

THE BIG REVEAL

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How much companies say in their corporate social responsibility reports is entirely up to them, but as pressure rises to make them worthwhile, one suggestion is that accountants should vet them

by Richard Goslan



Companies are devoting ever more time, money and expertise to reporting their initiatives when it comes to corporate social responsibility (CSR). Some are doing a better job than others.

British Telecom's website, for example, explores in great detail all of the company's goals and achievements when it comes to CSR.

It makes for exhaustive reading, and tucked away in the deluge of information is the fact that the report has been assured against the AA1000 Assurance Standard. BT also used the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines, and the GRI Pilot Telecommunications Sector Supplement when preparing its report.

They are just some of the recognised options for companies wanting to prove that their CSR profile is more than pure puffery.

The AA1000 series was developed over the past nine years by AccountAbility, a not-for-profit organisation which brings together business, academics and practitioners.

The GRI is an international not-for-profit body, founded in 1997, which aims to provide "a trusted and credible framework of sustainability reporting that can be used by organisations of any size, sector or location".

"The genuine leaders in CSR reporting - which would include BT, for example, and Marks & Spencer - only started to communicate about what they do after they'd reached a point where they'd really done a lot of work understanding the issues, and were confident they'd made enough progress to justify talking about them," says Mallen Baker, development director with Business in the Community, a membership organisation for businesses committed to CSR.

"But they will still get more attention and more heat [over their CSR policies], because if you become known for following higher standards, you become a bigger target for journalists and campaign groups."

That's why BT goes to great lengths to prove that its CSR work has been audited and meets internationally recognised benchmarks. But if the labels sound impressive, be careful who you boast to about your CSR credentials.

"I don't trust business ... and the point about accountability is that we don't trust business to look after their finances - we're accountants!" says Rob Gray, professor of social and environmental accounting at St Andrews University's School of Management.

"Reporting CSR is voluntary and people don't like reporting their bad stuff. So until we can hold companies accountable, we have no idea - nobody has any idea - how responsible or irresponsible companies are. We only have their word for it. We wouldn't believe it if they simply said 'We're profitable this year' and we can't believe it for their social responsibility and sustainability. It's nonsense."

"There are some best practice voluntary initiatives, including the GRI, but more work needs to be done by government to take a role in ensuring that a standard is in place," says Hannah Ellis, co-ordinator for the Corporate Responsibility Coalition (CORE), a grouping of over 130 civil society organisations which believe that the voluntary approach to corporate responsibility has failed.

"Although companies have a legal obligation to report on their financial services to their shareholders, they currently have very little legal obligation to report on their environmental and social impact. CORE believes that company directors should have the same responsibility to report on their environmental and social impact as they do on their financial impact."

Michael Littlechild is chief executive of the Good Corporation, an independent assessment company which he set up eight years ago to examine how well businesses were implementing their principles of responsible business management.

"There isn't much consistency [in CSR] and I don't think it's getting any more consistent over time," he says.

"If you looked at 20 reports, apart from a broad similarity in terms of the sorts of things they've covered, there's no real consistency in the sense of always finding certain information - it's going to depend on what companies want to push. So there's a tendency to feature things you think you're good at, and not necessarily things which are not your stronger areas.

"Good Corporation doesn't verify the report, but the actual practices - we don't worry about what companies write, we're more interested in their good practices. We like to think that we verify the reality of the practice, and not the report that somebody has written."

Professor David Grayson from Cranfield University School of Management's Doughty Centre believes the risk of a company making claims about its CSR achievements will come back to haunt it, regardless of what kind of reporting it produces.

"If you are going to make statements about being an ethical and socially responsible company, then you are going to be held accountable for them," he says.

"We are in an era of much greater transparency and there is a lot of pressure for more transparency because of a decline in trust in a lot of institutions, in all sectors.

"With a decline in trust you've got to do more in the way of transparency to address that. Any company which makes statements about the principles they operate to must expect that if there are gratuitous violations of that then they will be found out - and suffer the PR consequences."

One of the most recent examples of a company finding itself under scrutiny for its ethical behaviour was the budget clothing chain Primark. The BBC's Panorama found evidence that three of the company's suppliers in India were subcontracting embroidery work on dresses to children working from home.

Primark has been a member of the Ethical Trade Initiative since 2006 and makes great play of its ethical trading standards on its website.

Following the Panorama revelations, Primark sacked the three suppliers, and promised to improve and review its audit process.

"These three suppliers had deceived us," says Primark director Breege O'Donoghue. "There was no trust, there was no transparency, the relationship was broken. Regrettably, we took the action of the last resort."

For Susan Rice, chief executive of Lloyds TSB Scotland, the benefits of a firm engaging in CSR are clear, although the need to report it should be a company's own decision.

"If you've made a pledge you should live up to it," she says.

"Some companies use CSR primarily as a public relations tool. Having somebody come in and validate [CSR practices] could

lead to the company taking its place in a league table, which maybe matters to some businesses who want to be seen in that company, or have maybe had a problem in the past and want to be seen in a different light. But it really depends on the company's needs as to how much reporting and monitoring there has to be or should be.

"What would concern me would be if there was an industry that revolved around monitoring and reporting, and companies spent a lot of time and money getting ready for the monitoring, as opposed to doing the activities.

"A lot of corporate activity involves flexibility, adaptability, innovation, thinking differently, a willingness to face and to tackle problems; those are attitudinal, they are cultural and that's very hard to measure. So you can measure the output but I'm not sure that monitoring measures everything."

Paul Adderley, a business environmental manager with the Business Environment Partnership, advises companies in Scotland on their CSR policies and environmental management. He calls on accountants to be prepared to audit CSR reports in the future.

"Although not all the corporate responsibility impacts are so readily quantifiable and there is uncertainty in the data, we know intuitively they exist," he says.

"Accountants have the skills to deal with sustainable business management (SBM) and corporate responsibility because we regularly work with uncertain financial data in the stock markets, investment appraisals and accounting for provisions.

"SBM is no different; it just requires accountants to broaden their vision to include environmental and societal factors."

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