variation on where it is thought accountability should lie.
- CEOs in the United States, Brazil, and Europe say that their efforts to create future success through citizenship initiatives have been only "somewhat" effective to date. In other regions—but especially in Asia-Pacific—CEOs see their results as "not very" effective.
- In assessing what will be necessary to more effectively assure a successful business future, CEOs are split between:

  internal factors, such as (1) better managing our external relationships and (2) creating industry-led guidelines and collective corporate initiatives, that reflect a sense of accountability; and

  external factors, such as (1) clearer leadership from government and (2) clearer consensus in civil society about solutions to critical challenges.

Why Social Investment?

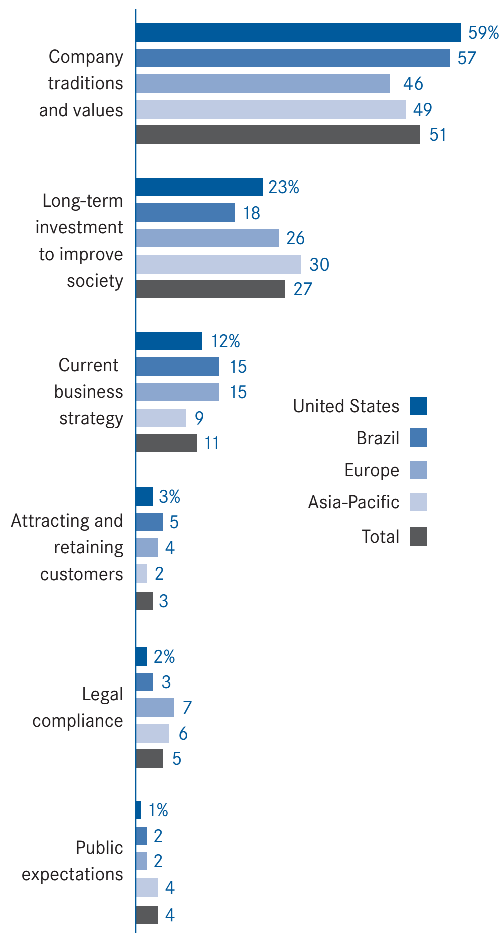
Asked what drives their company's social involvement—in particular its investment in community and economic development—CEOs arrived at a global consensus rooted in two leading factors (Chart 3):

51% Company traditions and values to act ethically and be a force for economic development

27% Long-term investment in society (which will ultimately benefit our business)

Chart 3

What Drives Your Social Involvement?



CEOs in the United States (59 percent) and Brazil (57 percent) show a preference for company traditions that link ethical impulses to economic development; European and Asia-Pacific CEOs share this preference, although less strongly. CEOs in Asia-Pacific and Europe also rank long-term investment in society more highly—30 and 26 percent, respectively—than their U.S. and Brazilian counterparts. These differences play to expectations—a more capitalistic "New World" perspective *vs.* a more "social" outlook in the other regions—although in Brazil one might also expect a greater emphasis on long-term investment, given the social and economic disparities there.

Some (Un)surprising Also-rans

The following social investment drivers elicited diminished responses from CEOs. The global numbers were:

5% legal compliance
4% public expectations
3% attracting and retaining customers

The response to the legal compliance driver is unsurprising given the paucity of specific rules worldwide. What does seem counterintuitive is the very low ranking of the customer and public expectations drivers, especially given that each has featured prominently in general discussions and in the literature. (Responding to a different question about how to strengthen effectiveness, CEOs do attach importance to a *clearer consensus in civil society about solutions to critical challenges.* This suggests that as a *social investment* driver, public expectations get a muted response because of the present lack of clarity as to what those expectations are.)

What Managers Say

87% report that their companies have a citizenship goal as a part of a statement of core values or business principles; these goals have been in place an average of 14 years.

64% report that their companies have a corporate citizenship policy.

80% report that their companies either have, or will conduct a review of, citizenship policies in the near future.

Company statements address:

- code of conduct or ethics prohibiting illegal practices;
- the commitment to communities where a company does business; and
- reputation and trust management.

66% report using the term "corporate citizenship." Other terms used include:

- corporate social responsibility;
- community partnership;
- sustainable development;
- community investment/involvement; and
- global business standards/business conduct.

Reputations of the CEO and the company are the dominant factors in developing a corporate citizenship policy.

Measuring results and *growing one global identity* will be the most challenging citizenship issues in the next three years.

Whither Future Success?

Asked to select factors important to their companies' ability to create future business success through citizenship programs, CEOs consistently ranked two at the top (Chart 4):

46% economic and political stability
34% an educated and skilled workforce

Third in importance, although much lower overall, was the *environment and sustainable development.*

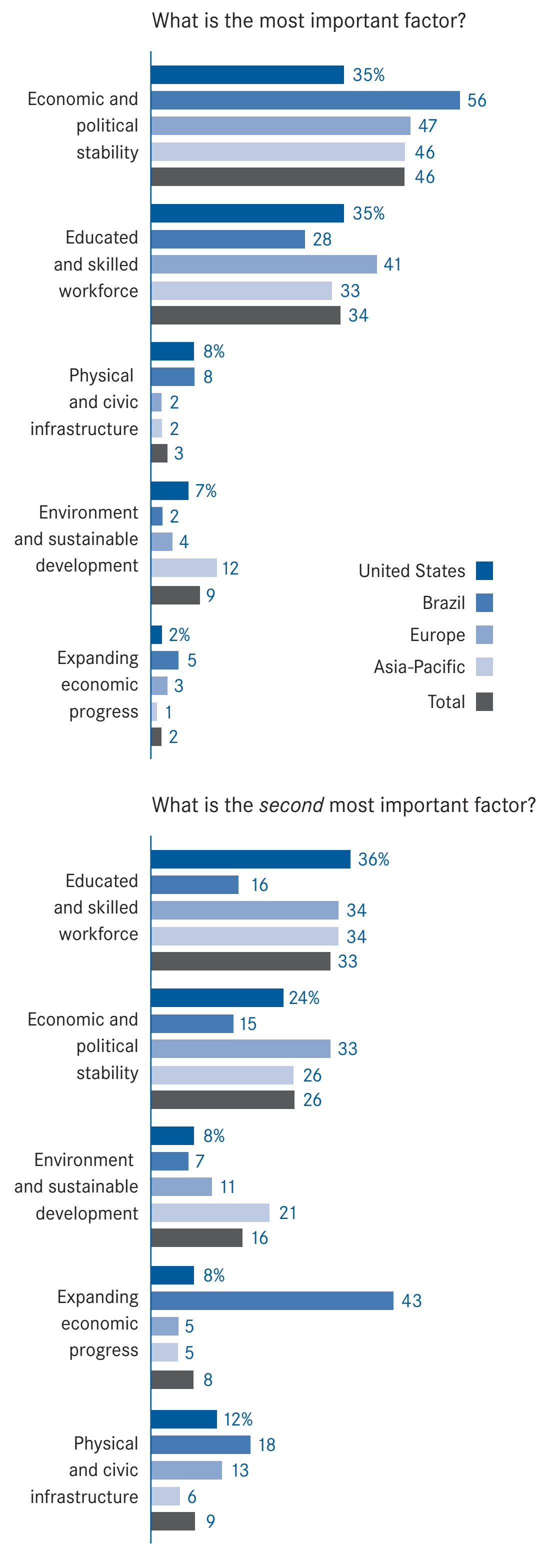
Second Tier Exposes Regional Differences

A second tier of success factors reveals significant regional distinctions:

Expanding economic progress to disadvantaged and underserved segments of society is clearly very important in Brazil, where 5 percent of CEOs list it as the most important factor, and 43 percent the second most. In Asia-Pacific, 1 percent list it as most important, and only slightly more—5 percent—list it as the second most.

Environment and sustainable development ranks highly in both Asia-Pacific and the United States, where 12 and 7 percent of CEOs, respectively, list it as the most important factor. Compared to Asia-Pacific's 12 percent, only 2 percent of CEOs in Brazil list this factor as most important to their future success. Asia-Pacific and Brazil's contrasting views of (1) expanding economic progress and (2) sustainability may mean that CEOs in these regions understand the meanings of these factors differently.

Chart 4
Assuring Future Business Success



Heart *vs.* Hands

While CEOs see the *motivation* for citizenship as an internal matter, the factors for *success* are seen as being dominated by the outside world. Concerns for a stable economic and political environment and a talented workforce—reflecting traditional business ideals—persist in an environment newly shaped by factors that have not traditionally been seen as primary business concerns. Among drivers for social involvement and future success, *long-term investment in society, sustainable development,* and *expanding economic progress* all figure prominently in CEO visions. But depending on the region, leaders can have very different ideas about the relative importance of any of these factors.

Corporate Roles

Given three choices—leadership, partnership, or support—CEOs were asked to envision the role their companies would play in creating a successful business environment (Chart 5). Global preferences are to be a:

42% partner
33% leader
25% supporter

The strongest regional preferences are:

53% Europe partner
46% Brazil partner
42% Asia-Pacific partner
40% United States leader

What Boards Say

CEO interests and transparency issues are drivers in bringing citizenship issues to the boards' attention

70% of boards report that corporate citizenship principles are stated core values

Principal focus of board's citizenship agenda:

- ethics
- health and safety
- contributions/philanthropy

Topics discussed most often by board:

- ethics/codes of conduct
- health/safety
- philanthropy
- environment

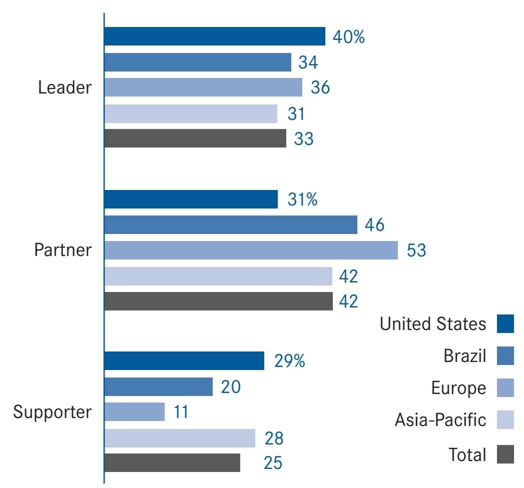
Board's citizenship performance indicators:

- brand image and reputation
- attracting and retaining employees
- level of regulatory enforcement

Chart 5

The Corporate Role

What role will your company play in creating good business *and* good society?



Businesses in Europe—which indicate a preference for partnership (53 percent) over leadership (36 percent)—are the least inclined to supporting roles (11 percent). Brazil shares this disinclination, although less strongly, at 20 percent. Apart from European companies' rather strong stance against the supporter role, overall responses to this query were fairly balanced, perhaps reflecting equivocation on business' role in promoting future success in society.

Other Leaders

Among CEOs opting against a leading role for their companies, responses to a follow-up query were more diverse. Asked "Who should lead?" (Chart 6), global responses favored:

56% government
28% business associations

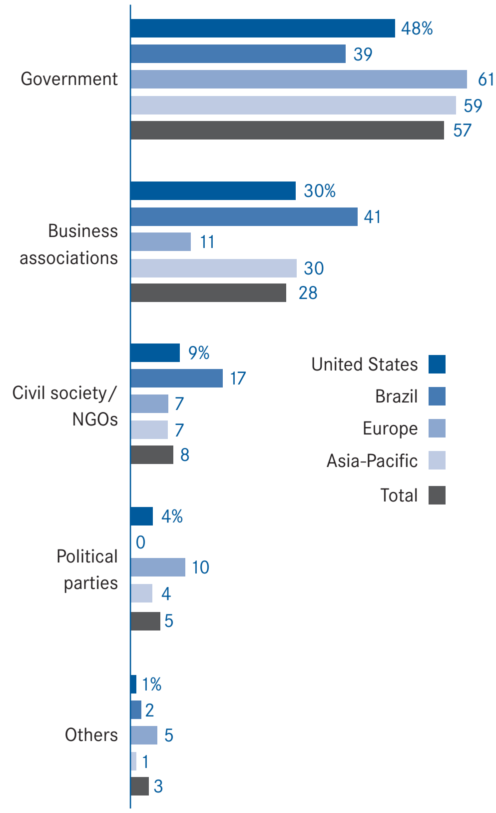
The clearest preference for government leadership (61 percent) is in Europe; the weakest (39 percent) is in Brazil, followed by the United States (48 percent). Here again, the contrasts in attitudes toward the role of government in leading social development suggest an "old world, new world" difference in outlook.

Business associations—which come in a very distant second (11 percent) in Europe—are slightly preferred (41 percent) in Brazil and appear to be a strong second everywhere else. This may reflect the generally held understanding that business works more closely with government in Europe.

Chart 6

If Not You, Who?

If your company should not assume the leadership role, who should?



How Effective Are You?

Companies shaping a global citizenship consensus are nonetheless at different points along the spectrum. To see where they are—and where they want to be—CEOs were asked to evaluate their companies' present effectiveness. Given the range of nontraditional business drivers (see Chart 3 on page 13 and Chart 4 on page 14), it is not surprising that CEOs see great opportunity for improvement (Chart 7).

Globally, a 36 percent majority say that they have been *not very effective*; this is slightly misleading, since it reflects the 55 percent of Asia-Pacific leaders who registered the same response, by far the most negative self-assessment of any region. In fact, nearly half of CEOs (a total of 49 percent) are more optimistic, characterizing their companies' citizenship efforts as follows:

29% somewhat effective
24% mixed results

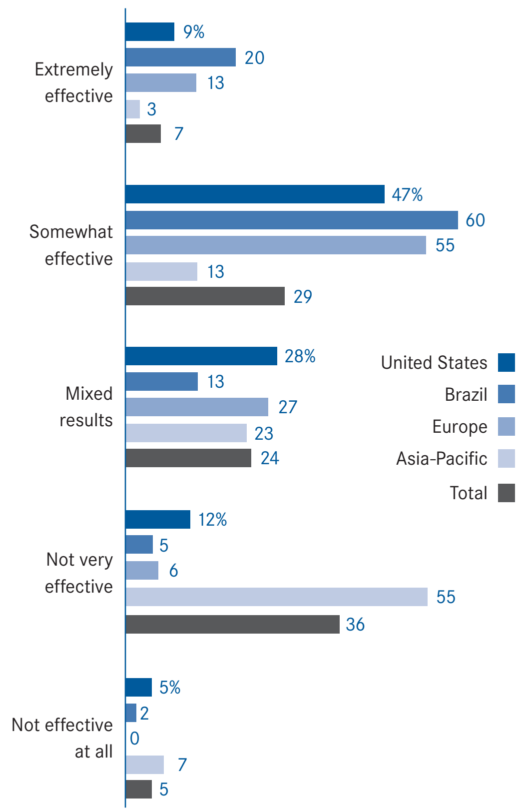
Learning to deal effectively with this new area of corporate accountability is expected to take time, and—as these responses confirm—many companies are at the developmental stage.

Brazilian CEOs are the most positive about their successes, with 80 percent claiming that they have been *somewhat* (60 percent) or *extremely* (20 percent) effective. Given the social and economic similarities between Brazil and Asia-Pacific, this makes for another interesting contrast, perhaps (again) explained by the regions' contrasting perceptions of the relative importance of (1) expanding economic progress and (2) sustainability to future business success.

Chart 7

Room for Improvement

How effective are your efforts today to address the primary factors that will assure your business success tomorrow?



How Can You Get Better?

Asked which factors would strengthen the effectiveness of their citizenship programs, CEOs showed a global preference for (Table 1):

- better managing our external relationships; and
- clear leadership from government.

Acknowledging that they must be responsible for their own success in the future rather than depend on external expectations, 26 percent of CEOs indicated that better management will have the single greatest impact. This self-reliance is reinforced by their emphasis on industry guidelines and collective initiatives, which ranks highest (15 percent) as having the second greatest impact.

Table 1

Boosting Effectiveness: The Global Consensus

	Factors selected as having…		
Factor	Greatest impact	Second greatest impact	Third greatest impact
Better managing our external relationships	26%	14%	14%
Clear leadership from government	18	12	11
Clearer consensus in civil society about solutions to critical challenges	16	13	11
Clearer demand from consumers	13	12	8
Better relationships with government(s)	6	8	8
Industry-led coalitions and guidelines	5	15	13
Improved awareness by financial analysts and investors	5	11	9
Better relationships with stakeholders such as NGOs	3	7	11

Note: Percentages do not add to 100, since not all respondents replied to all three levels of impact.

Setting the Parameters

But what *are* the external expectations, and who creates them? The global consensus is that government, civil society, and (not unexpectedly) consumers have important roles to play—all rank highly among the factors CEOs believe will have the greatest impact, although with interesting regional variations (discussed below):

18% Clear leadership from government

16% Clearer consensus in civil society about solutions to critical challenges

13% Clear demand from consumers

While *clear leadership by government* ranks relatively high as a need, *better relationships with government* does not. This suggests that CEOs are reasonably confident that they can work with government once the parameters and expectations are clearly defined. Shoring up the case that CEOs prefer to take their cues from government and civil society, *improving stakeholder relationships such as NGOs* also appears to be a lesser concern, a view that gets support in a recent report from *AccountAbility: The Institute of Social and Ethical Accountability*: "There is an emerging concern that the heavy investment in stakeholder engagement is not delivering businesses with useful information…." [1]

CEOs see the greatest accountabilities within their own companies and within groups of companies acting collectively. But in order for this to occur, government and civil society needs to better define "the bar." In other words, there is an implied commitment to improve social involvement performance, but this improvement needs to be achieved in an environment of clear expectations.

1 From AccountAbility's announcement of AA2000, a 2001 revision of their AA1000 accountability standard, August 17, 2001 (reported on *The International Corporate Environmental Reporting Site* at www.enviroreporting.com).

It is interesting that *improved awareness (of the importance of citizenship programs) by financial analysts and investors* does not rank high among the factors having the greatest impact. This suggests that CEOs might strongly believe in the intrinsic value of citizenship for their companies, and that the financial community will increasingly understand this as time passes. It might also reflect awareness both of the steadily growing importance of socially responsible investing and of financial indexes, such as the Dow Jones Sustainability Index and FTSE4Good, that increasingly recognize company citizenship commitments.

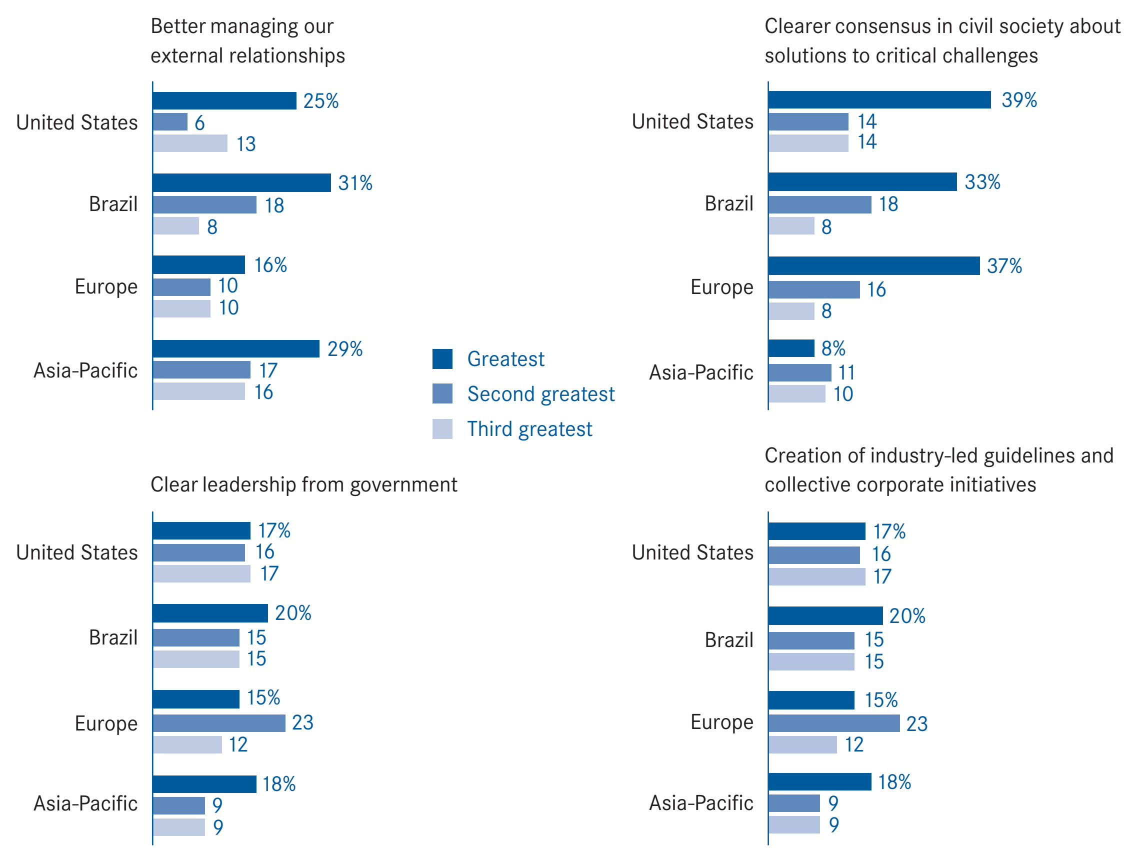
Regional Variations

As elsewhere in the CEO survey, there is diversity in the unity (Chart 8). Although *better managing our external relationships* ranks consistently first across all regions, it ranks lowest in Europe and highest in Brazil and Asia. This most likely reflects Europe's longer tradition of managing external relationships, a common theme in much of the current citizenship, corporate social responsibility, and sustainability discourse.

Chart 8

Effectiveness Factors: Regional Differences Under the Surface

Company responses to effectiveness factors reveal subtle variations across regions



The importance of *clear leadership from government*, also quite consistent across regions, ranks slightly lower overall in Europe.

Asia attributes decidedly less importance than other regions to *clearer consensus in civil society about solutions to critical challenges*. This may reflect a relatively undeveloped democratic/political/social tradition in Asia when compared to the United States and Europe, both of which rank this factor very highly.

In contrast, Asia was the only region in which *clear demand from consumers* was ranked relatively high, suggesting that marketplace signals—as opposed to more general civil society signals—may be relatively more important there. The comparatively high ranking of this factor in Brazil—one of the world's largest economies—may owe to the rapid growth there of both the consumer products sectors and the consuming public itself.

Exhibiting a similar consistency across regions to the internal management and government leadership factors, the importance of *creating industry-led guidelines and collective corporate initiatives* reflects and reinforces the bias of CEOs toward "managing their own affairs" in the realm of corporate community and economic development.

From Theory to Practice

The CEO survey suggests a somewhat equivocal situation. Companies are proud of their traditional commitment to social involvement, and understand that they must take responsibility for assuring their future business success by managing that involvement even more effectively. But it is equally understood that success likely cannot be assured without clearer alignment of "external" influences—including government leadership and civil consensus—factors that are viewed as very important. Many businesses appear to accept this situation, but have yet to come fully to grips with how to deal with it.

Managing and Measuring

How are companies facing the organizational demands of citizenship? Most managers report that their companies use interdepartmental task forces or councils with a company-wide focus. For these companies, citizenship is being promoted as a business-wide concern requiring a business-wide response and structure.

But there is evidence that accountability remains tied to traditional methods.

From Management…

Nearly one-third of responding managers—30 percent—report that the accountability for citizenship remains associated with the manager/director in a corporate, community, or public affairs department (see box below). Corporate citizenship structures are therefore very much in flux between existing and yet-to-be-created models.

Data on citizenship goals and performance appraisal highlight a similar gap between organizational ideals and management reality (see box below). Although two-thirds of managers say that their companies place increasing emphasis on linking citizenship with performance appraisal, this awareness has yet to translate into actual behavior. As 57 percent of managers confirm, most companies do not have appraisal systems built around their professed recognition of citizenship's significance. (This majority includes the 7 percent whose companies plan to institute citizenship as an evaluation category in the future.)

Citizenship's Chain of Command

What is the title of the individual with primary accountability for your company's corporate citizenship strategy and implementation?

(N=54)

Title	Percent
Manager/Director	29%
Vice President	23
Executive/Senior Vice President	16
Chairman/President/CEO	13
Executive Director	7
Other	13

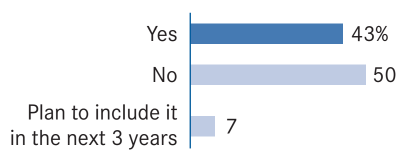
In what division or department does she or he reside?

Division or department	Percent
Corporate/Community/Public Affairs	33%
Communications	15
Corporate Citizenship/Social Accountability/EH&S	13
Office of the CEO	9
Reputation and Social Policy	4
Human Resources	4
Corporate Contributions	4
Sustainable Development	2
Corporate Foundation or Trust	0
Other	17

Citizenship and Performance Appraisal

Is corporate citizenship an evaluation category in your performance appraisal processes?

(N=68)



If yes, what does it affect?

(Check all that apply)

Business unit or line manager compensation	18%
CEO or senior management compensation	16
Senior management succession/promotions	13
Supplier or contractor selection, retention, or rejection	11
Candidate recruitment and hiring	11
Board of directors' self assessment	10
Country managers' rating and selection	7
Other	3

…To Measurement

In the slight minority of instances—43 percent—where citizenship is used for appraisal, it impacts management's compensation, particularly that of:

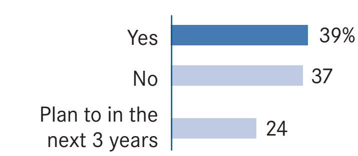
18% business unit or line managers; and
16% CEOs and senior management.

Indeed, like the contributions and community relations managers who were under pressure in the 1990s to prove their department's value to the business, current stewards of citizenship programs are required to measure the effectiveness of their efforts. Among managers surveyed about their citizenship measurement practices (see box):

39% measure
37% do not measure
24% will measure within the next three years

Measuring Citizenship Activities

Does your company measure the effectiveness of its corporate citizenship activities?
(N=67)



How does it do so?
(N=67)

Annual corporate goals/objectives	28%
Feedback from employees	20
Internal auditor(s)	17
Feedback from customers	17
Customized key performance indicators	14
Feedback from shareholders	10
Independent evaluator(s)/verifiers	10
Feedback from suppliers	3

What Managers Say

- Citizenship is typically the responsibility of an interdepartmental task force or council with a company-wide focus.
- Programs are generally accountable to someone at the manager/director level in the corporate/community affairs department.

  39% report that their companies currently measure the effectiveness of their citizenship activities, typically through annual corporate goals and objectives.

  50% report that their companies do not have citizenship as a performance evaluation category (the remainder do or plan to), although…

  68% cited the link between citizenship and performance appraisal as "increasingly important."
- When citizenship is included in performance appraisal, it typically affects the business unit/line managers' compensation.

> Philanthropy is easy to measure. Citizenship? It might be impossible. We simply can't measure and report on everything we do for our stakeholders. The amount we donate to charities is an easy figure to report, but it doesn't give the whole story.

Gordon Feeney, Deputy Chairman, Royal Bank Financial Group[2]

2 Remarks to the Kroeger College Leadership Forum, Ottawa, Ontario, February 8, 2001.

Asked about their measurement priorities, managers report that their companies are:

- determining whether the activities lead to corporate goals and objectives;
- assessing feedback from employees;
- assessing feedback from customers/utilizing internal auditors; and
- using customized key performance indicators.

One-quarter of companies measure the effectiveness of their corporate citizenship activities against their annual corporate goals and objectives, and (as we have seen) managers who have responsibility for citizenship activities are being held accountable for their impact. Survey results demonstrate that the link between corporate citizenship performance and compensation will only grow stronger in the near future: An overwhelming 68 percent of managers cited the link as “increasingly important.

Where Citizenship Meets Corporate Structure

Board of Directors

- Sets direction of the vision and values of the firm
- Monitors company and top executive performance against this vision
- Sets policies consistent with vision
- Reaches policy and business decisions reflecting values and vision
- Approves or rejects involvement in external codes and guidelines
- Establishes code of ethics or business principles
- Balances duty to shareholders with interests of stakeholders

CEO

- Provides leadership and initiative
- Allocates resources, people, and time
- Leads internal company task force to define and implement company-wide strategy
- Leads company approaches to new and expanded stakeholder networks
- Assesses level of stakeholder participation, if any, in the firm’s governance structure (pursues as appropriate with board of directors)
- Determines company response to external codes and guidelines seeking its endorsement (pursues as appropriate with board of directors)
- Monitors company performance
- Chief company spokesperson on citizenship vision, policies, issues

Other senior management

- Establish operating procedures to integrate citizenship into business decision making
- Engage employees as the first citizenship public
- Design and implement indicators and qualitative, quantitative, or normative measures of citizenship performance
- Determine and establish links between citizenship values and hiring, performance appraisal, and promotion systems
- Monitor internal results
- Decide which external reports to issue
- Decide extent of desired link between corporate citizenship and the company brand
- Engage business units and the supply chain in citizenship vision and plans

Communications and Investor Relations

- Organize and receive inputs from stakeholder groups through dialogues
- Track and report movements in capital markets, such as sustainable investing and its impact on the corporate reputation
- Implement decision on what external performance reports to issue, such as triple bottom line
- Establish and communicate the link between values and performance
- Coordinate responses to codes, guidelines, and standards requests

- Research and report on citizenship trends of consequence to the firm

Marketing

- If selected, executes brand positioning from a citizenship perspective
- Determines integrated branding strategies and plans
- Explores opportunities for linking brand to particular causes or issues
- Assesses and reports on consumer reaction

Capabilities and Human Resources

- Creates and implements performance incentives and appraisal systems that reflect citizenship vision and purpose (for current personnel)
- Creates and implements criteria for hiring personnel reflecting traits the company now requires (for future personnel)

Community Affairs

- Assesses needs and develops programs for community investment
- Establishes and monitors community partnerships
- Ensures consistency of company efforts across national boundaries
- Helps the firm determine the meaning of "community" on a global scale and create projects to demonstrate it

Country Managers, Plant Managers, Field Operations

- Monitor compliance of supply chain providers
- Serve as early warning system for central office on emerging issues of consequence to the reputation of the firm
- Sustain integrity of firm's citizenship objectives at its potentially weakest links in the field
- Serve as key resource for testing and improving practical local applications of global themes
- Become experts in applying global themes locally

Corporate Contributions and Philanthropy

- Integrates contributions program with citizenship objectives
- Determines giving themes consistent with these objectives
- Determines appropriate balance between home country and rest of world giving
- Determines extent to which contributions will complement or lead firm's citizenship strategy

Source: The Conference Board

Ethos Institute Corporate Social Responsibility Indicators

The mission of the Instituto Ethos de Empresas e Responsabilidade Social–a Brazilian nonprofit organization with hundreds of member companies–is to raise awareness among Brazilian companies; mobilize them to manage their affairs in a "socially responsible" way; and help them to become partners in creating a more prosperous and just society. The Institute uses the Ethos Indicators to evaluate the stage that companies have reached in their "socially responsible" practice. The assessment covers:

Values and Transparency

Self-regulation of behavior

- ethical commitments
- embeddedness in organizational culture

Transparent relations with society

- dialogue with interested parties (stakeholders)
- relations with the competition
- social report

Workplace

Dialogue and participation

- relations with organized labor
- participatory management
- profit sharing and performance bonuses

Respect for the individual

- commitment to the future of children
- respect for diversity

Respect for workers

- handling of layoffs
- commitment to professional development and employability
- concern for health, safety, and working conditions
- preparation for retirement

Environment

Management of environmental impact

- knowledge of environmental impacts
- reduction of inputs and wastes in the production processes
- responsibility regarding product and service life cycle

Responsibility to future generations

- compensation of nature for resource use and environmental impacts
- environmental education

Suppliers

Selection of, and partnerships with, suppliers

- selection of criteria for suppliers
- relations with third party workers
- support for supplier development and improvement

Consumers

Social dimension of consumption

- marketing and communication policy
- excellence in consumer service
- knowledge of potential harm from products and services

Community

Relations with the local community

- management of impacts of productive activities
- relations with community organizations

Philanthropy/social investment

- social projects support mechanisms
- action strategies in the social area
- mobilization of resources for social investment

Volunteer work

- recognition of and support for volunteer work by employees
- relations with the local community
- management of the impacts of productive activities

Government and Society

Political transparency

- contributions to political campaigns
- anti-corruption and bribery practices

Social leadership

- leadership and social influence
- participation in governmental social projects

Source: Instituto Ethos de Empresas e Responsabilidade Social

Beyond Philanthropy

Companies today walk a fine line. Shareholder demands for continued growth are now (and as loudly) answered by society's demand that corporations broaden their mission to include environmental and social stewardship. To build trust and maintain business effectiveness in this new environment, American companies in particular are beginning to supplement traditional philanthropic practices with strategic initiatives that outline a broader citizenship agenda.

Philanthropy vs. Citizenship

The new corporate emphasis on broader themes—how companies effectively manage their economic, environmental, and social impact, both on the communities where they operate and on society as a whole—has yet to be woven into the American citizenship agenda, which continues to be dominated by traditional corporate relations, community affairs, and contributions programs. Elsewhere in the world, where there is an absence of a contributions infrastructure and tradition, corporate citizenship is viewed and practiced from the perspective of how business operations and citizenship performance interact. But Anglo-Dutch conglomerate Royal Dutch Shell's Shell Foundation—launched in June 2000 with an initial US$30 million investment—is just one sign that European companies are adding the American philanthropic model to their citizenship portfolios.

New Priorities

The global nature of business confronts companies with intense competition—not to mention organizational, governance, and technological challenges—across national and business cultures. Increasingly, companies must consider how best to balance shareholder demands for growth against societal demands that they broaden their primary economic mission of taking business into new areas.

Responding to this new context, companies are implementing programs that take into consideration the powerful impacts on communities worldwide of their economic, environmental, and social capital. Seeking to strengthen business ties while preserving the "license to operate" granted them by communities, governments, environmentalists, and other stakeholder constituencies, global companies are beginning to place greater emphasis on corporate citizenship activities that do not rely exclusively on philanthropy (Table 2).

Citizenship ≠ Philanthropy

Corporate philanthropy/contributions	Corporate citizenship
Focuses on relationships with nonprofit organizations	Focuses on multiple stakeholder and interest group relationships
"Strategically aligned," but not fully integrated, with corporation's core interests	Linked to core business operations, products, and brand image and reputation
Bottom-line impact not generally expected	Bottom-line impact anticipated and expected (though not proven)
Competitive edge generally not expected	Contributes to sustaining or improving competitive advantage
Driven by voluntary decisions of the company	Driven by company response to market forces
Establishes processes largely around the grant decision	Establishes processes to capture and integrate market and social signals with decision making
Reacts internally to executives and externally to grantseekers	Seeks to anticipate NGO, civil society, advocacy, consumer, and media trends
Sector initiatives and partnerships are uncommon	Sector initiatives and partnerships are common
Reporting of financial inputs to NGOs	Reporting on financial, environmental, and social outcomes growing
Short-term grant decisions, few long-term relationships	Long-term strategy of building and maintaining relationships

Table 2

Getting Priorities in Order

(1=top focus)

Citizenship activities/issues	Number of companies ranking activity/issue as… 1	2	3
Safety and health	14	9	4
Sustainability	11	8	3
Equal opportunities/global diversity	6	5	6
Globalizing contributions to community	5	4	8
Pollution control/air emissions	6	5	4
Cash or product giving	6	5	2
Professional development/employability	1	7	6
Work/life balance	2	4	6
Eco-efficiency	2	5	1
Partnerships with NGOs	1	4	4
Recycling/waste management		2	5
Triple bottom line reporting	1	1	2
Child labor	2		
Human rights	1	1	
Unions/staff forums		2	1
Fines, settlements, and liabilities		1	1
Working hours/wages			1
Bio-diversity			1
Spills			

What Managers Say

Citizenship activities are addressed primarily to issues of:

- employeee health and safety;
- sustainability;
- equal opportunities/global diversity; and
- globalization of contributions.

The top benefits of these activities are:

- goodwill; and
- enhanced reputation.

70% report that their companies have a corporate foundation.

46% report that employee volunteering is vital to their companies' citizenship agenda; companies encourage global giving through volunteering projects and matching gifts.

Companies' concentrations of employees are the primary drivers of their citizenship activities outside headquarters country; the top three regions for corporate giving and social investments are:

- North America;
- Europe; and
- Asia.

The top challenges in international giving and/or social investing are:

- structuring the program;
- integrating cultural differences; and
- measuring results.

Managers list as their top citizenship priorities:

- employee health and safety;
- sustainability;
- equal opportunities/global diversity; and
- globalization of contributions.

Other priorities are:

- pollution control/air emissions; and
- cash or product giving.

These new priorities indicate that the demands of conducting business globally have begun to lead American companies in particular to supplement their traditional corporate philanthropic practices. Government and NGO partnerships—which have become more common—reflect the need for new approaches, a need that is driven by the limitations of philanthropy, and by business's expanding social agenda.

Through other citizenship initiatives, managers at leading companies seek to:

- better integrate employees into the communities in which they work;
- demonstrate responsiveness to consumers and investors;
- build employee and customer loyalty;
- earn community trust and credibility; and
- be rewarded by investor confidence.

Leveraging Goodwill

Companies are beginning to reap the benefits of their citizenship activities (Table 3):

More than 50 percent of managers report that their companies' citizenship activities have led to:

- goodwill that opens doors in local communities; and
- an enhanced reputation with consumers.

More than 33 percent report the following additional benefits:

- improved managerial competency in dealing with diverse publics
- an ease in attracting, developing, retaining, and motivating talented people
- the benefit of the doubt from the media, regulators, and campaigners when problems occur

Managers appear to regard their corporate citizenship activities as a useful business model for developing trust and business effectiveness in today's competitive multi-stakeholder environment.

Table 3
Reaping the Benefits
N=93

Benefits of citizenship programs and activities	Percent of respondents
Goodwill that opens doors in local communities	61
Reputation enhanced with consumers	59
Improved managerial competency in dealing with diverse publics	40
Ease in attracting, developing, retaining, and motivating talented people	38
Benefit of the doubt from media, regulators, and campaigners when problems occur	34
Development of new insights and skills subsequently integrated into operations	29
Listing in sustainable/social funds	27
Improved savings	14

Whence Reputation? *Fortune*'s Key Attributes

To select its most admired overall and most socially responsible companies, *Fortune* uses these indicators:

- innovative
- financially sound
- good corporate steward
- long-term investment value
- socially responsible
- quality management
- quality products/services

Most Admired Companies

United States	Global
General Electric	Nokia (Finland)
Southwest Airlines	Toyota (Japan)
Wal-Mart	Sony (Japan)

Most Socially Responsible

- The New York Times
- Target
- Procter & Gamble

Source: *Fortune*'s March 4, 2002, issue: Matthew Boyle, "The Shiniest Reputations in Tarnished Times," p. 72; and Jessica Sung and Christopher Tkaczyk, "On Top and Who Flopped," p. 75.

Going Global

Reflecting changes in geography and distribution, the corporate contributions function has become more globalized in the last few years, most notably in how funds are allocated—cash *vs*. non-cash, and headquarters *vs.* direct local contributions. Beginning in the 1990s, non-cash contributions originating from headquarters comprised the largest portion of international giving. Increasingly, the share of contributions from direct local business units is emerging as a significant source of giving to recipients outside the United States. This suggests that corporate contributions programs are becoming decentralized.

As corporations expand their global operations, their international contributions programs emerge as an increasingly significant component in their grant-making strategies:

42% currently have an international giving program
10% plan to implement a program in the next three years

The top-ranking drivers (Table 4) for determining corporate engagement in contributions activities outside of the headquarters country are:

- concentration of employees;
- location of plant; and
- relation to global business objectives.

Table 4

Making the Call on International Giving

Basis used to determine corporate engagement in activities outside headquarters country	
Concentration of employees	40%
Plant location	28
Relation to global business objectives	27
Significant partnerships/alliances	23
Revenues generated in the region	19

Fifty-two percent of managers report that their companies have (or plan to have) an international non-headquarters program on giving or social investing.

Managers ranked the top three recipient regions as (Table 5):

- North America;
- Europe; and
- Asia.

According to Conference Board research,[3] U.S. respondents donated more than $2.8 billion in 2000 to beneficiaries in other countries; the median donation was $1.1 million. While a majority of international contributions—44 percent—originated at headquarters (with the largest share comprising non-cash contributions from the manufacturing sector), nearly half of international contributions from the service sector—43 percent—were sourced by overseas foundations.

Table 5

Placing Citizenship

Rank the top three regions where your company spends the most funds on philanthropic projects and social investments (1=top rank).

	Rank		
Region	**1**	**2**	**3**
North America	42	2	2
Europe	6	19	6
Asia		7	13
South and Central America	4	6	6
Australia/New Zealand		1	5
Africa		1	2
Middle East			1

3 Amy Kao, *Corporate Contributions in 2000*, The Conference Board, Research Report 1308, 2001.

Global Giving Challenges

Although the days of "pure" corporate contributions for strictly charitable ends are probably gone, corporate philanthropy/contributions continues to be a mainstay of American corporate citizenship. But as U.S. corporations expand globally, their contributions programs are struggling to find a new balance between traditional community programming and the need to establish a global presence (the globalizing of community contributions ranked third among citizenship priorities).

Managers report that the top three challenges in international giving and/or social investing are:

- structuring the program;
- integrating cultural differences; and
- measuring results.

Each company must decide how best to meet its subjective global responsibilities. Typical strategies try to give as much flexibility as possible to local management within a clear global strategy. Since social needs are usually greatest in developing countries, where there are the least resources, the trick for global companies is to balance global themes with local application. A "truly sophisticated global corporate citizenship is likely to have most or all of the following elements[4]:

- a limited number of (typically) small projects at site or plant level which respond to local needs and are unrelated to any global themes;
- many projects at the local, national, or regional level which fit broad global themes, but with differing local focuses and varying means of implementation—looked at together, these can be likened to a flotilla, with many different craft proceeding in broadly the same direction;

Citizenship Perspectives, West to East

United States

Corporate citizenship (CC) a somewhat dated notion–a subset of the broader set of corporate social responsibility (CSR) activities

Refers mostly to non-business relationships

Based on clashes between capitalism (individualist property rights) and democracy (citizenship rights)

Appears to be a business attempt to gain legitimacy

United Kingdom/Europe

CSR a better established notion

CC competes with CSR

CC being positioned as a broader, more holistic concept

Focus on basic business processes (total impact) with respect to primary stakeholders

A lot of diversity in CSR/CC within Europe

India

Based on family values and community

Stakeholder concern is integrated and intrinsic

Charity and strategic philanthropy has its place

Illustrates non-conflictual relationship between business, government, and NGOs

Influenced by deficit in efficacy of state provision of social welfare

Japan

Corporates, government, communities work together on societal issues

Charity has its place

CC is about business relationships with various constituencies, primarily employees

Stress on conformity and compliance

Formal structures–policy, codes, etc.–seen as elements of bureaucratization that come in the way of trust

Absence of these does not reflect lack of commitment

Source: Anupama Moham, "Corporate Citizenship in Developing Countries: Emerging Findings from India, South Africa and Argentina," presentation Summer 2001, at Warwick Business School Conference.

4 Mike Tuffrey, "Striking a Balance Between McStandardisation and Local Autonomy," The Corporate Citizenship Company, online at www.corporate-citizenship.co.uk/resources/show_article

- a few flagship projects which operate at the national or regional level, clearly and consistently branded, and following very similar implementation models; and
- one or two global strategic alliances with NGOs like the World Wildlife Fund or quasi-governmental bodies such as the UN and its sister agencies, which have effect through projects at flagship or flotilla levels.

Strategic Philanthropy

The movement beyond traditional corporate philanthropy began in the 1980s, but expanded in earnest during the wave of corporate mergers of the 1990s. Forced to justify their philanthropic activities while workers were being laid off, U.S. companies embraced "strategic philanthropy," which, among other things, aims to make a strategic contribution to business by fostering synergy among business units, enhancing corporate reputations and financial gains. Other benefits of the approach include improved customer ties and increased employee involvement.[5]

Current Challenges for Corporate Contributions

Changes

- Economic–evolving financial systems and organizations, heightened competition, emphasis on human capital, streamlined operations, and a hard-nosed business approach
- Social–increasing immigration, aging populations, resurgence of religion, and stewardship
- Political–democratization, renewed activism, increasing perception of government failure, and NGOs turning to corporations for financial support and/or partnerships
- Technological–declining costs of information processing and distribution, and structural shifts stemming from the decentralizing and equalizing effects of improved technology

Questioning the company mission reexamination of product and product mix; restructuring the contributions function in the context of company restructuring

Competing trying to find a unique spot where a company can have an impact and be out front on an issue vital to the company's business interests

Mastering scarce resources leveraging reduced funds and staff, using nonfinancial resources, additional responsibilities, time and staff shortages; lack of tools for proper benchmarking

Selecting recipients more pragmatically making fewer but larger grants that have a higher impact, are easier to manage, allow sharper focus on priorities and linking contributions to business goals and public issues that affect the corporation

Source: Sophia A. Muirhead, *Corporate Contributions: The View From 50 Years*, The Conference Board, Research Report 1249, 1999.

5 See Sophia A. Muirhead, *Corporate Contributions: The View From 50 Years*, The Conference Board, Research Report 1249, 1999, p. 43.

Employee Volunteering

Employees continue to remain an important component of the corporate citizenship agenda, according to managers (see box); nearly half of those surveyed consider employee volunteering to be a *very significant* part of their corporate citizenship programs. Companies use company volunteering projects and matching gifts to encourage global giving by employees and partners.

Corporate Contributions in 2001

Giving by American corporations and their foundations totaled $9.05 billion in 2001, representing 1.3 percent of U.S. pretax income and a 12.1 percent decrease from the previous year's giving of $10.29 billion.[6]

In calendar 2000, corporate social investments averaged $57,600,000, while corporate contributions averaged $25,900,000 (Table 6).

The Volunteer Factor

How significant is employee volunteering to your global corporate citizenship plans or activities?

(N=67)

46%	Very significant
34	Somewhat significant
10	Depends on the region
9	Not significant

Table 6

Social Investments *vs.* Contributions, 2000

	Total value of respondents'…	
	Social investments	Corporate contributions
Median	$750,000	$2,890,000
Mean	57,600,000	25,900,000
Mode	100,000	500,000

Employees and Citizenship

Leaders and boards of directors who participate in community development elevate it to a higher level by making volunteering and community development as important as other company functions.

- Builds teamwork skills
- Helps attract prospective candidates for employment who become better employees
- Improves employee retention
- Improves employee morale
- Builds relationships to help sell products through relationship with other businesses
- Enhances training
- Helps create healthier communities
- Improves corporate public image
- Increases employee productivity
- Positively impacts company productivity
- Enhances impact of monetary contributions
- Improves relations with community/government

Source: Cathleen Wild, *Corporate Volunteer Programs: Benefits to Business*, The Conference Board, Research Report 1029, p. 37, 1993

6 AAFRC Trust for Philanthropy, *Giving USA: Annual Report for 2001*.

Foundation Giving Grows…

Since companies generally administer contributions programs through their corporate foundations, whose assets are replenished during profitable years, they rely on that asset base (and its earnings) to maintain the programs during less profitable periods. Seventy-seven percent of companies maintained company foundations in 2000, and this confirms the findings of previous Conference Board surveys.[7]

There has been phenomenal growth in corporate foundation giving over the past few years, evidenced predominantly in the service industry. In 2000, cash contributions made by corporate foundations constituted an the largest portion—36 percent—of the overall U.S. giving.[8] According to findings from the Foundation Center, corporate foundations grew an estimated 9 percent in 2000, a comparatively modest gain following an exceptionally strong 15 percent increase in 1999 and a record 18.7 percent gain in 1998. Over two years, corporate foundation contributions rose over 25.4 percent.[9]

Corporate foundation assets have grown 40.2 percent in the most recent two-year period, from $10.9 billion in 1997 to $15.3 billion in 1999. In the last year alone, assets increased by $2.1 billion, with $499 million representing the excess of company gifts into their foundations (pay-in) over grants paid out.[10]

…Led by Non-Cash Giving

For the vast majority of manufacturing respondents, non-cash contributions continue to account for the largest share of their U.S. contributions, comprising 40 percent of industry-wide total: "In 1999, companies reported that 28 percent of their contributions were in forms other than cash donations, the highest level of non-cash expenditures ever reported by companies in Conference Board analyses. Although the non-cash figure was buoyed by single large donations by several companies, it is representative of the trend among companies toward leveraging cash donations with company product, equipment, land, intellectual property, and other tangible and intangible goods."[11]

Giving Trend Down Since 1986—Or Is It?

U.S. corporate contributions of $9 billion were only 1.3 percent of pretax profits in 2001, down from a high of 2 percent in 1986. This does not reflect a diminished U.S. corporate commitment to community involvement, but a reorientation of strategic philanthropic resources toward corporate activities that are not tallied in the contributions budget and therefore not declared to the Internal Revenue Service. IRS data include only direct dollar and product contributions, and therefore often fail to measure a company's total philanthropic efforts. These additional philanthropic activities, which The Conference Board has tracked since 1982, include:

- property and product donations defined as business expenses; and
- disbursements to 501(c)(3) organizations from departments other than contributions.

7 See Kao; and Audris Tillman, *Corporate Contributions in 1997*, The Conference Board, Research Report 1229, 1999.

8 Kao, p. 15.

9 Steven Lawrence, *Foundation Yearbook: Facts and Figures on Private and Community Foundations*, The Foundation Center, 2001, p. 46.

10 Ibid., p. 65.

11 Audris Tillman, *Corporate Contributions in 1999*, The Conference Board, 2000, p. 15.

Getting There

Charting the Challenges

Global Identity and Business Integration Lead Challenges

Asked about their greatest challenges in implementing citizenship programs, managers indicated that they are most concerned with *growing one global identity and integrating with business decision making* (Table 7). The difficulty of demonstrating the business case for a given venture is a common refrain among corporate managers, and this second challenge—which echoes that faced by environmental, health, and safety executives over recent decades—just confirms the newness of citizenship as an issue.

Table 7

Greatest Citizenship Challenges

Challenge	Number ranking challenge as… Greatest	Second greatest
Growing one global identity	18	8
Integrating with business decision making	16	7
Measuring results	6	10
Dealing with governments	6	7
General complexity of the task	5	6
Finding the best people for the job	3	6
Gaining employee support	2	7
Engaging the financial community	1	4
Dealing with NGOs	1	3
Dealing with shareholders	2	1
Dealing with suppliers	2	–
Engaging CEO and top management	–	3
Overcoming negative legacy	–	2
Other	6	4

Diversity in the Second Tier

Responses to a second tier of challenges—from *dealing with governments* to *measuring results*—are broadly spread, and this suggests the diversity of issues that companies are dealing with as they move forward with citizenship programs. Underscoring this diversity, the response to "other" ranked higher than over half of the listed challenges.

Measuring results ranks highest among manager's second greatest challenges (and third overall). Considering the high overall ranking given to *integrating with business decision making*, this further confirms the challenge that managers face in demonstrating the business case for their overall processes.

Dealing with governments Perspectives on the importance of citizenship vary in different parts of the world, creating a challenge for companies to build a consensus approach across different cultures. This cultural challenge might be underscored by the relatively high ranking of this challenge.

Other "second" challenges correlate fairly closely with the "greatest" category, with two exceptions. Considerably more managers noted the challenge of *gaining employee support* and of *engaging the financial community* in this category.

Not Whether, But How

Support for citizenship initiatives appears to come from the highest management levels, suggesting that senior management's buy-in is not merely reactive. Indeed, *overcoming negative legacy* and *engaging CEO and top management* rank very low on the overall list. Reinforcing this result are comparatively low rankings for issues including *dealing with shareholders, engaging the financial community,* and *dealing with suppliers.* NGO relationships also emerge as lesser concern; the low ranking for *dealing with NGOs* suggests that managers' companies have reasonably well-developed NGO engagement processes.

Falling in the middle are dealing with governments, the overall complexity of the task, and finding the best people for the job.

These responses suggest that the issue of *whether* to pursue citizenship on the company agenda is not as significant as *how* to do it effectively. The inherent challenges of making the business case and developing a consistent approach to a diverse globe appear to drive the overall ranking.

What Managers Say

Citizenship challenges over the next three years will include:

- growing one global identity;
- integrating with business decision making; and
- measuring results.

Companies publish or plan to publish:

72% annual social or citizenship report

72% annual contributions or philanthropic report

67% annual environmental report

They do not plan to publish:

78% balanced scorecard

64% triple bottom line report

59% of companies have a structured program to engage stakeholders, which typically include employees/labor groups and local communities.

25% of companies do not have relationships with NGOs; of those who do, one in five are with environmental groups and 15 percent are with labor groups.

Companies' primary NGO stakeholder relationships are with:

Human rights Amnesty International

Health Médecins Sans Frontières/Doctors Without Borders and Save the Children

Environment The Nature Conservancy, World Business Council for Sustainable Development (WBCSD), and Coalition for Environmentally Responsible Economies (CERES)

Labor Fair Labor Association

Reporting Citizenship

With no agreement as to what a social report should look like, and no common language or agreed approach to social reporting, the need for convergence is pressing.

from *Engaging Shareholders 1999: The Social Reporting Report*

Telling More, Doing More

Driven by increasing public and NGO interest in nonfinancial corporate performance, companies are making public reporting on nonfinancial issues a growing business trend. This “nontraditional” reporting evolved rapidly during the 1990s.

Prepared to communicate company values and actions and to respond to stakeholder interests, reports have varied widely in their focus, from environmental performance to the “triple bottom line” of environmental, economic, and social performance (see Appendix C). Some of this variance can be attributed to differing stakeholder and/or NGO interests: Shell’s reporting, for example, was influenced by the Brent Spar drill rig incident in the North Sea several years ago, while Nike’s was driven by labor issues in Asia.

Companies’ venturing into new, nontraditional business areas want to have this performance recognized. Likewise, as the notion of socially responsible investing (SRI) has gained momentum, nontraditional performance indexes such as the Dow Jones Sustainability Index have created an external demand for companies to have their broader business practices recognized and accounted for.

Indeed, Robert Brady (retired) of Salomon Smith Barney’s SRI Group and Frank Dixon of Innovest have noted a growing sense that a company’s excellent environmental and social performance is frequently regarded as a surrogate for excellent overall business management.

Reporting, Then and Now

Old Economy

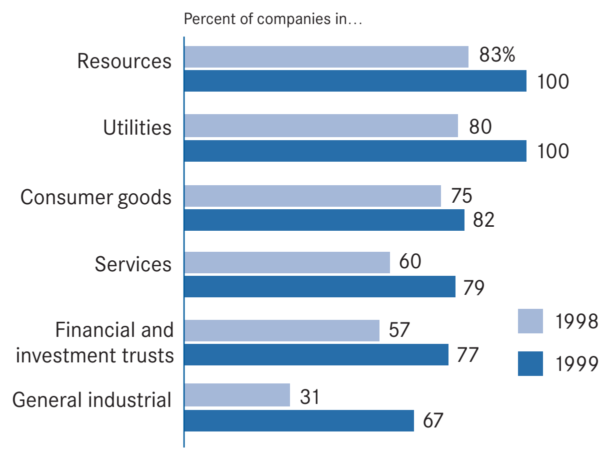
- Focus on financial performance
- Resistance to corporate governance statements
- “Splatter gun” approach to additional reporting

New Economy: the stakeholder approach

- Focus on a broader range of performance measures
- Holistic, integrated reports
- Financial reports relegated to a “sheet anchor” (prime purpose now custodial)

Source: Maria Sillanpaa, KPMG, Sustainability Advisory Services, presentation at The Copenhagen Centre Conference, June 27-29, 2001

Social Issues Reporting (beyond statutory disclosure) in the FTSE 100



FTSE 100* by Sector (number of companies)

Services	38
Financial and investment trusts	22
General industrial	12
Consumer goods	11
Utilities	11
Resources	4

* 98 companies included in study.

Source: Maria Sillanpaa, KPMG, Sustainability Advisory Services, presentation at The Copenhagen Centre Conference, June 27-29, 2001.

Engaging Stakeholders 1999: The Social Reporting Report—a joint report of the United Nations Environment Programme (UNEP), SustainAbility Ltd., and the Royal Dutch/Shell Group—summarizes the value of "social reporting" as follows[12]:

- Reinforces and communicates the company's core values and visions
- Identifies "blind spots" and areas of weakness, pinpointing high-risk activities requiring sound management
- Promotes stability, and protects organizations from unexpected shocks
- Creates windows on the world, helping companies explore and understand stakeholders' concerns and interests
- Helps all organizations, including NGOs, understand how to manage such "intangibles" as reputation and trust
- Provides a credible means to communicate with stakeholders
- Helps companies to attract, understand, motivate, and retain employees in an economy that is increasingly reliant on knowledge and relationships, not just products

What's in a Name? History of a Trend

Nontraditional public reporting is clearly on the upsurge worldwide. Separate reporting on social and environmental progress was rare as recently as 15 years ago. The number of such reports increased rapidly during the 1990s, although there is no reliable source on the pace of that development.

A key issue in evaluating the trend is determining what the categories of reports are. In general, they have evolved consistently with increasing public interest. Environmental (now environment, health and safety, or EHS) reporting gained momentum in the early 1990s, especially following the 1992 Rio Conference on Development and the Environment, and the publication of "Agenda 21," which was largely focused on the environment. As companies improved their EHS performance, often under the mantle of "sustainable development," reporting increased.

In the late 1990s, corporate social responsibility (CSR) and corporate citizenship gained momentum, as did reporting under those headings. The broader concept of "sustainability" also began to take shape during this period, bringing social and economic considerations together with EHS performance, now under the rubric of "sustainability," "triple bottom line (TBL)" or "balanced scorecard" reporting. Fueled by the collective efforts of the Global Reporting Initiative (GRI) and *The Global Reporters*—a joint project of the UNEP and SustainAbility, Ltd.—the strongest momentum currently favors sustainability reporting.

12 United Nations Environment Program (UNEP), SustainAbility, Ltd., and Royal Dutch / Shell, *Engaging Stakeholders 1999: The Social Reporting Report* (London, 1999), p. 7.

Content and format vary dramatically from one company report to the next, as would be expected with this rapid and diverse development of nontraditional reporting. Efforts are underway to rectify that, primarily (although not exclusively) through the work of the GRI. For now, though, any of the various types of reporting initiatives can be considered "sustainability" or "citizenship" reports; if the GRI standard gains wide acceptance, a more consistent overall approach might emerge (see box on new UN/GRI alliance, p. 61).

A Diversity of Approaches

Asked about nontraditional reporting practices (Table 8), managers say that their companies:

61% currently publish either a "contributions or philanthropic" or a "social or citizenship" report

26% plan to publish one or both of these reports in the near future

Within the planned category, "social or citizenship" reports are the most frequently cited. "Contributions or philanthropic" reports are cited most frequently in the combined category of current *or* planned reports, closely followed by "environmental" and "social or citizenship" reports.

Triple bottom line and balanced scorecard reports are much less frequent: only 15 percent of companies currently publish either of these, only 11 percent plan to do so, and 58 percent have no plans to publish such reports. Thirty-two percent have no plans to publish social or citizenship reports, compared with only 20 percent that do not plan to publish environmental reports. These responses reflect the rapid rise in nontraditional reporting on specific issues (although, as the results also suggest, TBL and scorecard approaches are relatively new).

Nontraditional reporting is well established among companies that practice it, with 146 reports either published or planned within three years. But 42 percent report *no plans* to publish one or more of these types of reports. While this number appears high, it may simply reflect the fact that most companies have already determined their present and near-future reporting priorities and didn't intend to extend these at the time of the survey.

Twenty-six companies provide Web links to their reports. A review of these illustrates the diversity of focus reflected above. Some focus on a single area (e.g., the environment) while others have broader approaches. Companies range from natural resources to manufacturing to services firms, with the majority in the first two categories. Taken together, the reports provide a comprehensive sample of the larger reporting universe.

Table 8

Reporting Practices

	Number of companies that...		
Report category	Currently publish	Plan to within 3 years	Do not plan to
Contributions or philanthropic	35	7	15
Environmental/EHS	32	7	19
Social or citizenship	21	18	15
Triple bottom line	9	6	27
Balanced scorecard	5	4	31
Total	**102**	**42**	**107**

The Global Reporters Analysis

The UNEP and SustainAbility, Ltd. collaborated on an analysis of 1999 "sustainability" reports, published as *The Global Reporters*.[13] Called a "benchmark survey," the analysis—which considers "triple bottom line," "citizenship," and "sustainability" reports to be essentially the same—compared and contrasted the top 50 reports from an original screening of 200.

The Global Reporters attempts to quantify performance with a scoring scheme of 196 total points, based on a methodology that defines the important elements of reporting. The average score among the 50 companies was 84 points, or 43 percent; only 6 companies, all European, scored over 100 points.

The most interesting results are the relatively low scores for economic performance (32 percent) and social and ethical performance (29 percent). *The Global Reporters* found that companies believed that their annual report financials adequately met the economic objectives of sustainability or TBL reporting as well. But expectations for these kinds of reports go beyond shareholder-driven financial performance assessments, or even corporate philanthropy, to company impacts on, and benefits to, the communities in which they operate. An excellent example of this kind of reporting is the community impact analysis included in Novo's 2000 environmental and social report.[14] It is implied (although not directly stated) that the low score for social and ethical performance is due to the relative newness of this type of reporting when compared to the longer established (and much higher scoring) EHS reporting.

The Global Reporters Analysis

Effectiveness category	Category score for sample
Context how well a company explains the business context for sustainable development and the principles and intentions that will guide action	50%
Management how well a company's actions or processes compare to their stated intentions, including governance, accounting, public policy action, among others	46
Performance targets, actions, performance against targets, and areas for improvement	
Economic	32
Social and Ethical	29
Environmental	53
Multi-dimensional Performance synergistic impacts, i.e., the relationship between environmental performance, and fines and penalties	50
Accessibility and Assurance quality and usefulness of information (e.g. graphics) and verification and assurance (also the overall average score)	43

8-Sector Summary

Sector	Overall score for sector
Pharmaceuticals	50%
Oil and gas	49
Financial	46
IT and telecommunications	46
Utilities	42
Automotive	40
Consumer	40
Chemicals	37

13 UNEP and SustainAbility, Ltd., *The Global Reporters* (London, 2000).

14 The Novo Group, *Values in a Global Context: The Novo Group Environmental and Social Report* (Bagsvaerd, Denmark, 2000), pp. 22 - 24.

The Global Reporters also includes an industry sector analysis of report quality. Eight sectors, ranging from automotive to financial services to utilities, are summarized. Despite overall moderate performance against the high standards of the methodology, results suggest a fairly high level of consistency. The relatively low scores for consumer, chemicals, and automotive were attributed primarily to a lack of balance between generally strong environmental reporting and the other elements of the triple bottom line. Utilities as a group are relatively new to this reporting.

Addressing the number of reports reviewed, the authors state that despite the "hundreds (possibly thousands) of company reports addressing economic, social, and environmental issues...these numbers are still minute as a percentage of commercial organizations, not to mention the millions of public and nongovernmental sector organizations with impacts on, and therefore responsibilities for, economic, social, and environmental dimensions. *We are focusing on the glittering tips of a giant global iceberg of potential reporters* [emphasis added].

"Unfortunately," they go on to say, "for companies reporting in good faith, the fact that their peers and competitors do not report rubs off on them in the eyes of many stakeholders. For disclosure to have a truly transformative effect, both for companies and for others, it must begin to cover a much larger community than it does presently."[15]

Strongly oriented toward advancing stakeholder governance and TBL reporting, this analysis is an excellent guide for any company planning to undertake or upgrade nontraditional reporting.

The *csr network* Survey on Global Reporting

The *csr network*, a consulting firm, has conducted three annual surveys on nontraditional reporting. The most recent examines the environmental and social reporting practices of the 100 largest firms in Fortune's *Global 500*.[16] The results represent a small but very significant universe of companies. Because the reporting processes of these leading companies has been tracked over three years (with the expected changes in the composition of the group as a result of mergers, etc.), the survey results likely point to more general trends in reporting (Chart 9).

Chart 9

Global Environmental and Social Reporting in the G100

Source: csr network

15 UNEP and Sustainability, Ltd., *The Global Reporters*, p. 52.

16 csr network, *The State of Global Environmental and Social Reporting: The 2001 Benchmark Survey* (csr network limited, May 2001); available online at www.csrnetwork.com.

The firm notes that "a relatively recent development has been the convergence of environmental and social issues on the corporate agenda."[17] The last three elements—*social equity, corporate social responsibility*, and *product/service sustainability*—were new to the survey in 2000, and more companies reported on "corporate social responsibility" than on environmental matters. Csr states that "varying strategies are being adopted for reporting. Some companies report social and environmental performance together, reflecting a trend towards 'sustainability' reporting. Other companies maintain a clear distinction between these two areas of performance management and report separately."[18]

Other findings by csr are that:

- 66 percent of the G100 companies report on the Internet. Some did not produce printed reports at all in 2000.
- Comprehensive data are hard to provide (presumably because of global difficulties with consistency), and basic social measures have yet to be agreed on. This mirrors *The Global Reporting Initiative*, below, which presents both its social and economic criteria as tentative and subject to testing.[19]
- Only 13 percent of the G100 companies have their reports verified. This contrasts with the 35 percent of reports reviewed in *The Global Reporters* that were verified or assured by a third party.[20]
- "43 percent of the reports acknowledged the relationship between consumption and global environmental performance, 19 percent addressed issues relating to social equity, and 40 percent discussed product or service sustainability."[21]

The Drive for Consistency: The Global Reporting Initiative

Although several reporting information sources offer "snapshots" of the current state of reporting, none provides clarity on definitions. The most comprehensive perspective comes from The Global Reporting Initiative (Table 9). GRI, an independent organization, was originally created through the Coalition for Environmentally Responsible Economies (CERES) to address the need for consistency in nontraditional (initially EHS) reporting. The goal is to develop, and have widely adopted, a standardized reporting format similar to what companies use for annual financial reports.

In consultation with other standards organizations and companies who have pilot tested its own efforts, GRI has created the *Sustainability Reporting Guidelines* in a process that seeks a consensus set of guidelines comprehensive enough to address the interests of a broad range of stakeholders, and flexible enough to be useful to all reporting companies.[22] The latest version of the guidelines, published in June 2000,[23] includes both print and Web-based reporting at a time when some companies are beginning to report in both media, and others are moving toward reporting exclusively on the Web. (The Novo Group and Rio Tinto have begun "rolling up" *site reports* from their major operations locations into a corporate summary report, which includes both site and corporate reports.[24]) All of this ferment highlights the challenge of a process which is expected to be ongoing as GRI brings its standards in line with companies' quickly evolving reporting practices. As more varied companies test the guidelines, changes are expected to be made to accommodate different needs.

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17 csr network, ibid., p. 2.

18 Ibid., p. 3.

19 The Global Reporting Initiative, Sustainability Reporting Guidelines on Economic, Environmental, and Social Performance (Boston, June 2000), p. 31.

20 UNEP and SustainAbility, Ltd., *The Global Reporters,* pp. 46 - 47.

21 csr network, p. 2.

22 Global Reporting Initiative*, Sustainability Reporting Guidelines,* 2000, Annex 1.

23 In April 2002, the GRI released for review and comment a draft of the 2002 Guidelines, which it expects to publish in July 2002.

24 (a) Mark Brownlie, Global Reporting Initiative Interim Secretariat (personal communication, June 2001); (b) The Novo Group, *Values in a Global Context*, 2000; (c) Rio Tinto, *2000 Social and Environment Review* (London, 2001).

Table 9

The Global Reporting Initiative

Country or region	Estimated number of reports
Japan	350
Germany	300
United Kingdom	300
Other Europe	200
United States	300
Nordic countries	150
Other world	400
Total	**2000**

The guidelines, which are comprehensive, address the underlying principles of reporting, and provide detailed recommendations on specific content areas. To date, the environmental content is most highly developed and widely agreed to. As for social and economic content, where there is less agreement, the GRI will develop consensus through practice.[25]

GRI makes two proposals for *integrated reporting*, the newest approach—with the least consensus. Companies should include:

Systemic indicators that link the performance to "economic, environmental, or social conditions at the macro level." An example would be company wage scales *vs.* prevailing regional scales.

Cross-cutting indicators "bridge information across two or more of the three elements of sustainability." An example would be the linkage between facility emissions and health conditions in the vicinity.

To achieve the combined goals of consistency and flexibility, the GRI distinguishes between "generally applicable" and "organization-specific" reporting. While organization-specific factors may vary, all reporters are expected to consistently address the generally applicable guidelines.

The GRI argues that its guidelines:

- help the board and senior management to evaluate the consistency between an organization's stated policies and its performance. Increased uniformity of reporting will facilitate benchmarking;
- provide a management structure to apply sustainability concepts at the operations level, and a guide for development of information systems to monitor progress towards goals;
- provide a consistent communications framework for sharing and comparing an organization's accomplishments and challenges.

Having piloted and provided feedback on GRI's 2000 *Guidelines*, Baxter prepared its first *Sustainability Report* using the guidelines. The company confirmed that: "Sustainability challenges Baxter…to satisfy a 'triple bottom line'….We seek to find sustainable approaches that benefit the environment, communities, and our business.

"This exercise in producing a full sustainability report is an important step in our path to sustainable development. It has shown us our strengths and made us proud to be a part of Baxter. It has also suggested where we should do better, both in sustainability performance and in our reporting of that performance. As our understanding of sustainable development grows, our performance and reporting on it will improve."[26]

25 Global Reporting Initiative, pp. 4 and 31.

26 Baxter International, Sustainability Report (Deerfield, Ill., 2001), p. i.

Companies Using the Global Reporting Initiative's *Sustainability Reporting Guidelines* *

The GRI is aware that the following companies have prepared previous or current sustainability, social, or environmental reports referencing its *Guidelines*.

Company	Primary Industry	Country
Aeroports de Paris	Airport management	France
Agilent Technologies	Communications, electronics, life sciences	USA
Amanco	Utilities, construction	Costa Rica
AMD	Micro processors	USA
American Home Products	Pharmaceuticals	USA
Anheuser-Busch Companies	Beverages, theme parks	USA
Arizona Public Service	Energy Utility	USA
Asahi Kasei	Chemicals, building products	Japan
AstraZeneca	Pharmaceuticals	United Kingdom
AT&T	Telecommunications	USA
BAA	Airport management	United Kingdom
BASF	Chemicals	Germany
Baxter International	Medical products/services	USA
BC Hydro	Energy utility	Canada
Biffa Waste Services Ltd.	Utilities	United Kingdom
Body Shop International	Personal care products	United Kingdom
Bristol-Myers Squibb	Pharmaceuticals, personal care products	USA
British Airways	Air transport	United Kingdom
BT	Telecommunications	United Kingdom
Canon	Electronics, cameras	Japan
Carillion	Construction	United Kingdom
Chiquita Brands	Agribusiness	USA
Co-operative Bank	Financial services	United Kingdom
COGEMA	Energy	France
Daikin	Refrigeration	Japan
DSM	Life sciences, chemicals	Netherlands
Electrolux	Appliances	Sweden
ESAB	Welding consumables, equipment	Sweden
Eskom	Energy utility	South Africa
Ford Motor Company	Vehicle manufacture	USA
Fuji Xerox	Information technology	Japan
General Motors	Vehicle manufacture	USA
Green Mountain Energy	Energy retailer	USA
Heidelberg	Printing and publishing	Germany
Henkel	Chemicals, consumer products	Germany
Hillside Aluminium	Aluminium	South Africa
ING	Financial services	Netherlands
ITT/Flygt	Pumps and valves	Sweden
J Sainsbury	Food retailer	United Kingdom
Johnson & Johnson	Health care products and services	USA
Kesko	Marketing and logistics	Finland
Kirin Brewing	Food and beverages	Japan
KLM Royal Dutch Airlines	Air transport	Netherlands
Konica	Imaging	Japan
Laing	Developer	United Kingdom
Landcare Research	Research	New Zealand
Loy Yang Power	Electricity generation	Australia
Marathon	Energy	USA
Mead	Forest products	USA

* As of April 2, 2002.

Company	Primary Industry	Country
Metso	Pulp and paper industry	Finland
Natura	Personal care products	Brazil
NEC Corporation	Information technology	Japan
Nike	Apparel	USA
Nikko Securities	Financial services	Japan
Nissan	Vehicle manufacture	Japan
Nokia	Telecommunications	Finland
Novo Group	Pharmaceuticals	Denmark
NTT	Telecommunications	Japan
Nutreco	Agribusiness	Netherlands
Olympus	Optical equipment	Japan
Pioneer Group	Electronics	Japan
Procter & Gamble	Consumer products	USA
Renfe	Rail transport	Spain
Ricoh	Imaging	Japan
Risk and Policy Analysts Ltd	Consulting	United Kingdom
Royal & SunAlliance	Insurance	United Kingdom
Royal Philips Electronics	Electronics	Netherlands
Saint-Gobain	Building materials	France
SASOL	Chemicals, energy	South Africa
Scandiflex	Chemicals	Sweden
Scandinavian Airline Systems	Air transport	Sweden
Schenker-BTL	Transport	Sweden
Schiphol Group	Airport management	Netherlands
Scottish Power	Energy	United Kingdom
Severn Trent	Water utilities	United Kingdom
Shell International	Petroleum, chemicals, energy	UK/Netherlands
Siemens	Electrical engineering & electronics	Germany
Smith & Nephew	Medical devices	United Kingdom
South African Breweries	Food and beverages	South Africa
Suez	Utilities	France
Suncor Energy	Petroleum, energy	Canada
Sunoco	Petroleum	USA
Suntory	Food and beverages	Japan
Swedbank	Financial Services	Sweden
Swedish Meats	Food and beverages	Sweden
Teijin Group	Fibre optics, health, machinery	Japan
Telstra	Telecommunications	Australia
Thames Water	Utilities	United Kingdom
TransAlta	Energy utility	Canada
TXU Europe	Energy utility	United Kingdom
Umgeni Water	Water utility	South Africa
Unipol	Insurance	Italy
University of Florida	Academic Institution	USA
VanCity Savings Credit Union	Financial services	Canada
VAW Aluminium	Metal products	Germany
Vauxhall Motors	Vehicle manufacture	United Kingdom
Volvo Car Corporation	Vehicle manufacture	Sweden
Wartsila	Industrial equipment	Finland
Waste Recycling Group	Waste management	United Kingdom
Watercare Services Ltd	Wastewater and water supply	New Zealand
Yasuda Fire and Marine Insurance	Financial services	Japan

Source: Global Reporting Initiative Web site at www.globalreporting.org/GRIGuidelines/Reporters.htm

Whether or not the GRI will become the global reporting standard is still unclear, but there is substantial momentum in that direction. Formally launched at a United Nations ceremony in April 2002, the GRI has established a board of directors representing diverse stakeholder interests and global regions, and has announced a world headquarters in Amsterdam.[27] (See box on new UN/GRI alliance, p. 61.)

Use of the Global Reporting Initiative guidelines remains very limited, but the estimated 50 companies that were using GRI in July 2001 had risen to 110 by April 2002, according to GRI interim Secretary Mark Brownlie. Also in April 2002, the GRI released for review and comment a draft of the 2002 *Guidelines*, which it expects to publish in July 2002.[28] The updated guidelines include revised reporting "principles" (designed to more closely reflect financial reporting guidelines), a new organization format for reports, and revised and expanded guidance for reporting on "economic" and "social" aspects of sustainability. No other set of guidelines has been as extensively developed, widely publicized, or used. If and until it gains broader acceptance (or not) as a standard for sustainability reporting, it is a useful tool for companies interested in understanding and reporting on their citizenship or sustainability performance.

Peer Company Reports

Although companies continue to report under the various rubrics included in the manager's survey (with the addition of "sustainability" reports), the evolving consensus on "state-of-the-art" or "best-practices" reporting appears to be converging on the combined "economic, environmental, and social" model, whether called a "sustainability," "triple bottom line," or "citizenship" report. Here are several of the reports generally considered to be among the best:

The Novo Group

The Denmark-based Novo Group's *Environmental and Social Report 2000* was ranked second among those reviewed by *The Global Reporters*,[29] and was among the pilot reports reviewed by GRI. Top executives of the pharmaceutical and industrial enzymes company introduce the report, writing that "A proactive environmental strategy was just the beginning of trying to understand what sustainable development might mean for the company….Our dialogues with environmental and consumer nongovernmental organizations and others identified new issues that also seemed to fit an agenda of sustainable development. The ethical implications of genetic engineering and animal experimentation emerged as important topics….*We realized that sustainable development is not just about the environment. It is also about people* [emphasis added]....As global corporate citizens we hold ourselves responsible and accountable to society as well as to our employees, customers and other stakeholders."[30]

27 "Global Reporting Initiative Inaugurated at UN Event: A Milestone for Corporate Disclosure and Transparency" (Business Wire, April 4, 2002), online at www.ft.com.

28 Global Reporting Initiative, *2002 Sustainability Reporting Guidelines*, draft, April 1, 2002.

29 UNEP and SustainAbility, Ltd., *The Global Reporters*, p. 3.

30 The Novo Group, *Values in a Global Context*, pp. 1 and 7.

Among the attributes of the Novo report:

Very well organized and "user friendly" Targets are presented together with recent progress toward achieving them. Each is cross-referenced to the appropriate report section and/or the Internet.

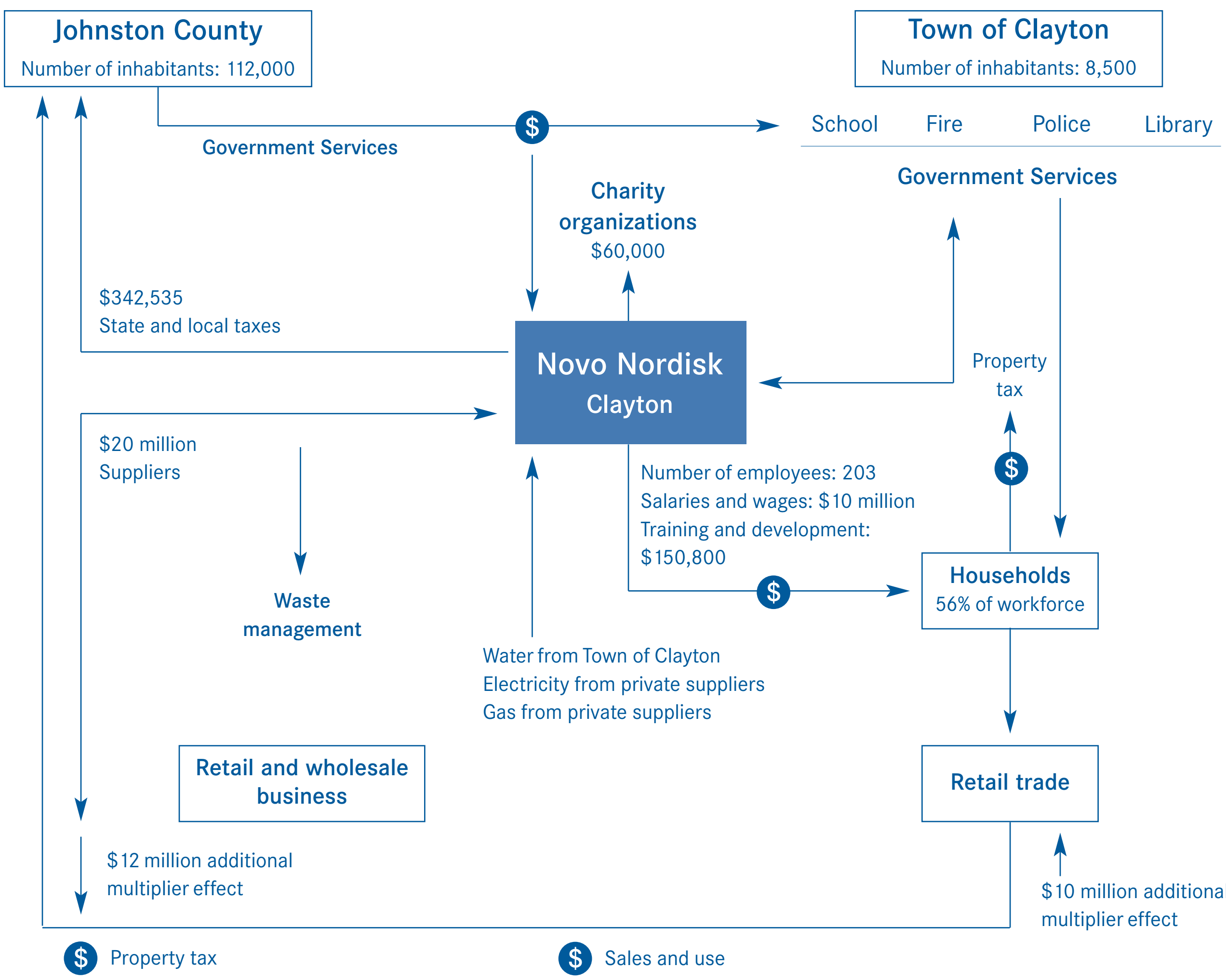
Extensive graphics show both concepts and data.

Individual site reports illustrate how Novo plants affect their communities (see box).

Frank assessment of challenges Genetic engineering is a major issue for Novo; the company addresses it directly, including a discussion of bioethics and the controversial "precautionary principle."

Contact information Where an issue is raised, a Novo contact person is provided, as well as relevant Web references.

The Novo Group in Clayton, North Carolina



Source: The Novo Group, *Values in a Global Context: The Novo Group Environmental and Social Report* (Bagsvaerd, Denmark, 2001), p. 17.

Royal Dutch/Shell

Royal Dutch/Shell's *Shell Report 2000* is perhaps one of the most boldly transparent reports yet produced. Shell frames its well illustrated and easy to use report in terms of (1) issues and challenges facing the company (and the world, in many cases) and (2) what progress has (or has not) been made. Then-Chairman Sir Mark Moody-Stuart stated candidly in the report's introduction that "Sustainable development underlies our strategy and is being integrated into everything Shell companies do—in oil and gas as much as renewables…. How we succeed is as important as what we achieve. We are committed to delivering excellent returns and building value for the future—for the planet and its people, for our customers, employees and shareholders."[31]

Issues—ranging from the general (globalization or water use) to the specific (Transredes oil spill), and alphabetically sequenced for the reader—are each presented following clear statements of Shell's relevant corporate principles. PricewaterhouseCoopers and KPMG have verified the information in the report, and specific notations of this are throughout. Symbols indicate where additional information is available on the Web (much of the information in the report is also available on Shell's Web site). Graphics and pictures are used extensively.

Perhaps the most innovative feature of Shell's approach is the open reporting of what it has learned through its interactive Web site, "Tell Shell." The philosophy behind "Tell Shell"—"Please help us to learn what we do well and what we can do better. We value your views."—is illustrated throughout the report with "You told Shell" examples.[32] Some of these are quite candid; for example, "Why would Shell, an oil and gas company, be marketing alternative energy? I am skeptical about your motives."[33]

Shell uses these examples to underscore the transparency of the information in the report, as well as to emphasize that the company has by no means resolved all of its issues.

Whether or not the Shell Report will continue to be presented in this very open format, the company has set a standard of openness for other companies to consider as they develop reporting styles. The report closely follows the GRI guidelines, and an earlier version was included among the top 50 reports reviewed by *The Global Reporters*.[34] Interestingly, it was widely reported in the media during spring 2001 that Shell was becoming frustrated by continuing attacks from some NGOs in response to its efforts to be open and honest in its reporting.

Baxter International

Baxter's *Sustainability Report 2000* is the company's first attempt to move beyond environmental reporting to include economic and social issues in a "sustainability" report following the GRI guidelines.[35] (The Novo Group's report was also a first "sustainability" report, but Novo had issued a "social" report in 1998 and an "environmental and social" report in 1999.[36]) So it provides an excellent model for others to evaluate. Key attributes of Baxter's report:

A scorecard summarizes "Our Strengths" and "Areas for More Attention."

Clearly presented, despite the absence of an executive summary. The "production values" are not as high as the Novo or Shell reports—the printed version is black and white (color on the Web)—but Web cross-references are abundant, and the report as a whole is easy to follow.

31 Royal Dutch/Shell Group of Companies, *People, Planet & Profits: The Shell Report* (London, 2001), p. 3.

32 Ibid., p. 35.

33 Ibid., p. 29.

34 UNEP and SustainAbility, Ltd., *The Global Reporters*, p. 3.

35 Baxter International, *Sustainability Report*, 2001.

36 From the Novo Web site at www.Novo.dk.

In ten years, we won't have social reports—we're going to move towards simply Web-delivered reports, but also to real-time reporting. Audiences will become users of information rather than just receivers. Software will enable each user to access and assemble customized information from the original accounts.

Simon Zadek, Chief Executive, AccountAbility, the Institute of Social and Ethical Accountability[37]

"Special issues" In addition to the standard issues, Baxter (like Novo) addresses concerns that are unique to the company. Baxter's key citizenship issues include:

- the manufacture of medical products that use PVC (polyvinyl chloride)
- bioethics, especially the use of biotechnology with respect to:
  - animal testing
  - xenotransplantation (transplanting animal organs to humans)

Overall, Baxter's treatment of EHS issues, which the company has been reporting the longest, is the most thorough. In fact, to achieve balance in the new report, some additional EHS information that would otherwise have been included was transferred to the Web.

Where Are We Now?

Nontraditional reporting on citizenship and sustainability issues is an emerging trend, as evidenced by the several thousand companies who have already produced reports of one type or another and those who are planning to do so. While many more companies have no such plans, there appears to be growing momentum. The process thus far shows that:

- Nontraditional reporting, which developed most rapidly during the 1990s, is a recent phenomenon.
- Motivations for reporting range from (probably) the desire to offset bad publicity or incomplete public understanding to a desire to fully communicate the many initiatives underway in a company. Stakeholder interests and pressures are certainly important for some, as is the recent upsurge in socially responsible investing (SRI) and the various indexes, such as the DJSI/SAM Index or the Domini Social Index, being developed to track companies' "social" or "citizenship" or "sustainability" performance
- The focus and content of reports are still "all over the map." Efforts to achieve greater consistency, most notably the GRI initiative, so far have relatively few users.
- "State of the art" reporting addresses the triple bottom line issues of environmental, economic, and social performance. Consensus is strongest on what is included in environmental, health and safety reporting—less so on exactly what should be reported for economic and social issues.
- Reports are increasingly being prepared for Web-only rather than printed presentation. Although the Web offers the prospect of "real time" reporting, there are potential disadvantages to Internet reporting, including difficulty in benchmarking across common time bases, and more complicated progress tracking.

37 Quoted in UNEP, SustainAbility, Ltd., and Royal Dutch/Shell, *Engaging Stakeholders 1999*, p. 6.

The Future of Reporting

The future of citizenship reporting, under whatever label, is not clear. Given recent momentum and increasing interest by diverse stakeholders, it is likely to continue and grow. In their jointly published *Engaging Stakeholders 1999: The Social Reporting Report*, the UNEP, SustainAbility, Ltd., and Royal Dutch/Shell summarize several "forces"[38] that may influence the future of reporting:

- The world is becoming more a "show me" than a "trust me" culture (from *The Shell Report: Profits and Principles: Does There Have To Be A Choice?* 1998).
- Reporting facilitates maintenance of a "social license to operate," especially in emerging economies.
- As the "social load" on companies increases, reporting may actually "moderate demands for unsustainable levels or corporate social expenditure."
- Given that so few companies currently report, some have questioned whether reporting should be mandatory. But there appears to be little momentum for this view.
- The more likely trend will be toward greater standardization, perhaps to the GRI guidelines.

Visioning the Future

- Widespread reporting of social and environmental performance
- Increased integration of corporate reports to give an integrated performance report
- Web reporting, probably taking place increasingly in real time
- A requirement for attestation of nonfinancial information
- A nonfinancial reporting standard

Source: Maria Sillanpaa, KPMG, Sustainability Advisory Services, Presentation at The Copenhagen Centre Conference, June 27-29, 2001.

38 *Engaging Stakeholders 1999*, ibid., pp. 10 - 11.

Stakeholder and NGO Relations

Although most companies report long-established relationships with at least some stakeholders, the trend now is toward more systematic and open relationships, especially as the bar of expectations for corporate citizenship, social responsibility, and sustainability goes higher. The former approach of *managing* stakeholders is giving way; meaningfully *engaging* them is now the key to achieving a credible citizenship focus.

Who Are the Stakeholders?

Companies are increasingly involved in diverse stakeholder relationships, especially with NGOs. A "stakeholder" is commonly defined as anyone with an interest in, or who is potentially affected by, the actions of a company. As a practical matter, stakeholders are usually grouped as either "primary" or "secondary" stakeholders.

According to Sandra Waddock of Boston College's Carroll School of Management, primary stakeholders might include owners, employees, customers, and suppliers; secondary stakeholders might include communities, governments, and activists who raise issues associated with corporate behaviors and practices. "Combined, these stakeholders assess corporate practice on multiple—not singular—bottom lines, many of which are associated with stakeholder practices. *But not all companies are yet aware of the extent to which observations of their practices and associated demands for both accountability and transparency are growing* [emphasis added]….While there is as of yet less attention in the United States to the triple bottom line, it may only be a matter of time until the variety of observers domestically also begin to influence corporate practice and accountability."[39]

Engaging Stakeholders 1999 includes an excellent discussion of stakeholder groups. The authors (UNEP, Sustainability, Ltd., and Royal Dutch/Shell) identify five primary stakeholder groups—employees, communities, suppliers, clients/customers, and investors—and address why each group is relevant, what company performance indicators are important to the group, and how information is reported. Examples of company relationships are also cited for each group.

The World Business Council for Sustainable Development (WBCSD) addressed the value of stakeholder relations in a 1999 report, in which it observed that to "optimize the long-term value of the company to its shareholders, business needs to assure that its values are aligned with the consensus in society…To do this, it has to balance the needs of a range of stakeholders… Many in business are beginning to argue for a more inclusive approach to commercial life, where business values are neither different nor fenced off from those of society… In these circumstances it makes absolute business sense to have a continuous dialogue with a broad group of interested parties in society. The idea of consulting stakeholders can be seen as a tool to understand complexity and prioritize actions."[40] And as the report—which includes numerous case studies of stakeholder interactions—points out, new business opportunities can arise from such dialogues.

Corporate Practices

Sixty-five percent of managers (59 and 6 percent, respectively) report that their companies either have a structured program for dealing with stakeholders on a regular basis, or are planning to implement one within three years (see box below).

Citizenship and Performance Appraisal

Does your company have a structured program for engaging with stakeholders on a regular basis? (N=65)

59%	Yes
35%	No
6%	Plan to include one in the next 3 years

39 Sandra Waddock, "The Multiple Bottom Lines of Corporate Citizenship: Social Investing, Reputation, and Responsibility Audits," *Business and Society Review* 105:3, Fall 2000, pp. 325 - 326.

40 World Business Council for Sustainable Development, *Meeting Changing Expectations: Corporate Social Responsibility* (Geneva, March 1999), p. 9.

Table 10

Calling All Stakeholders

From which of the following stakeholders does your company periodically seek information to evaluate its citizenship performance indicators/measures?

Stakeholders	Number of responses
Local community	47
Employees/labor organizations	47
Customers	42
NGOs	29
Government	22
Academia	22
Consultants	22
Shareholders	17
External auditors/verifiers	17
Proponents of codes/guidelines	11
Contractors, suppliers, JV partners	10

Table 11

The NGO Connection

NGO category	Number of companies with relationship
Environment (e.g., WBCSD)	28
Labor (e.g., ICFTU)	14
Health (e.g., Doctors Without Borders)	13
Human Rights (e.g. Amnesty International)	12
Other	14

Reflecting the diversity of interests and issues that companies are dealing with, managers indicate that their companies are gathering input from a range of stakeholders to help them evaluate their citizenship performance indicators/measures (Table 10). This enterprise appears to be a significant part of companies' ongoing citizenship activities.

Environmentalists Lead NGOs

Twenty-five percent of managers indicated that their companies had no NGO relationships (Table 11); of those who do, one in five are with environmental groups and 15 percent are with labor groups. The relative dominance of relationships with environmental NGOs tracks closely with the recent history of external relationships, in which the environment—and groups representing environmental issues—became an active concern for companies earlier than other citizenship issues did (this is reflected in the prevalence of environment-oriented reporting).

Indeed, of the four NGOs that had more than one or two companies indicating relationships, three—The Nature Conservancy, the World Business Council for Sustainable Development (WBCSD), and the Coalition for Environmentally Responsible Economies (CERES) (the other was Amnesty International)—are environmental groups, further underscoring the relative significance of that area of interest.

Talking Back Via the Internet

The rapidly growing significance of the Internet as a tool for communicating with stakeholders mirrors NGOs' more established practice of using the Internet to advance their issues. When managers were asked whether their company had had a significant "Internet-related citizenship experience" within the last year, only 15 responded positively, and indeed there were few indications of any Internet-based confrontations with stakeholder groups. Of the 11 that provided examples of these, most involved new uses of the Internet to implement their citizenship programs—through surveys, external contributions Web sites, e-mentoring with public schools—or to provide information on their social responsibility programs.

From Management to Engagement

Although most companies report long-established relationships with at least some stakeholders—employees, shareholders, communities—the trend is now toward more systematic and open relationships, especially as the bar of expectations for corporate citizenship, social responsibility, and sustainability is raised. Advocates of the "triple bottom line" management approach speak frequently of the concept of "stakeholder governance," in which stakeholders outside the traditional financial community become a part of a company's overall governance process. *Engaging Stakeholders 1999* includes a model developed by The Body Shop, in which "stakeholder dialogue," "stakeholder consultation," and "stakeholder surveys" are all part of a "social auditing and disclosure cycle."[41]

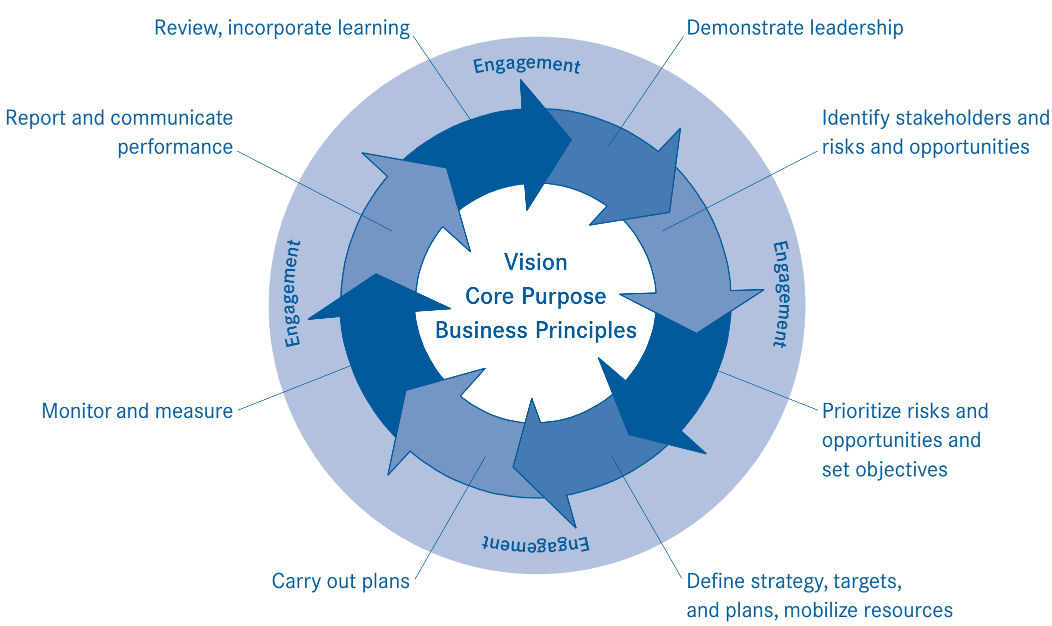
Like the newer forms of reporting, implementing stakeholder and NGO relationships to advance citizenship programs is an evolving process. But as the emerging practices of these companies illustrate, the former approach of *managing* stakeholders is giving way; meaningfully *engaging* them is now the key to achieving a credible citizenship focus.

Shell

Stakeholder "engagement" is a key element in Shell's "sustainable development management framework" (see box below; see www.shell.com/royal-en/content). The framework locates engagement within a sequential process in which the integration of "sustainable development" (or citizenship) principles evolve over time (see top exhibit, next page).

Shell's Sustainable Development Management Framework

A practical tool for embedding sustainable development into decision making.



We take economic, environmental, and social considerations into account in everything we do.

41 UNEP, SustainAbility, Ltd., and Royal Dutch / Shell, *Engaging Stakeholders 1999*, p. 6.

Shell Aligns Business Processes with Sustainable Development Principles

	Minimal Alignment			Full Engagement
	Level 1	Level 2	Level 3	Level 4
Integratlon Stakeholder input	Decision making is based overridingly on financial or economic considerations	Decision making takes account of wider economic and environmental considerations	Decision making incorporates economic, environmental, and social considerations, but each is managed independently	Decision making is based on a systematic process that manages the relationships between economic, environmental, and social issues
Scope Stakeholder engagement	Local, internal focus	Some internal engagement and use of external advisors	Well developed engagement program	Advance engagement activity integrated into cross-functional decision-making processes
Time horizon	Predominantly short-term	Short-term, with recognition of of longer-term needs	Short-term priorities managed with[in] context of longer-term needs	Short-term priorities managed as enablers of long-term value growth

Adapted from Shell's Web site at www.shell.com

Shell summarizes the importance of stakeholders to its overall management approach: "Engaging with our stakeholders on how our performance may best be judged is one of the elements of our sustainable development management framework. We are working with our stakeholders to develop key performance indicators (KPIs) that can be used to measure and report on progress in our commitments to sustainable development. This is an effort to broaden our existing reporting parameters and indicators…"[42]

The "Tell Shell" program of Web-based interaction appears to be Shell's most innovative way of engaging stakeholders. Responses to this program provide Shell with a truly global perspective on stakeholder interests and concerns.

"Tell Shell" Responses

(Dec 1999 – Nov 2000)

Region	
Europe	33%
North America	20
Asia-Pacific	13
Africa and Middle East	10
Caribbean, Central and South America	6
Unknown	18

42 From Royal Dutch/Shell Web site at www.shell.com.

British Petroleum

Affirming its commitment to relationships, BP states in its business policies that: "We aim for *radical openness* [emphasis added]—a new approach from a new company: transparent, questioning, flexible, restless, and inclusive…. We believe that long-term relationships founded on trust and mutual advantage are vital to BP's business success….Our commitment is to create mutual advantage in all our relationships so that others will always prefer to do business with BP….We will do this by understanding the needs and aspirations of individuals, customers, contractors, suppliers, partners, communities, governments, and nongovernmental organizations."[43]

Specifically addressing its relationships with NGOs, BP states: "We will seek to create mutual understanding and build constructive relationships with nongovernmental organizations who have a genuine interest in our business, and concerns about its impact upon individuals, society, and environment."[44] Although BP is open to relationships with a wide variety of stakeholders, the company is also very clear throughout its policy that it is interested in productive rather than nonproductive relationships.

The Novo Group

In its *Values in a Global Context* report, Novo recognizes a broad range of stakeholders (see box): "Our relationships with stakeholders take many forms, and each type of engagement is equally valuable to our continued existence." Primary relationships[45] are:

Formal based on legislation and regulatory requirements

Dialogue voluntary and proactive dialogue with individuals or groups

Partnerships deeper relationships with key stakeholders (e.g., the WBCSD)

BT Group

BT Group (formerly British Telecommmunications plc) employs a "stakeholder consultation" model, believing that an "inclusive approach" just makes good sense: "Indeed, it would be foolhardy for any business to define its role in society, and then publish its own evaluation of performance without involving its stakeholders… A constant dialogue is important…

- in understanding stakeholder priorities;
- in resolving potential conflicts;
- in identifying key performance indicators; and
- as part of the feedback for continuous improvement."[46]

The Novo Group Stakeholder Map

Source: The Novo Group, *Values in a Global Context: The Novo Group Environmental and Social Report* (Bagsvaerd, Denmark, 2001), p. 17.

43 British Petroleum, *Business Policies* brochure.

44 Ibid.

45 The Novo Group, *Values in a Global Context*, p. 17.

46 BT Group, "Changing Values: The Role of Business in a Sustainable Society" (BT "occasional paper"), 1998, p. 19.

BT's primary tools for stakeholder dialogue are "liaison panels." The company's head of corporate reputation and social policy says: "Properly managed (which can be a sensitive term with some stakeholders) panels will tell a company what it needs to hear, although not necessarily what it wants to hear…This doesn't mean a company necessarily does what its stakeholders say. But doing without knowing what its stakeholders think is to set a course through very rough water."[47]

Ford

Among U.S.-based companies, Ford Motor Company has taken one of the most aggressive and open approaches to implementing a citizenship program. With the help of John Elkington and SustainAbility, Ltd., the company has undertaken an ambitious stakeholder dialogue.

Adverse public reaction to its first citizenship report and to the Explorer/Firestone issue brought Ford face to face with a key question: "How do we pick up early, weak signals of emerging issues? One answer: *Bring the outside in, via intensive stakeholder engagement* [emphasis added]."[48] After holding a major stakeholder forum in August 2000, Ford identified three main priorities for the coming years:

- climate change;
- human rights in emerging economies; and
- the business case for corporate citizenship and sustainable development.

But summarizing the Ford experience, Elkington observed that "an overarching theme…was governance." He continues: "Some corporate governance experts still resist the idea that there is any material connection between the corporate governance and sustainable development agendas. But Ford has moved well beyond minimalist definitions of governance. In *Connecting With Society* (Ford's first citizenship report), the company defined corporate governance as the 'management structures and systems, including performance measurements and reporting, that the Company will use to achieve its corporate citizenship goals….' Companies positioning themselves at the leading edge of change face new risks, but are more likely to spot emerging social and consumer priorities, and with them, new markets….The implementation task facing Ford is huge….The 2001 stakeholder forum will benchmark progress and engage the new governance agenda."

Apparently taking a transparency posture comparable to Shell's in Europe, Ford emphasizes that stakeholders are a key focus of the company's process: "We must operate transparently—reporting our successes and failures, and inviting our stakeholders to share ideas for making progress."

Johnson & Johnson

Johnson & Johnson discusses the importance of stakeholder relationships in its 2000 sustainability report.[49] The company's list, similar to others, includes:

- employees at all levels of the company;
- customers and consumers;
- communities in which their facilities operate;
- nongovernmental organizations;
- governmental and regulatory agencies;
- academia; and
- investors.

Although the report does not extensively describe methods of engaging stakeholders, J&J executives are members and active leaders in a variety of organizations, including NGOs, in what appears to be a dedicated strategy. Companies recognize that this practice enables them to deal much more effective with potentially adversarial stakeholder (especially NGO) engagements, and allows them to choose their alliances with a view to their broader business interests.

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47 Ibid.

48 All quotes in this section from Ford Motor Company Web site at www.ford.com/en/ourcompany/communityandculture/buildingrelationships

49 Johnson & Johnson, *Environmental, Health and Safety Sustainability Report* (New Brunswick, NJ, 2001), p. 9.

Procter & Gamble

Procter & Gamble is another U.S.-based company that has taken a proactive approach to citizenship and sustainability. A member of the WBCSD and a charter subscriber to the Global Sullivan Principles, P&G has positioned itself at the leading edge of companies, but has done so with a somewhat lower profile than Ford or Shell. P&G's *2001 Sustainability Report* (available only on the Web), defines the company's stakeholder groups and its relationship with each[50]:

Consumers P&G depends on solid relationships and frequent dialogue with consumers to guide it to successful products. The company has over 5 million consumer contacts each year.

Communities Each P&G facility has "site-specific activities to build constructive relationships with local authorities, local industry associations, neighbors, local action groups, thought leaders, and news media." The approach differs depending on the local culture, but the overall goal is effective communication and relationships.

Scientific community These relationships are very important for assuring product safety, as well as for keeping abreast of emerging technologies for business opportunities.

Authorities Either directly or through trade associations, P&G actively engages with local, regional, and global authorities to assure that the concerns and needs of business are considered as the company develops and implements public policy, and that the company understands policy expectations.

NGOs P&G strives to establish open relationships with NGOs so that as specific issues arise, they can be addressed constructively on the basis of mutual respect and openness. The company provides an excellent summary of NGOs: "There is a wide range of NGOs, varying by area of interest (environmental, consumer, animal welfare, etc.), by attitude (from extreme to moderate), and by their geographic links (from local to global). *Depending on their characteristics, a number of NGOs can be seen as the vocal spokespeople for the general public* [emphasis added]."

Influence Is a Two-Way Street

As companies attempt to develop effective citizenship programs, they regard as essential their continuing engagement of stakeholders outside their traditional constituencies. This is no accident. Stakeholders, newly empowered by the Internet, now employ an array of tools to encourage (read "pressure") companies to reach out to them and incorporate their perspectives into company policies. "Drivers" for stakeholder engagement are essentially the same as those for nontraditional reporting—indeed, reporting has increasingly become a key tool for communicating regularly with stakeholders. As with reporting, the stakeholder engagement process is probably further developed in Europe than in the United States, but U.S. companies are beginning to close the gap. Like reporting, too, there are no set standards; but methods of engagement are converging and—as the sample companies indicate—are actually quite consistent. For companies approaching unfamiliar constituencies, the process can be sensitive. But as those taking the risk generally appear to be benefiting from the effort, this key element of implementing citizenship is expected to continue and grow.

50 Information and quotes in this section from The Proctor & Gamble Company, P&G *2001 Sustainability Report*, 2001, p. 26; available only online at www.pg.com

Coaxing Consensus

Codes, Guidelines, Standards, and Other Fine Print

Despite the increasing recognition that corporate citizenship measures can be of strategic importance to an organization's bottom-line performance, global businesses have largely taken a *re*active rather than a *pro*active approach to calls for endorsement of international codes and standards.

Responding to the public's interest in the social and environmental behavior of business, a growing number of international organizations, industry associations, NGOs, and citizens' groups have developed codes, principles, standards, and guidelines designed to encourage particular types of corporate conduct or performance on issues ranging from labor to human rights to sustainability. Examples of these maps of corporate conduct include the UN Global Compact and the Global Sullivan Principles.[51]

But how sensitive is the issue of code and guideline endorsement for corporations? Most companies in the manager's survey simply ignored the question altogether.

General Motors Guidelines for Supplier Conduct

GM Worldwide Purchasing has a number of policies that guide GM and its suppliers in purchasing activities throughout the world. GM suppliers, and any goods or services supplied by its suppliers, must comply with all applicable laws, rules, regulations, orders, conventions, ordinances, or standards of the countr(ies) of destination or that relate to the manufacture, labeling, transportation, importation, exportation, licensing, approval, or certification of goods or services, including, but not limited to, those relating to environmental matters, wages, hours, conditions of employment, subcontractor selection, discrimination, occupational health and safety, and motor vehicle safety. Additionally, neither GM suppliers nor their subcontractors may utilize slave, prisoner, or any other form of forced or involuntary labor in the supply of goods or provision of services. In order to ensure successful implementation of these policies, GM suppliers must adhere to the terms and conditions outlined above (and as explicitly specified in the GM Purchase Order Terms and Conditions), and must certify their compliance with these terms and conditions at GM's request.

Source: Erin Elizabeth Kreis of General Motors Corporation's Public Policy Center (referring to the company's guidelines for supplier conduct)

What the Codes Address

Codes[52] of international business conduct generally attempt to address:

accountability engaging stakeholders, transparency

business conduct bribery and corruption, political activities

corporate governance shareholder rights

consumers/market consumer privacy, product safety, and/or quality

employees/workplace nondiscrimination, child and elder care, training

community involvement corporate philanthropy, community economic development

environment establishing environmental management systems, product life cycle

human rights child labor, forced labor, living wage

Typically, these codes seek one or more of three different kinds of broad corporate commitment. Examples include:

endorsement of fundamental principles UN Global Compact, The Global Sullivan Principles, OECD Guidelines for Multinationals

social, environmental, and economic transparency, reporting, and disclosure The Global Reporting Initiative

continuous process improvement ISO 14000/14001, SA 8000, AA1000

51 Appendix 3 provides an expanded glossary of the codes and standards addressed in this chapter.

52 We use the term "code" in its generic sense to denote any effort to describe, prescribe, or otherwise inscribe "rules of the road" for global corporate conduct, performance, and accountability. Some guidelines issuers actually refute the "code" terminology.

The Case For Codes

Advocates describe the recent proliferation of voluntary business conduct principles on subjects such as transparency; anticorruption policies; and environmental and social responsibility, labor, and fair business practices as an evolution to a global regime of *soft law*. Possible gains from code endorsement include:

- protection and enhancement of company reputation;
- insulation from demands to sign other statements;
- establishment of management's commitment and stakeholder confidence in the company;
- demonstration of corporate emphasis on prevention rather than corrective action; and
- acknowledgement of corporate peer pressure for higher standards of business accountability—a race not to the bottom but for the top.

What Managers Say

Only 20 percent responded to questions relating to global business conduct standards:

68% of companies have a code for supplier conduct

Most companies review their suppliers' environmental record

19% of companies endorse the ISO 14000/14001 code

13% of companies are reviewing GRI

UN Global Compact and GRI Announce New Alignment

The Global Reporting Initiative and the UN Global Compact (initiated by UN Secretary-General Kofi Annan) have formed a new cooperative framework. Companies that endorse the Compact's nine-point *Principles*–covering human, labor, and environmental rights–may now use GRI reporting to fulfill Global Compact participation standards.

Source: GRI Web site at www.globalreporting.org

Table 13

The Codes and the Issues

	Includes conditions regarding…					
Code/statement	Community involvement	Corporate governance	Environment	Human rights	Marketplace consumers	Workplace/employees
UN Global Compact	X		X	X		X
Global Sullivan Principles	X		X	X		X
OECD Guidelines for Multinational Enterprises	X	X	X	X	X	X
Global Reporting Initiative (GRI)	X	X	X	X	X	X
SA8000					X	X

Source: Comparison of Selected Social Responsibility Related Standards, Business for Social Responsibility (BSR), November 2000.

The Case Against Codes

The contrary view is that code proliferation is a counterproductive distraction that should be ignored. Labeling the phenomenon *codemania*, critics argue that citizenship codes and guidelines:

- are too numerous, onerous, and inefficient, and generate a welter of confusing standards that are difficult to manage;
- are drafted with little or no input from the business community;
- do not approach the issues from a process or management system point of view; and
- may lead to third-party certification that is costly without added value.

Only 20 percent of respondents to the managers' survey answered questions relating to global business conduct standards; the remaining 80 percent ignored them. This suggests that only a small number of the participating companies have given serious consideration to endorsing the major global citizenship or global business conduct standards (Table 13).

In only two cases—ISO 14000/14001 (18 percent) and The Global Sullivan Principles (9 percent)—did an appreciable number of this 20 percent endorse the statement or adopt the program. Formal declines are also rare. Among managers who have been contacted by the code groups, most prefer to say that the matter is "in review" at their companies. By far the largest number of companies say that they were "not approached," or did not answer the question.

Table 13

To Endorse or Not to Endorse

(N=93)

Fundamental principles	
UN Global Compact	
Endorsed	3%
Under review	8
Declined	3
The Global Sullivan Principles	
Endorsed	9 %
Under review	8
Declined	2
OECD Guidelines for Multinationals	
Endorsed	2 %
Under review	8
Declined	1
Social and Environmental Reporting	
Global Reporting Initiative	
Endorsed	5 %
Under review	13
Declined	4
Continuous Process Improvement	
AA1000	
Endorsed	0 %
Under review	3
Declined	4
ISO 14000/14001	
Endorsed	19 %
Under review	12
Declined	1
SA 8000	
Endorsed	2 %
Under review	5
Declined	5

Explaining why their companies were hesitant to endorse standards, senior executives responsible for their company's global business conduct policies and practices expressed concern about the shifting nature of such commitments:

- As a senior executive of a global extraction company put it, "We don't want to get sucked into a morass. We don't want to find that after we have been challenged for an endorsement that the standards have changed and that they get defined as something other than our original commitment."
- A senior attorney with a U.S. electronics firm saw global standards as intrusive and redundant: "It is not productive…to get involved in these situations. We will do what we will do. The company will not behave differently under any circumstances. So it doesn't really make any difference whether or not we endorse a set of principles."

Conceding that endorsing codes might produce modest returns for their companies in the form of small "reputational gains" or insulation from demands to sign other statements, the few managers who were open to codes would still set requirements that few such statements could realistically meet. To be acceptable:

- The ethics and business practice director of a U.S. paper company says, "the statement must not have onerous reporting and disclosure requirements."
- A colleague from a U.S. equipment manufacturer says that the principles "must be sufficiently open to interpretation, so that they can mean what I say that they say."
- Perhaps most importantly, says the head of external relations for an extraction company, standards "need a governing structure in which the companies participate." This, managers agree (and some cited the lack of such a structure for their hesitancy to endorse the UN Global Compact), would make it possible for statements to evolve without signatories being locked into an institutional matrix of which they are not an integral part.

Mindful of the litigiousness of U.S. society, many firms in the United States reportedly hesitate to adopt codes or guidelines for fear of incurring real or perceived legal obligations and, therefore, liabilities. Indeed, senior executives drew important distinctions between the nature of corporate commitments to global codes. Companies are willing to say that they "endorse" or "support" a certain set of principles. Statements of "adherence"—particularly those requiring third-party verification that the company has done so—are much more rare.

Measurement Processes

Although most companies do not accept the notion of standards or the measurement of ethical performance, many are open to "good practice"—if not "best practice"— processes and systems. Many responding managers believe that performance-based systems—particularly those that utilize International Standards Organization (ISO) models for implementation and effective assessment—are best suited for achieving the environmental and social citizenship objectives of the global codes. The ISO structure provides what other global initiatives and ethics codes have lacked: a common framework of ethical sourcing for companies of any size and any type, anywhere in the world. Plus, performance against the code can be measured and compared.

The ISO structure is appealing because, as Lee Essrig of the Ethics Officers Association explains, it:

- establishes a global standards organization with infrastructure and significance to offer a business alternative to other global ethics initiatives;
- is best for managing complex issues and building consensus;
- focuses on improving business performance rather than reacting to court, legislative, or media intervention;
- emphasizes consensus building and rigorous methodology, and its credibility with non-business institutions keeps the discussion focused on processes rather than outcomes.

In sum, ISO requirements give credence to the notion that sufficiently demanding *processes* can provide a very high comfort level with regard to *outcomes* (see box).

What Would the ISO Structure Look Like?

ISO Guide 72 ("Guidelines for the Justification and Development of Management System Standards") was recently developed to provide a common methodology for drafting new management system standards. The themes and elements contained in all ISO system standards are:

policy demonstration of commitment and principles for action

planning identification of needs, issues, clear objectives and targets, resources, organizational structure, responsibilities, etc.

implementation and operation operational control measures, documentation, communication, awareness building and training, etc.

performance assessment monitoring and measuring, handling non-conformities, audits

improvement corrective and preventive action, continual improvement, management review

Despite the growing interest in the ISO concept, its corporate adherents are hesitant to allow third party verification; many argue that sufficient demands for transparency will secure voluntary compliance with ISO standards.

Developing a New ISO Standard

- A trade association or similar group proposes a new standard to the American National Standards Institute (ANSI); ANSI committees must agree to support the effort.
- Standards-setting bodies from at least four other countries join ANSI in the initiative.
- A secretariat (perhaps the proposing association or group) is selected.
- The project is approved by a majority of ISO members.
- Other countries' standards-setting bodies join the working group (30 – 50 total), with additional observer groups.
- Standards are developed using ISO-guided, consensus-building procedures.

Source: Lee Essrig, Ethics Officers Association (EOA)

SA8000 Certified Organizations

Name Dole Philippines, Incorporated
Country Philippines
Industry agriculture
Scope growing, processing, canning, and distribution of pineapples and other fruit products

Name Dole Pascual
Country Spain
Industry agriculture
Scope central administration offices and packing units of tomatoes, lettuces, and citrus

Name L.E. Jones Company
Country United States
Industry automotive
Scope automotive components

Name The Validium Group Limited
Country United Kingdom
Industry consulting
Scope employee and organizational support services and consultancy

Source: Social Accountability International (formerly the Council on Economic Priorities Accreditation Agency (CEPAA)) Web site at www.cepaa.org/certification.htm, January 9, 2002.

The Same Thing, Only Different: Two Voluntary Models

Here are two standards-setting initiatives based on ISO procedures:

Transparency International (TI) And Social Accountability International (SAI) Business Principles for Countering Bribery

Participants companies, NGOs, and trade unions

Purpose to give practical effect to recent initiatives such as the OECD Convention, Inter-American Convention Against Corruption, and ICC Rules of Conduct to Combat Bribery

Scope

To articulate, in a widely accepted format, good practices for countering and preventing bribery

To enable an enterprise that follows these requirements to:

- assure itself that it is minimizing risk of exposure to bribery
- demonstrate to interested parties that it has a program for countering bribery
- participate in a global movement to counter bribery and corruption

Guidelines content

Duty of the Board of Directors to prevent bribery

Compliance with the laws and promulgation of a code of conduct

Company prohibition of bribery

Relevant subjects

"Kickbacks"

Facilitating payments

Gifts, hospitality, and expenses

Political contributions

Philanthropic contributions

Implementation

External and internal communications

Personnel management

Management of business relationships:

- subsidiaries
- agents
- joint ventures
- suppliers and subcontractors

Complaint channels

Record keeping, accounting, and internal controls

Continuous improvement

Ethics Officers Association (EOA) Global Business Conduct Management Systems Standard (GBCMSS)

Purpose

Single set of voluntary, internationally recognized standards and tools to manage corporate ethics, compliance, and business conduct programs

Framework to measure, evaluate, and audit programs

Guidelines for business ethics management excellence and best practices

Designed to allow for self-declaration and for the option of third-party certification

Scope

- Practical and usable standards for companies and organizations of all sizes and industries (ISO format)
- Recognized means to help companies and organizations demonstrate commitment to ethical business practices

Source: Lee Essrig (Ethics Officer Association), "Developing a Global Business Conduct Management Systems Standard (GBCMSS)," presentation to The Conference Board Global Council on Business Conduct, February 8, 2001.

Global Sullivan Principles Supporting Companies*

Manufacturers

Avon Products, Inc.
Cardinal Boxes, Inc.
ChevronTexaco Corporation
Coca-Cola Company, The
Colgate-Palmolive Company
DaimlerChrysler Corporation
EBY Corporation
Ford Motor Company
Freeport McMoRan Copper & Gold, Inc.
General Motors Corporation
Global Technologies, Ltd.
Hallmark Cards, Inc.
Harman International Industries, Inc.
Hershey Foods Corporation
Lagos, Inc.
Lensco Products, Inc.
Mead Corporation, The
Newman & Company, Inc.
Occidental Petroleum Corporation
Owens Corning
PepsiCo, Inc.
Pfizer, Inc.
Philadelphia Tramrail Company
Phillips-Van Heusen Corporation
Procter & Gamble Company
Quaker Oats Company, The
Shell International, Ltd.
Smith International, Inc.
Statoil
Stockwell Rubber Company, Inc.
Sunoco, Inc.
Sunshine Instruments
Suunto USA
Tata Group
Tyco International, Ltd.
Unocal Corporation
Valero Energy Corporation
Visteon Corporation

Service businesses

16th Street Restaurant Group, LLC
Advanced Staffing, Inc.
Alexandria Modern Projects
Allan Shuman Painting Company
American Airlines, Inc.
American Computer Educators, Inc.
American Expediting Company
American Sourcing Group, LLC (ASG)
Artis T. Ore, Inc.
Ballentyne Brumble Communications
Berean Federal Savings Bank
Binswanger International
British Airways
BSI International, Inc.
Burlington Northern Santa Fe Railway
Burrups Packard
Career Consciousness, Inc.
Careers USA, Inc.
Caricatures by Ellen
Chickie and Pete's, Inc.
City Sort
Comcast Corporation
Comp Quixx
Contemporary Staffing Solutions
Culinary Concepts
Danny's Bookstore
Davidson Library Services
Diamond Courier Service, Inc.
Edward J. Darby & Son
Elliot-Lewis Corporation
Entergy Corporation
Fannie Mae
First Services, Ltd.
Five Star Cleaning Services, Inc.
Focal Communications Corporation
Funny Face Family Day Care
General Motors Acceptance Corporation
Gloria Del Piano Accessories
Graboyes Commercial Window
HalleluYah Corporation
Health Resources, Inc.
HSBC Holdings plc (Hongkong & Shanghai Banking Corporation Ltd.)
Hughes Electronics Corporation
Inner-Space, Inc.
Inter-Hemisphere Tours
International Monitors Company, Ltd.
Jastech Enterprises, Inc
Jewish Exponent
Kaiserman Company, Inc.
Kentucky Fried Chicken Corporation
KO Enterprises, Inc.
Manpower, Inc.
Medical Imaging, Inc.
Monte Carlo Living Room Restaurant
Muller, Inc.
NBC Workforce, Inc.
Old Original Bookbinder's Restaurant
Parkway Corporation
Perryman Building & Construction Services
Philadelphia Botanical Products
Philadelphia Rare Books
Philadelphia Sunday SUN
Premier Travel Services, Inc.
Primac Courier, Inc.
Primerica Financial Services
PRWT, Inc.
Rio Tinto plc
Robin's Deserts & Bakery
Sable Construction, Inc.
Safemasters Company, Inc.
Sautter Crane Rental, Inc.
Scott Florist & Monument
Searchtec Holding, Inc.
Sloan Financial Group
Sodexho, Inc.
Southeastern Pennsylvania Transportation Authority
Stage Step, Inc.

Stepnowski Brothers, Inc.
TAY Television, Inc. d/b/a Phashion Philadelphia
Thackray Crane Rental, Inc.
Thomas Jefferson University Hospital
Top of the Clock, Inc.
Total Serenity
Tri State Property Recovery & Rehab Corp.
Turner Construction Company
United Bank of Philadelphia
Urban Works, LLC
Wells Appel Land Strategies
Whole Unit Artistic Development, Inc.

Professional service firms

Advantage Unlimited
Agoos/Lovera Architects
Alta Communications, Inc.
Athena M. Dooley, Esquire
Ballard Spahr Andrews & Ingersoll
Berger Inver Sevin Weiss
BOE Securities
Bowser & Weaver
Cheil Communications America, Inc.
Conservation Company, The
DeCasale Casey Martin & Manchello
Devendra T. Peer & Company, PC
Dilworth Paxson, LLP
Dr. Joseph Apprah-Forsou & Assoc.
Eckert Seamans Cherin & Mellott, LLC
Grant & Greenspan, LLC
Hill and Knowlton, Inc.
Ideas Investment, Ltd.
Investec Ernst & Company
Jefferson Wells International
J. S. Blake, D.O., GI Associates
Kaufman Partnership, Ltd., The
Kids Smiles
Klein and Hoffman, Inc.
K. Palmer Hartl Associates
Lyon, Popanz & Forester
Madie, Inc.
Magnetrol International
Malcolm Pirnie, Inc.
Marshall Dennehey Warner Coleman & Goggin
Melior Group, The
Miller, Alfano & Raspanti, PC
Milligan & Company, LLC
Mitchell & Titus, LLP
Montgomery McCracken Walker & Rhoads
MRA International
Mylotte, David & Fitzpatrick
Nelson & Associates
Obermayer Rebmann Maxwell & Hippel
Paradigm Group Management Consultants
Pennoni Associates, Inc.
PennTech Group, Inc.
P. G. Corbin & Company, Inc.
Proposals, Inc.
Public Financial Management
Richard E. Egan, Communications Consultant
RISA Investment Advisers, LLC
Roberts Family & Sports Chiropractic
Ryan Brown McDonnell Gerber & Gibbons
Schuylkill Capital Management, Ltd.
Segal Wolf Berk Gaines & Liss
Silverman Bernheim & Vogel
St. Hill and Associates, PC
Ueland Junker McCauley Nicholson
Urban America, LP
Urban Partners
URS O'Brien Kreitzberg
Volpe and Koenig, PC

* As of April 2, 2002

Source: Global Sullivan Principles Web site at www.globalsullivanprinciples.org, April 2, 2002.

From Philanthropy to Citizenship

American Express

Corporate citizenship is built into American Express's company values, which are as follows:

- Dedication to clients and customers
- Continuous quest for quality
- Treat people with dignity and respect
- Integrity
- Teamwork
- Be good citizens in the communities in which we live and work

American Express, founded in 1850, is the world's number one travel agency and one of the world's largest issuers of charge cards. With more than 40 percent of its 84,000 employees outside the United States, the company has a presence in over 160 countries. Revenues of $21.3 billion in 2001 generated profits of approximately $1.3 billion.

Citizenship, From the Ground Up

These values are the core of every employee's ethical code of conduct, according to American Express Foundation President Mary Beth Salerno; the company has educated the various lines of its business so that citizenship can become an integral part of its mainstream operations as well. American Express verifies how well company values are integrated into these operations by way of a company-wide survey of its 84,000 employees worldwide; the survey judges the company's performance with respect to its values and other issues such as employee development. Used as a major internal measurement tool for the company, the survey has the power to affect the ratings and compensation of American Express business units, departments, and managers.[53]

American Express Foundation Reimagines Philanthropy

American Express's strategic philanthropic initiatives are coordinated through its philanthropic program—which includes the American Express Foundation, established in 1954—and through a company giving program. The company is also associated with introducing the concept of "cause-related marketing." In 1984, American Express launched a strategic philanthropic campaign to restore the Statue of Liberty. The company offered to donate a penny "from every charge made on its cards over a three-month period to help rebuild and restore the statue. The campaign raised $1.7 million and encouraged customers to pull out their cards to make purchases. During the campaign, card use rose 28 percent compared with the same period a year before."[54]

Aiming to reduce its costs, increase its responsiveness to the company's needs, and improve its overall effectiveness, American Express in 1994 introduced a number of changes to how it administers its philanthropic program. The company defined the foundation's twofold mission:

- to support business objectives by applying philanthropic resources in such a way as to enhance the company's reputation; and
- to support the company's aim to be a good citizen in the communities in which it operates.

53 From remarks by Mary Beth Salerno, President, American Express Foundation, to The Conference Board's 2000 Leadership Conference, "Global Corporate Citizenship: Creating the Business Case," New York City, February 23, 2000.

54 Daniel Gross, "A Company Scrambles to Keep Its 'Strategic Philanthropy' Going," NYTimes.com at www.nytimes.com/2001/11/12/giving, November 12, 2001.

Three Priorities

American Express also identified three main funding objectives[55]:

Cultural heritage Protect the natural and built environment so that current residents and visitors can enjoy it, and so that it will be preserved for future generations. Funding also supports regional and national arts and cultures. American Express's cultural heritage grantmaking emphasizes:

- public awareness of the importance of historic and environmental preservation;
- preservation and management of major tourism sites;
- direct support for important cultural institutions and major visual and performing arts projects that are representative of national, regional and local cultures; and
- access to the arts and assistance to organizations in developing new audiences.

Economic independence Support initiatives that encourage, develop, and sustain economic self-reliance through programs that:

- serve youth, emphasizing school-to-career and other career readiness programs in partnership with the retail, travel, and hospitality industries;
- build awareness about career and employment options for individuals facing significant barriers to employment, and provide education, training, and workplace experiences that will enable them to actively pursue these options;
- provide education in the fundamentals of business and economics, the importance of savings, the basics of personal financial management, and related consumer issues; and
- promote entrepreneurship and small business development.

Community Service

United Way and volunteering. Funding primarily reinforces the volunteer efforts of thousands of American Express employees and advisors in their local communities, and continues the company's long-standing support to local United Way organizations across the United States.

Disaster relief. American Express' tradition of responding to emergencies around the world and providing assistance to disaster victims through grants to the American Red Cross and other relief agencies is continued through this program.

This reconsideration of philanthropic priorities was accompanied by a shift towards fewer, larger grants focusing on projects or organizations that involve senior managers and key business partners, often those in major existing or potential markets.[56] Concurrently, American Express developed a Global Volunteer Action Fund to direct a portion of its giving to organizations where its employees volunteer.

Promoting Growth and Sustainability Through Global Tourism

The American Express Foundation made its first grants outside the United States in the late 1970s. By the early 1990s, the foundation expanded its international giving to include a focus on emerging markets. The Fund for Central/Eastern Europe, created in 1991 and renewed in 1994, sought to assist the development of tourism in former Soviet bloc countries. Among the ways it did so was by developing education and training courses, and by making grants to encourage cultural tourism and historic preservation in the region.[57]

In the course of the decade, American Express further expanded its international giving to other areas. In 1995, the company broadened the scope of its Global Volunteer Action Fund to include all employees worldwide; and in

55 Information taken from American Express Web site at home3.americanexpress.com/corp/philanthropy

56 Connie Higginson and Colin Reeve, paper presented at Corporate Citizenship: An Action Research Conference, University of Warwick, July 15-16, 1998.

57 Ibid.

1996, American Express announced a $5 million, five-year partnership program with the World Monuments Fund, a U.S.-based preservation organization. This program—called the World Monuments Watch—calls attention to endangered heritage sites by publishing a biennial *List of the World's Most Endangered Sites*; it also provides funds to save selected monuments on the list. American Express renewed its commitment to the Watch in 2000, for a total of $10 million given through 2005. Company managers are well aware of the importance of these sites to the travel industry, and have enthusiastically embraced the Watch—as have a number of American Express's business partners.[58]

The American Express Foundation also promotes sustainable travel and development practices within the travel industry at large, to inoculate against the risk of losing fragile vacation spots. Salerno notes that American Express's partnership with The Conference Board and the World Travel and Tourism Council resulted in a new organization—Business Enterprise for Sustainable Travel (BEST, at www.sustainabletravel.org)— that helps companies implement and enhance sustainable travel practices, and creates and disseminates best practices throughout the industry.

Responding to September 11th

The American Express Foundation's headquarters were on the 48th floor of the World Financial Center, a block west of the World Trade Center. Salerno and her staff evacuated their offices on the morning of September 11th, and this complicated American Express's response to the day's events. The company's first philanthropic action was to commit grants totaling $775,000—to the Red Cross and to the newly formed September 11th Fund—for immediate disaster relief efforts.[59] Later, the company announced that it would give at least $1 million to the families of its 11 employees who were lost at the World Trade Center. In addition, the American Express Foundation set aside $1 million for a general disaster relief fund.

While emergency grants were American Express's immediate response, the foundation was soon occupied with employees' desire to contribute to the company's relief efforts. The week following the attacks, at a company rally at Madison Square Garden for 5,000 employees, American Express announced that its relief fund would be part of the annual employee giving campaign. The company promised to match donations made to the fund by retirees, financial advisers, and employees. "We don't usually collect money at the foundation," said Salerno, "but we opened it up to allow employees to contribute."

By the end of 2001, American Express employees had pledged nearly $950,000 to the American Express World Trade Center Disaster Relief fund, which, with the company's initial contributions and its match of employee and other donations, now totaled over $5 million. In addition to the already allocated $775,000, American Express distributed almost $2 million of the Fund in January 2002 to employees and employee families most directly affected by September 11th; the company donated another $1.9 million in March 2002 to assist the broader community affected by the disaster.[60]

Foundation and business executives at American Express also worked together to redirect the company's strategic philanthropy by expanding the Membership Rewards program. The program—which allows cardholders to accumulate and redeem points for travel certificates, merchandise, and donations to groups such as United Cerebral Palsy and the Special Olympics—added September 11th relief groups to its list of eligible charities and offered to match 2001 donations to all charities, up to a total of $200,000. The company reports a 250 percent increase in redemptions for charities since September 11th.

58 World Monuments Fund information from American Express Web site at www.americanexpress.com/corp/philanthropy/wmf.asp (July 26, 2001).

59 Information and quote in this section adapted from Daniel Gross, "A Company Scrambles to Keep Its 'Strategic Philanthropy' Going," NYTimes.com at www.nytimes.com/2001/11/12/giving, November 12, 2001.

60 Current giving data from Cornelia W. Higginson, Vice President of American Express (interview, March 20, 2002).

Measuring the Impact on Society

Schmalbach-Lubeca AG

Schmalbach-Lubeca AG, headquartered in Ratingen, Germany, is one of the leading international producers of packaging. The company is the world market leader in the core business sectors–transparent, lightweight, and non-breakable *PET containers*, and *vacuum closures* for glass jars and plastic containers–and number two in Europe with its third product group, beverage cans.

Environmental Protection Begins at Home…

Apart from its efforts to constantly enhance the quality of its products, Schmalbach-Lubeca also feels a responsibility to ensure proper use and ecologically sound recycling. In accordance with Agenda 21—approved at the Rio Summit in 1992—the company contributes to sustainable, ecologically sound economic management by conserving resources, reducing environmentally detrimental emissions, and implementing environmental awareness programs.

Schmalbach-Lubeca's key focus is optimizing production processes, analyzing the life cycle of packaging, improving environmental awareness, and educating society. To do this, the company employs environment information systems and audited environment management systems in accordance with ISO 14001 (see Appendix 3), and is setting up highly effective return and recycling systems to establish an efficient recycling economy. Schmalbach-Lubeca also leads a network of companies that organizes schools activities and other events to educate society and improve environmental awareness.[61]

…But It Doesn't End There

Schmalbach-Lubeca's vision statement affirm's the company's commitment to society: "Our superior technological know-how, and our strong commitment to customer value, quality, cost, and the highest environmental standards make us the best in class." To achieve this vision, Schmalbach-Lubeca obligates itself to report to society the company's relevant achievements. The company defines "society" as "the community within which Schmalbach-Lubeca exists and operates, including the local, national, and global community, and the environment impacted by Schmalbach-Lubeca's activities, products, and communications….Consumers, neighbours, politicians, and the press are key groups for the measurement of society results." (Shareholders, suppliers, customers, and employees are treated separately in the Schmalbach-Lubeca Business Excellence model.)

Metrics Seek Balance Between Society and Company

Schmalbach-Lubeca divides its responsibilities to society into three areas:

- human rights
- environmental protection
- community involvement

To measure the company's impact in these social dimensions, Schmalbach-Lubeca uses indicators to measure each area with respect to compliance with international legal standards, annual report evaluation, or material consumption in relation to product output.

61 See "Clean Countryside Campaign" at www.aktionsauberelandschaft.de.

These indicators may be adapted for different countries and product groups. The relevance of cleaner production to Germany, for example, differs from the value placed on it in other countries. Marks ranging from “0” to“4”—from no importance to very important—designate each indicator’s importance to society and its relevance for the company. Employee members of the criterion team on society results conduct the evaluation, and this has enabled Schmalbach-Lubeca’s product group to influence what indicators the company uses to measure society results.

To improve buy-in among stakeholders, Schmalbach-Lubeca will need to make the usefulness of measured indicators clear. If the amount of waste—kg/kg product—is measured and improved, this will have an impact on production costs and will serve as a useful indicator. The implementation challenge now is to measure for day-to-day society results at each of the 64 Schmalbach-Lubeca locations. To complement previously introduced customer relation and leadership satisfaction indexes, the company plans to roll out a benchmark trust index.

Communicating Citizenship
On the Web

BT Group

The Seeds of Sustainability Reporting

BT has set itself an ambitious vision: to be the most successful worldwide communications group. To achieve this, says Chris Tuppen, BT's head of Sustainable Development and Corporate Accountability, the company intends to build shareholder value by:

- seizing the many opportunities open to it in the global market;
- building its current business, focusing on high-growth areas;
- operating to the highest standards of integrity;
- fulfilling its responsibilities to the communities in which it operates.

BT has published annual Environmental Reports since 1992, and published its first Social Report in 1999. In 2000, BT was ranked third in the world for its sustainability reporting by UNEP/SustainAbility and in 2001 won the Association of Certified Charter Accountants Award for Continued Excellence in Environmental Reporting.

Integrated Reporting on the Better World Site

For proof of its endeavors, BT has produced its first integrated social, environmental, sustainable development, corporate social responsibility, and triple bottom line report. To highlight the interconnectedness of corporate citizenship issues, the *Social and Environment Report 2001* is available only on the Internet at www.groupbt.com/Betterworld. The Better World site includes a wealth of information, performance data, and targeted improvements. Harnessing the power of the Internet, BT uses hyperlinks to its larger Web presence and to many external sites to direct stakeholders to the information that most interests them.

BT Group, formerly British Telecommunications plc, is one of the world's leading providers of telecommunications services. Its principal activities include local, long distance, and international telecommunications services; mobile communications; Internet services; and IT solutions. In the United Kingdom, BT serves 29 million exchange lines and more than 11 million mobile customers, as well as providing network services to other licensed operators.

According to Tuppen, BT aims "to be at the heart of the information society—a communications-rich world in which everyone, irrespective of nationality, culture, ethnicity, class, creed, or education, has access to the benefits of information and communications technology (ICT)."

The company is committed to doing business in a way that:

- maximizes the benefits of ICT for individuals;
- contributes to the communities in which it operates; and
- minimizes any adverse impact that it might have on the environment.

For BT, says Tuppen, this means doing business in a way that will persuade customers to buy from BT, investors to back BT, the best people to work for BT, and communities to have BT around. "If we had to say what we believe in a single sentence, it would be this: Better communications help create a better world."

BT's vision—in Tuppen's words, "to be the most successful worldwide communications group"—is at the heart of the company's Commitment to Society policy, and is central to its social programs. Wherever

> Our job is to facilitate effective communication, irrespective of geography, distance, time, or complexity…. It is our objective to ensure that we continue to operate in a way that is consistent with BT's overarching values, commitment to doing business ethically, and commitment to sustainability.

Sir Christopher Bland, Chairman of BT Group[62]

BT operates, the company also aims to meet a set of minimum standards as defined in the company's Statement of Business Practice, which sets out a governance framework for BT's nonfinancial activities.

Listening to Stakeholders

The BT Statement of Business Practice details the company's key aspirations and commitments to customers, employees, suppliers, shareholders, partners, and society as a whole. According to BT, effective two-way communication is key to building and enhancing these relationships; the company believes that BT must be explicit about what it is trying to achieve with each constituency and to have a developed understanding of each constituency's expectations of the company. Consultation and dialogue with each of these constituencies—covered in the relevant sections of the online report—is part of BT's core business.

Better World includes:

Data on BT's environmental performance and 33 improvement targets, including a 46 percent reduction in CO2 emissions since 1991, saving 1 million tons of carbon annually;

Audio-conferencing within BT, saving around 150 million miles of travel per annum—equivalent to 34,000 tons of CO2 and £6 million;

Commentary, data, and targets on BT's relationships with employees, customers, and suppliers, including:

- *Business in the Community's Gold Standard Award* for BT's approach to gender issues
- *Typetalk* and *BT TextDirect* services for customers with special needs
- *Sourcing with Human Dignity* BT's new supply chain human rights standard;

Independent commentaries by Green Alliance on BT's approach to mobiles and health; by Simon Zadek on the digital divide; and by the United Kingdom Centre for Economic and Environmental Development on BT's management of e-business and the environment;

Independent case study by ERM on BT's social, economic, and environmental impacts in India;

Themed sections on human rights, stakeholder consultation, sustainability, and economics;

Site navigation indexes (click on "Looking for something?") according to Global Reporting Initiative guidelines or BT's Statement of Business Practice;

Three types of verification, including an Independent Advisory Panel (click on "Independent View");

Twenty-four social performance targets (click on "Future Objectives"); and

Online discussion forum moderated by the Institute of Social and Ethical Accountability.

62 From introduction to the BT Group's Better World Web site at www.groupbt.com/BetterWorld, as of January 8, 2002.

The Value of Reporting

Ford Motor Company

Founded in 1903, **Ford** today is the world's second-largest motor vehicle manufacturing company. 2001 revenues exceeded $162 billion and the company had 346,000 employees worldwide. Ford Motor Company's global brands include Ford, Lincoln, and Mercury, as well as Aston-Martin, Jaguar, Land-Rover, Mazda, and Volvo.

Ford Motor Company issued its first citizenship report in May 1999.[63] Reaction to the report was mixed. An SUV producer staking out climate change as a key company priority? Initial media coverage was skeptical, at best. Many Ford executives were surprised by the reaction, and concerned that investors might lose confidence in the company (and not all of them were fully briefed prior to the report's being published, since the report was produced over a short time span). But many employees were very positive about the position their company was staking out, and several initially skeptical NGOs were interested.

Prelude to a Strategy

What brought this turbulent situation about?

- Ford's chairman and CEO, Bill Ford, drove the process, which reflects his strong belief in the importance of corporate citizenship.
- A subgroup of the President's Strategy Council was tasked with aligning overall company strategy, including citizenship. A key objective was "building relationships with a broader group of stakeholders to discuss issues that include the future of our industry in the world and the expectations for leadership in corporate citizenship."[64]
- A new Corporate Governance Group was created to lead the corporate citizenship initiative.

The 1999 citizenship report became the formal public announcement of Ford's citizenship commitment and strategy, both to the company and to the world. While arguably not the smoothest possible way to embark on a major new corporate strategy entailing dramatic cultural change, the boldness of the move demonstrated a strength of commitment that soon began to offset the initial skepticism.

Ford's citizenship reporting process is part of its larger citizenship commitment. One of the first report's primary goals was to help Ford engage in serious and credible discussions with NGOs and the outside world. While this could have been done more slowly and deliberately, taking such a bold approach effectively "jump-started" the process and led to serious stakeholder deliberations in August 2000.

Setting the Agenda

Three issues emerged from that dialogue. These became the focal strategies of Ford's citizenship process and set the agenda for the year 2000 citizenship report:

- climate change
- human rights
- the business value of corporate citizenship

If the 1999 report raised the issue and voiced Ford's commitment to the citizenship course, the 2000 report

63 Ford Motor Company, *Connecting with Society* (Dearborn, Mich., 1999).
64 Ibid.

set forth the implementation plan.[65] Very specific commitments were made for 2001 including:

- increasing the understanding of corporate citizenship among Ford employees;
- testing draft business principles with employees, and making needed refinements;
- expanding stakeholder engagement and transparency efforts;
- identifying ways to integrate citizenship into the strategic decision-making process;
- conducting assessments of Ford's environmental, economic, and social impacts, with special attention to creating business value creation, climate change, and human rights;
- guiding the development of climate change and human rights strategies; and
- developing initial metrics to measure progress on citizenship strategies.

Ford's third citizenship report, planned for 2002, will be challenging. In light of business conditions resulting from the Firestone tire recall and declining profitability due to intense sales competition in the deteriorating economy, the company anticipates reporting less progress than planned for 2001. Response to this news will be an important test of Ford's larger citizenship process. Stakeholder reaction will become a valuable measure both of the company's actual progress and of how effective its reporting has been in creating a favorable environment for a durable process.

65 Ford Motor Company, *Connecting with Society* (Dearborn, Mich., 2000).

Appendix A

Working Group and Research Forum on Global Corporate Citizenship

Conference Board staff

Sophia A. Muirhead Senior Research Associate

Charles Bennett Senior Research Associate

Ronald Berenbeim Principal Researcher

Amy Kao Research Associate

David J. Vidal Director of Research, Global Corporate Citizenship Group

Sponsoring Members

ABB Inc.

Alcoa Foundation

American Express Company

Arthur Andersen

BHP

BT Group plc

Eastman Kodak Company

Edison International

FleetBoston Financial Foundation

IBM Corporation

Johnson & Johnson

Merck & Co., Inc.

Merrill Lynch & Co., Inc.

Sara Lee Corporation

Texaco Inc.

Unilever plc

Other Participants

Edelman Public Relations Worldwide (Office of Stakeholder Strategies)

Prince of Wales Business Leaders Forum

United Nations Global Compact

Appendix B

Survey Respondent Profiles

Corporate Citizenship Practices and Trends (managers' survey)

Country (N=85)

Country	Percent of companies
United States	38%
Canada	7
Argentina	6
Honduras	5
Netherlands	5
Sweden	5
Kuwait	4
United Kingdom	4
Brazil	2
France	2
Germany	2
Ireland	2
Mexico	2
Panama	2
Australia	1
Austria	1
Belgium	1
Chile	1
Denmark	1
India	1
Indonesia	1
Japan	1
New Zealand	1
South Africa	1
South Korea	1
Switzerland	1
Venezuela	1

Industry (N=89)

Industry	Percent of companies
Manufacturing (industrial)	25%
Financial services	19
Manufacturing (consumer)	12
Energy	9
Manufacturing (computers/technology)	7
Wholesale and retail trade	6
Utilities	5
Other services	5
Transportation and warehousing	3
Business and professional services	3
Agriculture and mining	2
Communications/broadcasting/publishing/software	2
Government/public administration/nonprofit	2

FY99* Sales (N=90)

Sales (in U.S. dollars)	Percent of companies
< $1 billion	14%
$1 billion < $5 billion	33
$5 billion < $10 billion	20
$10 billion < $20 billion	17
$20 billion < $40 billion	10
$40 billion+	6

* Latest financial information available at time of survey

FY99* Sales Revenue Outside Home Country (N=91)

	Percent of companies
0 < 20%	52%
20% < 40%	14
40% < 60%	18
60% < 80%	18
80% < 100%	8

* Latest financial information available at time of survey

The New Role of Business in Society (CEO survey)

Region

	Percent of companies
Asia-Pacific	60%
Europe	17
United States	15
Brazil	8

Country

	Percent of companies
United States	15%
China	12
Korea	11
Germany	8
United Kingdom	8
Brazil	8
India	7
Japan	6
Philippines	6
Malaysia	5
Singapore	4
Indonesia	4
Thailand	3
Taiwan	3
Netherlands	< 0.5
Denmark	< 0.5
Norway	< 0.5
Sweden	< 0.5
Switzerland	< 0.5
Ireland	< 0.5

Corporate Citizenship in the Boardroom (board members' survey)

This survey included 152 board members, all from companies based in the United States. Sales revenues outside the United States accounted for an average 8.5 percent of companies' total global sales.

Industry	Percent of companies
Manufacturing (industrial)	18%
Financial services	18
Manufacturing (consumer)	14
Utilities	10
Energy	7
Healthcare	5
Other services	5
Transportation and warehousing	4
Communications/broadcasting/publishing/software	4
Trade (wholesale and retail)	4
Manufacturing (computers/technology)	3
Construction	1
Agriculture and mining	1
Business and professional services	1
Other	5

FY99* Total Global Sales (U.S. dollars)

< $1 billion	30%
$1 billion < $5 billion	38
$5 billion < $10 billion	14
$10 billion < $20 billion	8
$20 billion < $40 billion	8
$40 billion+	3

*Latest financial information available at time of survey

Appendix C

Glossary of Resources and Terms

AccountAbility 1000 Standard (AA1000)

www.accountability.org.uk

AA 1000—an accountability standard focused on securing the quality of social and ethical accounting, auditing, and reporting—provides a framework that organizations can use to understand and improve their ethical performance, as well as a means for others to judge the validity of ethical claims made. The standard was launched in November 1999 at AccountAbility's third international conference on social and ethical accounting, auditing, and reporting, held in Copenhagen, Denmark. AA1000 assists organizations in defining goals and targets; measuring progress made against these targets; auditing and reporting performance; and feedback mechanisms. Stakeholder group involvement is crucial to each stage of the process, building trust in the organization and the claims it makes.

AA1000 comprises principles (defined as the characteristics of a quality process) and process standards. The process standards include five stages of business activity:

- planning;
- accounting;
- auditing and reporting;
- embedding (implementing values); and
- stakeholder engagement.

These standards link the defining and embedding of organizational values to the processes of developing performance targets and of assessing and communicating corporate performance.

BS 8800 Occupational Health and Safety Management System

www.arkhealthandsafety.com

BS 8800—a comprehensive management system for health and safety that promotes continual improvement—is based on two approaches: BS EN ISO 14001, an environmental management system, and HS(G)65, a health, safety and environment (HSE) guide to successful health and safety management. Although BS 8800 is a guidance standard, it is nationally recognized by insurers, enforcement authorities, HSE, trade associations, and professional institutions.

Corporate social responsibility (CSR)

(from the European Commission's green paper, "Promoting a European Framework for Corporate Social Responsibility, July 18, 2001; available online at europa.eu.int/eur-lex/en/com/gpr/2001/com2001_0366en01.pdf)

Corporate social responsibility—an enterprise's accountability to all relevant stakeholders—is the continuing commitment by business to behave fairly and responsibly, contributing to economic development while improving the quality of life of workers, their families, the local community, and society at large.

Companies' expressions of social responsibility affirm their roles in social and territorial cohesion, quality, and environment. Through their production, employee relationships, investment practices, companies are able to improve job quality and industrial relations, advancing fundamental rights, equal opportunities, nondiscrimination, quality goods and services, health, and the environment.

Although CSR must first be taken up by individual firms, these firms can challenge policy makers to develop or adapt policies and legislation that will make it easier for them to support and promote the business case for CSR.

NGOs also play a crucial role in company's CSR implementations. To achieve an integrated and balanced approach to economic, social, and environmental factors, companies need the kind of innovative thinking that closer involvements of these social partners can bring.

United Nations Global Compact: A Compact for the New Century

www.globalcompact.org

In January 1999, at the World Economic Forum in Davos, Switzerland, UN Secretary-General Kofi Annan challenged world business leaders to "embrace and enact" the Global Compact, in their individual corporate practices and by supporting appropriate public policies. The compact identifies nine human rights, labor conditions, and environmental responsibility principles as a point of reference for company business practices and public polity initiatives:

Human Rights

Principle 1 support and respect the protection of international human rights within their sphere of influence; and

Principle 2 make sure their own corporations are not complicit in human rights abuses.

Labor Standards

Principle 3 freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labor;

Principle 5 the effective abolition of child labor; and

Principle 6 the elimination of discrimination with respect to employment and occupation.

Environment

Principle 7 support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environmental responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly ethnologies.

The Global Reporting Initiative (GRI)

www.globalreporting.org

Established in late 1997, the Global Reporting Initiative's mission is to develop and disseminate globally applicable sustainability reporting guidelines for organizations reporting on the economic, environmental, and social dimensions of their activities, products, and services. Convened by the Coalition on Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP), the GRI seeks the active participation of corporations, NGOs, accountancy organizations, business associations, and other stakeholders from around the world. Company adherence to the GRI reporting standard is voluntary.

The GRI's *Sustainability Reporting Guidelines* encompass the following linked elements of sustainability.

Economic includes (but is not limited to) financial information on wages and benefits, labor productivity, expenditures on research and development, and investments in training and other forms of human capital.

Environmental includes impacts of processes, products, and services on air, water, land biodiversity, and human health.

Social includes workplace health and safety, employee retention, labor rights, human rights, and wages and working conditions at outsourced operations.

The GRI aims to help organizations report information in a way that:

- presents a clear picture of the human and ecological impact of business, to facilitate informed decisions about investments, purchases, and partnerships;
- provides stakeholders with reliable information that is relevant to their needs and interests, and that invites further stakeholder dialogue and enquiry;
- provides a management tool to help the reporting organization evaluate and continuously improve its performance and progress;
- accords with well-established, widely accepted external reporting principles, applied consistently from one reporting period to the next, to promote transparency and credibility;
- is easy to understand, and that facilitates comparison with reports by other organizations;
- complements, not replaces, other reporting standards (including financial); and
- illuminates the relationship among the three linked elements of sustainability—economic, environmental, and social.

The Global Sullivan Principles

www.tigger.stthomas.edu/mccr/SullivanPrinciples.htm

The late Reverend Leon H. Sullivan authored the Sullivan Principles in 1977, while he was a member of the board of directors of General Motors. The principles, originally intended for U.S. firms operating in South Africa, provided the framework for social responsibility and equal opportunity for multinational companies operating there during the apartheid era. Sullivan and a group of major international companies developed new global principles for business conduct in May 1999.

Companies signing the Principles promise to:

- support economic, social, and political justice by companies where they do business;
- support human rights, and to encourage equal opportunity at all levels of employment, including racial and gender diversity, on decision-making committees and boards;
- train and advance disadvantaged workers for technical, supervisory, and management opportunities; and
- assist with greater tolerance and understanding among peoples, thereby helping to improve the quality of life for communities, workers, and children, with dignity and equality.

The principles commit signatories to "promote the application of these principles by those with whom we do business" and to "be transparent in [our] implementation and [to] provide information which demonstrates publicly our commitment to them. Each agrees to "respect the law, and as a responsible member of society (to) apply these Principles with integrity consistent with the legitimate role of business. We will develop and implement company policies, procedures, training and internal reporting structures to ensure commitment to these principles throughout our organization. We believe the application of these Principles will achieve greater tolerance and better understanding among peoples, and advance the culture of peace."

ISO 14000

www.nsf-isr.org/html/body_about_iso_14000.html

Promulgated in 1996 by the International Standards Organization (ISO), ISO 14000 is a series of internationally recognized standards for structuring a company's Environmental Management System (EMS) and managing the environmental performance of the system to effect environmental improvement and cost savings.

The series includes standards for EMS (14001 and 14004); auditing (14010, 14011, and 14012); labeling (14020, 14021, and 14024); environmental performance evaluation (14031), and life cycle analysis (14040). ISO 14000 does not require independent third party verification, relying instead on agreed standards for self-declaration.

ISO 14001

www.nsf-isr.org/html/body_about_iso_14000.html

ISO 14001—modeled after the highly successful ISO 9000 quality management system standards—is the cornerstone document of the ISO 14000 series of standards. Used for registration, ISO 14001 requires a company to

- develop an environmental policy with a commitment to compliance, prevention of pollution, and continual improvement;
- conduct operational planning to identify environmental aspects and legal requirements, set objectives and targets consistent with policy, and establish an environmental management program;
- implement and operate the program, including defined structure and responsibility, training, communication, documentation, operational control, and emergency preparedness and response;
- monitor the program, including corrective and preventive action, and auditing; and conduct management review.

OECD Guidelines for Multinationals

www.oecd.org/activities

Following intensive negotiations involving government officials and representatives of business, labor, and environmental and civil society organizations, the

Organization for Economic Cooperation and Development (OECD) adopted a revised set of its *Guidelines for Multinational Enterprises* in June 2000. The guidelines enable governments of the 33 countries that have adopted them to address multinational enterprises with non-binding recommendations on responsible business conduct.

According to the OECD, companies with their own business conduct programs have found that such programs often raise corporate reputations and boost employee morale, as well as enhance profitability, improve access to capital markets, and smoothe relations with shareholders. The guidelines complement and reinforce these efforts.

The guidelines cover the entire range of multinational activities, including human rights, labor relations, the environment, consumer protection, and combating bribery. Recommendations—which are made in light of the prevailing laws, regulations, and practices in each of the countries where global companies operate—might supplement applicable law and practice, but should not conflict with them.

These principles and standards are not legally enforceable; OECD relies on peer pressure among signatories to achieve improvements in business practice. Each of the accord's 33 participating countries is committed to developing a national contact point (staff unit or committee) to assist multinationals seeking to understand and implement the guidelines. Under the guidelines, each country will issue an annual report on its guidelines activities, and the OECD will meet annually to review each country's implementation efforts.

SA8000

www.sgsicsus.com/What_is_SA.htm

The SA8000 standard, a voluntary monitoring and certification system for determining labor conditions in global manufacturing, is an iniatiative of Social Accountability International (SAI), an affiliate of the Council on Economic Priorities. The standard encourages companies and other organizations to develop, maintain, and apply socially acceptable workplace practices in areas under their control or influence. Using the ISO 14000 model, SAI employs certified monitors to verify factory compliance with the standard.

SA8000…

- provides a benchmark against which purchasers and other interested parties can evaluate peer organizations and suppliers;
- is voluntary, and has been designed with complex business supply chain relationships in mind;
- augments or replaces company-specific codes or other contractual requirements;
- is designed to incorporate applicable laws and regulatory requirements, thus providing confidence in an organization's commitment to its legal obligations;
- is not industry- or geography-specific, but is a common benchmark with standard interpretations developed to be flexible for use in any situation; i.e. production or services, public or private, for profit or not-for-profit etc.; and
- has attracted strong interest and participation from "blue chip" companies, providing international credibility.

Triple bottom line

www.triplebottomline.com

The integrated "triple bottom line" of corporate sustainability presents a balanced view of overall corporate performance by linking a business's environmental, social, and economic bottom lines. Long-term corporate operational sustainability is essentially a function of how well a company can identify, understand, evaluate, and manage its position within these three spheres. Ignoring or undervaluing one or more of them will eventually impact a company's ability to compete in an increasingly turbulent operating environment.

Appendix D

Selected Web Resources

The Conference Board
www.conference-board.org/expertise/citizenship.cfm

African Institute of Corporate Citizenship
www.corporatecitizenship-africa.com

Asian Institute of Management
www.aim.edu.ph

Business for Social Responsibility
www.bsr.org

Business in the Community
www.bitc.org.uk/home.html

The Center for Corporate Citizenship at Boston College
www.bc.edu/bc_org/avp/csom/ccc

Committee to Encourage Corporate Philanthropy
www.corphilanthropy.org

The Copenhagen Centre
www.copenhagencentre.org/main

The Corporate Citizenship Company
www.corporate-citizenship.co.uk

CSR Europe
www.csreurope.org

Institute for Social and Ethical Accountability
www.accountability.org.uk

Instituto Ethos de Empresas e Responsabilidade Social
www.ethos.org.br

The Journal of Corporate Citizenship
www.greenleaf-publishing.com/jcc/jcchome.htm

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

Warwick Business School Corporate Citizenship Unit
users.wbs.warwick.ac.uk/ccu

The World Business Council for Sustainable Development
www.wbcsd.org

WorldCSR.com
www.worldcsr.com/pages

Related Conference Board Publications

Business Conduct

Company Programs for Resisting Corrupt Practices: A Global Study
Research Report 1279, 2000

Corporate Citizenship

Corporate Community Development: Meeting the Measurement Challenge
Research Report 1310, 2002

The Road to Sustainability: Business' First Steps
Research Report 1309, 2002

Doing Good and Doing Well: Making the Business Case for Corporate Citizenship
Research Report 1282, 2000

Corporate Contributions and Social Investments

Corporate Contributions in 2000
Research Report 1308, 2001

Corporate Contributions: The View From Fifty Years
Research Report 1249, 1999

Corporate Governance

The Institutional Investor and Corporate Governance: What Do Institutional Investors Want?
Research Report 1297, 2001

Corporate Governance: Global Trends Examined From an Asian Perspective
Special Report 2, 2001

Corporate Environmental Governance: Benchmarks Toward a World-Class System
Research Report 1266, 2000

Employees

The Diversity Executive: Tasks, Competencies, and Strategies for Effective Leadership
Research Report 1300, 2001

Engaging Employees Through Your Brand
Research Report 1288, 2001

Valuing People in the Change Process
Research Report 1265, 2000

Innovative Public-Private Partnerships series

Conservation of Forests, Farmlands, and Wetlands
Research Report 1303, 2001

Promoting the Hiring of Workers with Disabilities
Research Report 1296, 2001

About the Authors

Sophia A. Muirhead, a Senior Research Associate in The Conference Board's Global Corporate Citizenship unit, is the primary author of the chapter titled "Beyond Philanthropy." Ms. Muirhead also serves as the research liaison to The Conference Board's Council of Senior International Attorneys.

Charles J. Bennett is a Senior Research Associate in the Global Corporate Citizenship unit and The Conference Board's Townley Management Center for Environment, Health and Safety. Dr. Bennett is the primary author of the chapters titled "CEOs on Citizenship," "Reporting Citizenship," and "Stakeholder and NGO Relations."

Ronald E. Berenbeim, a Principal Researcher in the Global Corporate Citizenship unit, is the primary author of the chapter titled "Coaxing Consensus." An authority on business ethics and corporate governance issues, Mr. Berenbeim has written 24 Conference Board studies.

Amy Kao is a Research Associate in the Global Corporate Citizenship unit. Ms. Kao also is responsible for administrating The Conference Board's annual Best in Class education awards, which recognize the efforts of business in improving primary and secondary education, and furthering education reform.

David J. Vidal has been Director of Research of the Global Corporate Citizenship unit since December 1997. Mr. Vidal is responsible for a program that assists member companies and their managers pursue best practice strategies for corporate citizenship around the globe. He is the primary author of the chapter titled "Managing and Measuring."

The Conference Board, Inc.
845 Third Avenue
New York, NY 10022-6679
Tel 212 759 0900
Fax 212 980 7014
www.conference-board.org

The Conference Board Europe
Chaussée de La Hulpe 130, box 11
1000 Brussels, Belgium
Tel 32 2 675 5405
Fax 32 2 675 0395
www.conference-board.org/europe.htm

The Conference Board of Canada
255 Smyth Road
Ottawa, Ontario K1H-8M7 Canada
Tel 613 526 3280
Fax 613 526 4857
www.conferenceboard.ca

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