

## A CSR oriented Business Management Framework

### Part A - CSR Foundations

# A Historic perspective of the CSR movement

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We define Corporate Social Responsibility (CSR) as a company's verifiable commitment to operating in an economically, socially and environmentally sustainable manner that is transparent and increasingly satisfying to its stakeholders. Stakeholders include investors, customers, employees, business partners, local communities, the environment and society. The emphasis is on **transparent and verifiable stakeholder driven sustainable business operation.**

Athens University of Economics and Business is developing the CSRQuest Sustainability Framework in collaboration with CSRQuest members. The objective for the CSRQuest methodology is to provide educational material to broaden the general understanding of CSR and to provide guidance for organisations to manage efficiently their CSR activities.  
Methodology reviewer: INLECOM Ltd

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**Preface**

This paper forms part of the introduction to the CSRQuest Sustainability Framework. The paper is aimed at providing a review of the historic evolution of CSR both as a business management philosophy and as part of the global partnership for sustainable development.

## Introduction

In this paper we present a historic review of the developments associated with Corporate Social Responsibility in an effort to identify motivations, influence factors and trends that enhance our understanding of CSR issues and values.

We can distinguish the following three phases in the development of CSR each with different characteristics even though some degree of overlapping is inevitable:

- **Phase 1** (1960 to 1990)- Pre CSR Phase
- **Phase 2** (1990 to 2000)-CSR Initiation phase
- **Phase 3** (2000 ongoing)-Early CSR mainstreaming

To create a clear picture of the relevant points, we have structured the paper in three sections

- The early roots of CSR
- The key milestones during the three phases outlined above
- The trends in the following characteristics for each phase
  - Key challenges
  - Adoption rates
  - Reporting standards
  - CSR mainstreaming
    - integration in operational business processes
    - education and training
    - services
  - Impact

## The early CSR roots

The idea of corporate social responsibility is neither new nor radical. The core principle that the corporation has responsibilities to society beyond the profit maximisation objectives has long historical roots.

### Early ideas

As early as 1916, J. M. Clark, writing in the *Journal of Political Economy*, noted that "if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not". Professor Theodore Kreps introduced the subject of Business and Social Welfare to Stanford in 1931 and used the term "social audit" for the first time in relation to companies reporting on their social responsibilities.

A little later Peter Drucker argued that companies have a social dimension as well as an economic purpose in his second book, *The Future of Industrial Man*, in 1942.

### United Nations initiatives

**1940's** United Nations System of National Accounts developed – comparable GDPs

**1948** Universal Declaration of Human Rights adopted 10 December 1948

**1948** UN Freedom of Association and Protection of the Right to Organize Convention

**1948** World Health Organisation established

**1949** United Nations Right to Organize and Collective Bargaining Convention

**1951** United Nations Equal Remuneration Convention

**1957** United Nations Abolition of Forced Labour Convention, 1957 (No. 105)

**1958** United Nations Discrimination (Employment and Occupation) Convention

### Corporate Social Responsibility practices in the eighteenth century

However, the early roots of Corporate Social Responsibility can be found in the actual business practices of successful companies in the eighteenth century. A notable example is the Cadbury chocolate makers in the UK that prospered in the 1870s and moved in 1879 to a 'Greenfield' site which came to be called Bournville<sup>1</sup>, some miles from the centre of Birmingham where the original factory was situated. The opening of the Cadbury 'factory in a garden' heralded a new era in industrial relations and employee welfare with joint consultation being just one of the initiatives introduced by the pioneering Cadbury brothers. By 1899, the Bournville factory had trebled in size with more than 2,600 employees and was managed scientifically with analytical laboratories, advertising and cost offices, a sales department, works committee, medical department, pension funds, education and training for employees. In 1900

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<sup>1</sup> [www.geocities.com/NapaValley/6454/cadbury.html](http://www.geocities.com/NapaValley/6454/cadbury.html)

George Cadbury established the Bournville Village to promote housing reform and green environment and demonstrating today's CSR message "successful business in successful communities".

In the early days at Bournville, Cadbury Brothers was a family business in the widest sense of the word with the employees being thought of as part of the family. With the expansion of the business, a more formal management structure grew up with works committees being set up in 1905 to discuss all matters affecting employees. Democratically elected Works Councils were set up in 1918, one for men and another for women. These were set up with equal numbers of management and worker representatives elected by secret ballot on a departmental basis.

Another example of a company that has consistently done as well as any of the "profit-maximising" rivals in its sector is Johnson & Johnson. Some six decades ago, J&J published its Credo<sup>2</sup> announcing that its primary stakeholders were its customers, employees and the communities it operated in – in that order, and explicitly ahead of its stockholders. The Credo ends by affirming, "Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programmes developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return". These words were written in the 1940s.

There are companies in many countries that have adopted a CSR approach to business management for centuries. The current CSR movement is mainly trying to make corporate responsibility common practice for most companies to create the kind of impact that can make a difference to sustainability of our world and the quality of life of the present and future generations.

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<sup>2</sup> [www.jnj.com](http://www.jnj.com)

## The key CSR milestones

A list of key CSR milestones is presented in the following tables

### CSR in the 60's

Date	Event
1960	<p><b>OECD Created Convention</b> signed in Paris 14/12/60 which came into force 30/9/61, the Organisation for Economic Cooperation and Development was created to promote policies designed:</p> <ul style="list-style-type: none"> <li>• to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;</li> <li>• to contribute to sound economic expansion in Member as well as non member countries in the process of economic development; and</li> <li>• to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations</li> </ul>
1960's	<p>The earliest reference to social auditing is sometime around the early 1960s in a book by George Goyder called "<b>The Responsible Company</b>". He refers to various activities in the mid and late 1950s and proposes that a social audit can act as both a useful management tool and offer <i>stakeholders a platform for challenging and influencing companies</i>.</p>
1961	<p>The World Wildlife Fund <b>WWF</b>, now the World Wide Fund for Nature, is created at Morges, Switzerland; it will become a leading non-governmental actor in international conservation</p>
1962	<p>Rachel Carson publishes "<b>Silent Spring</b> bringing together research on toxicology, ecology and epidemiology to suggest that agricultural pesticides are building to catastrophic levels. New wave of environmentalism.</p>
1962	<p><b>Consumer Bill of Rights</b> - USA</p>
1966	<p>International <b>Covenant on Economic, Social and Cultural Rights</b> adopted by the UN International Covenant on Civil and Political Rights adopted by the UN</p>
1967	<p>In the Sixth General Synod (1967), the <b>Action on Poverty and Economic Justice</b> declared that: "Social value and social justice ought to be given consideration together with security and yield in the investment of funds held by religious organizations. Requests the Instrumentalities with substantial investments to study the social aspects of policies and practices with respect to investments and to report on such studies to the Executive Council" creating the foundations for <b>SRI</b>.</p>
1968	<p><b>The Club of Rome</b>, commissions a study of global proportions to model and analyse the dynamic interactions between industrial production, population, environmental damage, food consumption and natural resource usage (later published as "The Limits to Growth").</p>
1968	<p>The Intergovernmental (UNESCO) provides a forum Conference for <b>Rational Use and Conservation of Biosphere</b> for early discussions of the concept of ecologically sustainable development.</p>
1969	<p>The US Congress passes the National Environmental Policy Act (NEPA) creating the first <b>national agency for environmental protection</b> - the EPA.</p>
1969	<p>Commonwealth Arbitration Commission adopts the principle of <b>equal pay</b> for equal work regardless of gender</p>

## CSR in the 70's

Date	Event
1970	The first <b>Earth Day</b> was held as a national awareness campaign on the environment. An estimated twenty million people participate in peaceful demonstrations all across the USA.
1971	The Man and the Biosphere <b>MAB</b> program is founded by Unesco; it will have a major role in promoting international scientific cooperation on environmental problems Henderson <b>Poverty Index</b> developed in <b>Australia</b> . In <b>France</b> , companies with more than 300 employees required by law to produce an employee report: the <b>Bilan Social</b> .
1970s	<b>Germany</b> engaged in the <b>social model of corporate management</b> . <b>Council on Economic Priorities</b> and others in <b>USA</b> began to rate companies publicly on their social and environmental performance <b>Social Audit Limited</b> was set up in the <b>UK</b> IN 1978 undertakes external audits of a small number of companies
1970s	<b>Greenpeace</b> , in the 1970s was the first major NGO to adopt policies which shifted the emphasis away from governments and more towards <b>direct action on the corporate sector</b> .
1970s	The <b>United Nation's Code of Practice for Transnational Corporations</b> was an early attempt in the early 70's to define CSR businesses principles in terms of ethics, product standards, competition, marketing and disclosure of information.
1972	The <b>United Nations Conference on the Human Environment</b> in Stockholm considers the need for a common outlook and for common principles to inspire and guide the peoples of the world in the preservation and enhancement of the human environment. <i>The concept of sustainable development is cohesively argued</i> to present a satisfactory resolution to the environmental vs. development dilemma. The conference leads to the establishment of numerous national environmental protection agencies and the United Nations Environment Programme (UNEP).
1972	An article in The Ecologist magazine, endorsed by a large number of UK scientists, and entitled 'The Blueprint for Survival', warns of the "breakdown of society and irreversible disruption of life-supporting systems on this planet" and proposes the concepts of "sustainability" and "sustainable development" as an alternative to an ethos of 'expansionism'.
1972	The first alternatives to GDP as a measure of economic progress, the <b>Measure of Economic Welfare</b> , is created by Nordhaus and Tobin; used today for measuring TLB performance.
1974	Rowland and Molina release a seminal work on <b>CFCs</b> in Nature magazine calculating that if use of CFC gases is to continue at unaltered rate the ozone layer will be depleted by many percent after few decades.
1979	J. Coomer (ed.) publishes the book " <b>Quest for a Sustainable Society</b> ". Emphasising that society must recognise limits of growth and to look for alternative ways of growing.
1979	Chair of Tata Steel (India's largest integrated private sector steel company) asks audit committee to report on " <i>whether, and the extent to which the company has fulfilled the objectives...regarding the social and moral responsibilities</i> "



**CSR in the 80's**

Date	Event
1980	The " <b>World Conservation Strategy</b> " is released by <b>IUCN</b> (World Conservation Union) as "the modification of the biosphere and the application of human, financial, living and non-living resources to satisfy human needs and improve the quality of human life". The section " <i>Towards Sustainable Development</i> " identifies the main agents of habitat destruction as poverty, population pressure, social inequity and the terms of trade. It calls for a new International Development Strategy with the aims of redressing inequities, achieving a more dynamic and stable world economy, stimulating accelerating economic growth and countering the worst impacts of poverty.
1980	" <b>The Global 2000 Report to the President</b> ", is submitted to US President Jimmy Carter providing comprehensive projection of global environmental impacts and resource supply issues over the next 20 years. The Report recognises <i>biodiversity</i> for the first time as a critical characteristic in the proper functioning of the planetary ecosystem.
1982	<b>Business in the Community</b> is founded by UK based business organisations focussed on corporate social responsibility.
1983	<b>Australia</b> adopts a National Conservation Strategy to implement the objectives of the World Conservation Strategy.
1984	CSR becomes part of mainstream management theory at least since the publication of Edward Freeman's 1984 classic, <b>Strategic Management: A Stakeholder Approach</b>
1985	The <b>Antarctic ozone hole</b> is discovered by British and American scientists
1986	The <b>Toxics Release Inventory</b> (TRI) was established under the Emergency Planning and Community Right-to-Know Act of 1986
1987	<b>The Brundtland Commission</b> , appointed by the United Nations to study the connection between development and the environment publishes report: "Our Common Future". The report introduces the term "sustainable development" defining it as: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".
1988	An <b>Inter-governmental Panel on Climate Change</b> (IPCC) is established with three working groups to assess the most up-to-date scientific, technical and socio-economic research in the field of climate change.
1988	The Co-Operative (UK) publishes its first Social Report. Ben and Jerry's (Ice Cream Company) in USA produces first Social Performance Assessments. Establishment of the Resource Assessment Commission to evaluate best use of resources in Australia Report published for the UK government – <b>Blueprint for Green Economy</b> by David Pearce et al.
1989	Introduction of the concept of <b>natural capital</b> and definition of sustainable development as non-declining per capita human well-being over time.

**CSR in the 90's**

Date	Event
1991	<p>IUCN/UNEP/WWF publish "Caring for the Earth: <b>2nd World Conservation Strategy</b>" focusing on "sustainable society", "sustainable living" and "sustainability" itself</p> <p><b>'Earth Summit' in Rio de Janeiro</b> with 180 country delegations addressed ways to halt the destruction of irreplaceable natural resources and pollution of the planet twenty years after the first global environment conference. The Summit agrees the <a href="#">Rio Declaration on Environment and Development</a> which sets out 27 principles supporting sustainable development. Also agreed is a plan of action, <a href="#">Agenda 21</a>, and a recommendation that all countries should produce national sustainable development strategies. The Earth Summit also establishes the <a href="#">UN Commission on Sustainable Development</a>, which meets every year, as well as important UN bodies - the Framework Convention on Climate Change and the Convention on Biological Diversity.</p>
1992	<p>The Earth Summit influenced all subsequent UN conferences, which have examined the relationship between human rights, population, social development, and the need for environmentally sustainable development.</p>
1992	<p>A USA based business led membership organisation, Business for Social Responsibility <b>BSR</b> is founded</p>
1992	<p><b>FairTrade</b> is founded with mission to improve the position of the disadvantaged producers in the developing world, by setting the Fairtrade standards and supporting their interests.</p> <p>The European Union (EU) announced a <b>framework of environmental policies</b> applicable to the EU and its member states for the period 1993 – 2000.</p>
1993	<p>The World Conference on Human Rights, held in Vienna, underscored <b>the right of people to a healthy environment and the right to development</b>, controversial demands that had met with resistance from some Member States until Rio.</p>
1993	<p>US President Bill Clinton announces (Oct 20<sup>th</sup>) an ambitious <b>plan to combat global warming</b> through over 50 initiatives affecting all sectors of the economy.</p>
1994	<p><b>European Universities Charter for Sustainable Development</b> agreed ; promoting university education for the training of decision-makers and teachers, oriented towards sustainable development and fostering environmentally aware attitudes, skills and behaviour patterns, as well as a sense of ethical responsibility.</p>
1995	<p><b>Caux Round Table Principles</b> for Business adopted – The Caux Round Table (CRT) was established as an international network of principled business leaders advocating implementation of the CRT Principles for Business through which principled capitalism can flourish and sustainable and socially responsible prosperity can become the foundation for a fair, free and transparent global society.</p>
1995	<p>The <b>World Business Council for Sustainable Development</b> (WBCSD) sets a permanent base in Geneva to provide business leadership as a catalyst for change toward sustainable development, and to promote the role of eco-efficiency, innovation and corporate social responsibility.</p>
1995	<p>Formation of the <b>World Trade Organisation</b> replacing GATT as the organization overseeing the multilateral trading system. Key functions include: handling trade disputes and technical assistance and training for developing countries.</p>
1995	<p><b>COP I</b> in Berlin, Germany-Each year, the countries that ratified the Rio Convention held a Conference of Parties (COP). The first of these happened in 1995 and reviewed the adequacy of the Rio Convention's goal of stabilizing greenhouse gas emissions.</p>

1996	<p>The OECD, introduced the concept of <b>environmentally sustainable transportation</b> (EST); “Pollution Prevention and Control, Environmental Criteria for Sustainable Transport”</p>
1996	<p>In January 1996 a group of 57 European companies signed the European declaration of businesses against social exclusion, and established <b>CSR Europe</b> with the support of Jacques Delors President of the European Commission at that time. CSR Europe mission is to help companies achieve profitability, sustainable growth and human progress by placing corporate social responsibility in the mainstream of business practice.</p>
1997	<p><b>The Kyoto Protocol</b> for the implementation of the Framework Convention on Climate Change is negotiated.</p> <p>After reviewing the original targets of the Rio Convention and finding them to be too weak, the countries came up with new targets. Now, 1990 greenhouse gas emissions would be cut by 5% between 2008 and 2012. Though 5% is a global target, different countries have different targets. The European Union's target is a 8% cut (Germany committed to a 25% cut and the U.K. to 15%). The United States had a target of 7%, while Canada had a target of 6%.)</p>
1997	<p><b>SA8000</b> launched by Social Accountability International SAI a U.S.-based, non-profit organization dedicated to the development, implementation and oversight of voluntary verifiable social accountability standards.</p>
1997	<p>A special UN conference is held to review the implementation of Agenda 21 (<b>Rio+5</b>). This repeats the call for all countries to have sustainable development strategies in place - in particular by the time of the next review of Agenda 21 in 2002 (<b>Rio+10</b>).</p>
1997	<p>In Europe, changes to Articles 2 to 6 of the Treaty establishing the European Community are agreed in the <b>Treaty of Amsterdam</b>, give sustainable development a much greater prominence.</p>
1997	<p>John Elkington publishes <i>Cannibals with Forks</i> in it he coins the term <b>Triple Bottom Line</b>.</p>
1997	<p>The <b>Global Reporting Initiative</b> launched to develop Sustainability reporting guidelines.</p>
1998	<p>November - Around 170 nations gather at the United Nations global warming conference in Buenos Aires to discuss ways of cutting emissions of greenhouse gases by 2008-2012. - Specialists from the US and Canada tell the summit that global warming is killing the world's coral reefs, and with them the swarming sea life they shelter and support. 100</p>
1999	<p>The UK Government launches its new strategy (May), <b>A better quality of life - A strategy for sustainable development for the UK</b>.</p>
1999	<p>In December, <b>Quality of life counts - Indicators for a strategy for sustainable development for the United Kingdom: a baseline assessment</b> is published.</p>
1999	<p>Paul Hawken and Amory and Hunter Lovins publish “Natural Capitalism: The next industrial revolution”</p>
1999	<p>The Global Sullivan Principles launched</p>
1999	<p>In an address to The World Economic Forum on 31 January 1999, United Nation Secretary-General Kofi Annan challenged business leaders to join an international initiative – the <b>Global Compact</b> – that would bring companies together with UN agencies, labour and civil society to support ten principles in the areas of human rights, labour and the environment..</p>

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|-------------|---|
| <b>1999</b> | Creation of <b>the Dow Jones Sustainability Indexes as</b> the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide   |
| <b>1999</b> | <b>UK Corporations Disclosure Legislation</b> passed. The Turnbull Report on corporate governance added reputation, probity and other non-financial risks to the necessary criteria for reporting risk to shareholders ( September 1999)  |
| <b>1999</b> | Environment ministers from 173 countries meeting in Bonn (Nov 4 <sup>th</sup> ) to discuss the Kyoto Agreement, end talks without any breakthroughs and with many difficult issues remaining unresolved. One involves the penalties payable if nations do not meet their pollution targets. Another is the extent to which nations will be able to pay others to reduce pollution on their behalf |

## CSR in the 2000s

2000	<p>UK Pension Act amended to require the trustees of occupational pension schemes to disclose their policy on socially responsible investment in their Statement of Investment Principles.</p> <p>In the UK the government appointed the world's first minister for CSR-<i>Spring 2000</i></p>
2001	<p>Transparency International increase its activities. Anti Bribery Legislation with extra-territoriality clauses tabled in 8 nations. The 10th IACC Anti-Corruption Conference took place in Prague.</p>
2001	<p>The UK Government publishes its first review of progress towards sustainable development, <a href="#">Achieving a better quality of life</a>, Government annual report 2000.</p>
2001	<p>Launch of the FTSE4Good index.</p>
2001	<p>Japanese Environment Minister Yoriko Kawaguchi says there seems to be no likelihood of a breakthrough at the next round of talks but suggests the deadline for final agreement on the rules of the Kyoto pact should be late October when a United Nations conference on climate change is to start in Marrakech, Morocco</p>
2002	<p>The World Summit on Sustainable Development – Johannesburg 26 August - 4 September 2002, in the face of growing poverty and increasing environmental degradation, succeeded in generating a sense of urgency, commitments for action, and partnerships to achieve measurable results. More than 220 partnerships, representing \$235 million in resources, were identified during the Summit process to complement the government commitments. <a href="#">Report of the World Summit on Sustainable Development</a>.</p>
2002	<p>Business in the Community celebrated its 20th anniversary with a 2 day 'A Better Way of Doing Business' conference on corporate responsibility- <i>July 2002</i></p>
2002	<p>Business in the Community launches first Corporate Responsibility Index- <i>October 2002</i></p>
2003	<p>The Commission on Sustainable Development, 11th Session, New York, 28 April - 9 May 2003, adopts <a href="#">new work programme for the Commission on Sustainable Development (CSD)</a>, based on two-year cycles with a clear set of thematic issues, provides the global community with a unique opportunity to focus in-depth attention on specific issues. Building on the outcomes of the twelfth session of CSD's (<a href="#">CSD-12</a>) focus on water, sanitation and human settlements, the thirteenth session of CSD (<a href="#">CSD-13</a>) will strive to be forward looking and action oriented</p>
2004	<p>There over 60 Government initiatives of relevance for CSR. The UK parliament has two all-party groups on corporate citizenship: the All-Party Parliamentary Group on Corporate Social Responsibility and the All-Party Parliamentary Group on Social Responsible Investment-<i>mid 2004</i></p>

## Characteristic CSR Trends

### Phase 1 - CSR Initiation Phase (1960-1990)

#### Principles and issues

The term CSR was in use in the 1960s (although seldom abbreviated) starting with Goyder's Responsible Company. The term "stakeholders" was also used to describe corporate owners beyond shareholders<sup>3</sup>.

Environmental issues received prominence throughout this phase from the early 60's triggering numerous national environmental protection agencies and the United Nations Environment Programme (UNEP). Climate Change and the associated global warming was attributed to emissions of carbon dioxide and other greenhouse gases from human activities including industrial processes, burning fossil fuels and changes in land cover mainly due to deforestation. The requirements for ecologically sustainable development were clarified.

In the early 80's the issues were poverty, population pressure, social inequity and the terms of trade are whilst biodiversity was recognised as a critical characteristic in the proper functioning of the planetary ecosystem. In the late 80s the principles of sustainable development were established by the Brundland report and key concepts associated with natural capital and measuring sustainability begun to emerge. From 1975 to 1987 some authors proposed conceptual models for social responsibility accounting including Ramanathan<sup>4</sup> whose work is regarded influential but provides limited assistance in determining what should be included in social accounting reports.

#### Adoption and reporting practices

Adoption and reporting during this period were primarily associated with environmental issues.

In the 70's a number of countries promoted environmental and social reporting. In France, law (the Bilan Social) mandated companies with more than 300 employees to produce an employee report. Germany engaged in the social model of corporate management. Council on Economic Priorities and others in USA began to rate companies publicly on their social and environmental performance. Social Audit Limited was set up in the UK in 1978 undertakes external audits of a small number of companies. India's largest integrated private sector steel company engaged in social audit in 1979.

Many companies considered it necessary to introduce quality systems and then environmental management systems in the 80s. On the main non-financial reports were not linked to corporate performance and were on the main highly criticised. There were a few isolated corporate efforts, such as that by Abt & Associates (USA based research and consulting firm) in 1972, to add an environmental report to its annual financial statements. The Abt report was pioneering, but its concept of social responsibility was strictly related to air and water pollution and its financial auditor disclaimed any

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<sup>3</sup> Business Respect, Issue Number 51, dated 9 Mar 2003 By Alice and John Tepper Marlin

<sup>4</sup> RAMATHAN K.V., 1976, "Toward a theory of corporate social accounting", Accounting Review, 51(3).

responsibility for the data on the basis that no standards had been introduced for such audits. The European focus on this period was employee relations with attention to standardisation/impact measurement.

In the US during the late 1980's reporting started to grow, in response to the increasing volume of emissions data put into the public domain by the US 1987 the 'right to know' legislation which established the Toxic Releases Inventory<sup>5</sup> expanded by the Pollution Prevention Act of 1990." <sup>6</sup>

### **Socially Responsible Investing SRI**

Early developments for Socially Responsible Investing were also established in this period, mainly from the Christian church that from 1970 adopted policies for financial investment promoting corporate responsibility: *"Investors should seek the best investment opportunities on financial grounds and then work from within to alter corporate practices that are at variance with social concerns of the church."* The objective was that "corporate persuasion" would likely be the most effective option available to improve the social impact of a corporation in which a church organization held an investment. This is the principle behind what is now referred to as shareholder activism - collective efforts investors can use to influence the behaviour and actions of a company.

Probably Greenpeace, in the 1970's was the first major NGO to adopt policies which shifted the emphasis away from governments and more towards direct action on the corporate sector. Notable examples include the campaign on Brent Spar against Shell and the campaigns on apartheid against major US and European banks. In the US in the 1970's a landmark ruling by the Securities Commission, which governs laws concerning corporations, favoured an appeal by shareholder groups that 'political' issues, not just 'business' issues should be considered by companies if their shareholders required it. This led to a wave of shareholder campaigns, the largest of which was conducted against major European and US banks on the issue of apartheid and the role major financial institutions had in funding the regime in Pretoria. Banks such as Chemical Bank, Barclays and Chase were obliged by their shareholders, lobbying in alliance with concerned civil groups, to alter their policies on South Africa.

### **Phase 2 CSR momentum building phase 1990-2000**

The 1990s saw the rise of CSR to unparalleled prominence in political-economic dialogue and momentum building. This can be attributed to the concerns and CSR oriented expectations from citizens, consumers, public authorities and investors. Increased transparency of business activities through the media and modern information and communication technologies has been an important factor in the effectiveness of these forces.

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<sup>5</sup> <http://www.epa.gov/tri/index.htm>

<sup>6</sup> A Brief History of Sustainability Reporting by William Baue t

## Principles and issues

The 90's were dominated by a continuous development of sustainability concepts which gained popularity, especially following the 1992 'Earth Summit' in Rio de Janeiro<sup>7</sup>.

Sustainable development is recognised as the most important issue of our times and therefore related goals and principles (Millennium development goals) should be addressed by coherent and integrated strategies by governments and companies (see CSRQuest paper 1A).

Principles for responsible business were clearly established through the Global Compact, the 'United Nations Norms on the Responsibilities of Transnational Corporations and other business enterprises with Regard to Human Rights', the World Commission on the Social Dimension of Globalization and initiatives such as the Global Sullivan Principles and the Caux Round Table Principles.

Universities recognised the importance of education for the training of decision-makers and teachers, towards sustainable development and started fostering environmentally aware attitudes.

A crucial issue throughout the decade was the challenges posed by the Kyoto Protocol and difficulties to make progress on reducing greenhouse gas emissions.

## Adoption and reporting practices

Corporate sustainability gained ground in corporate boardrooms and many companies extended their existing environment reports to include wider issues, such as community, and gradually 'sustainability reports' began to appear."

Many membership organisations were established both in Europe and the US following the UK based "Business in the Community". These organisations, notably the Business for Social Responsibility, CSR Europe and the World Business Council for Sustainable Development (WBCSD) created the momentum for early adoption of CSR principles and practices.

The second phase of CSR reporting started by the Body Shop, Shell Canada and Ben & Jerry's (B&J). The later commissioned a "social auditor" in 1989 to work with the B&J staff on a report covering 1988. It was an extraordinary move by B&J. The social auditor" was given free rein to interview anyone in the company for two weeks, on any day or night shift. The social auditor visited not only the main ice cream factory but also a smaller one that made "Peace Pops" and other special products. The social auditor was also encouraged to speak with suppliers such as their dairy processor, and with public and private representatives of the community. His report is particularly known for his disclaimer.

There are a number of pioneering efforts on the part of socially responsible companies to implement social and ethical auditing. Further pioneering work was carried out in Denmark in the 1980s with the Danish Bank Sbn, a regional cooperative bank, which began five years ago publishing annual social reports on results against social objectives and past performance in a number of areas considered important by each of the stakeholder groups. Companies like The Body Shop in the United Kingdom and

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<sup>7</sup> <http://www.un.org/geninfo/bp/enviro.html>



Ben & Jerry's in the United States publish audited social reports each year and have pioneered in these efforts. These innovative approaches are based on relatively sophisticated efforts to determine what is considered to be important for each of the stake-holders and to define specific objectives and action programmes for priority areas of performance improvement. The annual social reports evaluate performance against these plans just as the annual financial reports show financial results compared to prior years and sometimes objectives.

A number of reporting initiatives were established including:

- The **Global Reporting Initiative (GRI)**<sup>8</sup> GRI- **which** is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.
- The **Corporate Impact Reporting**<sup>9</sup> framework from BITC supporting their members with measuring and communicating their key impacts.
- The AA1000 Framework<sup>10</sup> designed to improve accountability and performance by **learning through stakeholder engagement**. The building blocks of the process framework are planning, accounting and auditing and reporting. It does not prescribe what should be reported on but rather the 'how'. In this way it is designed to complement the GRI Reporting Guidelines.

At the end of the period CSR related reporting was still dominated by environmental reports as shown by survey reports published by corporateregister.com an online directory of corporate environmental, social and sustainability reports (See Annex 1). During the year 2000 the corporate responsibility reports was at the level of 1% and sustainability reports at 5%.

### **Socially Responsible Investing SRI**

The Dow Jones Sustainability Indexes<sup>11</sup> were the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide providing asset managers with reliable and objective benchmarks to manage sustainability portfolios. Corporate Sustainability is seen as a business approach that achieve long-term shareholder value by gearing strategies and operations to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.

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<sup>8</sup> <http://www.globalreporting.org>

<sup>9</sup> [http://www.bitc.org.uk/programmes/key\\_initiatives/corporate\\_impact\\_reporting\\_initiative/](http://www.bitc.org.uk/programmes/key_initiatives/corporate_impact_reporting_initiative/)

<sup>10</sup> <http://www.accountability.org.uk/aa1000>

<sup>11</sup> <http://www.sustainability-indexes.com/>

### **Phase 3 Mainstreaming initiation phase 2000 Onwards**

Basically during the last few years the CSR movement has continued to mature as expected. It has been possible to reflect back on the achievements through the "Rio + 10" Summit on Sustainable Development in Johannesburg, South Africa in 2002. The emphasis has turned to mainstreaming.

#### **Principles and issues**

The basic principles have been established and with the focus on implementation developments are likely to come from linking CSR with mainstream strategy and management frameworks.

The Commission has published a report on its contribution to securing the social benefits of globalisation, partly in response to the findings of the ILO's World Commission on the Social Dimension of Globalisation (WCSG) published in February 2004. The intention is to ensure that the EU makes an active contribution to harnessing globalisation to serve social as well as economic goals.

#### **Adoption and Reporting**

The Communication published the Green Paper entitled 'Promoting a European Framework for Corporate Social Responsibility' in July 2001. The aims of this document were to launch a public debate about the concept of CSR and to identify how to build a partnership for the development of a European framework for the promotion of CSR. Over 250 responses were received to this paper, half of which came from European enterprises.

The Commission Communication of July 2002 forms the basis for the European Strategy on CSR. Entitled 'Corporate Social Responsibility: a business contribution to Sustainable Development', the Communication sets up a European Multi-stakeholder Forum on CSR, to be used as a platform to promote transparency and convergence of CSR practices and instruments. The Forum, launched on 16 October 2002, will run until mid-2004, when a report will be presented to the Commission, containing results and recommendations for further action.

Many business surveys during the last two years from Germany, UK, France, Italy and other European countries indicate that the majority of public companies believe that responsible business practices is the key to the long-term success of the company.

Evidence for this comes from increase in non- financial reports produced during this period. The KPMG 2002 International Survey on Corporate Sustainability Reporting shows that non-financial reporting is now becoming mainstream for big corporations, with 45 percent of Global Fortune Top 250 companies publishing a report. The focus of these reports is slowly shifting from the inclusion of only environmental performance to combined environmental, social and economic reports (i.e. sustainability reports), and an increasing number of reports are being externally verified. The surveys from corporateregister .com (see Annex1) indicate that sustainability reports increased from 5% to 15% between 2000 and 2002 and Corporate Responsibility reports increased from 1% to 7% in the same period.

## Conclusions

A summary of the main characteristics in each of the three phases of the relatively short CSR history is given in the following diagram.

We would distinguish between two CSR dimensions. Firstly, CSR is part of a new vision for the world based on a global partnership for sustainable development. Secondly, CSR represents a business management approach that should provide in the long run better value for the shareholders as well as the for the other stakeholders.

With reference to the following diagram, CSR as a management approach is following similar patterns as other popular schemes such as Total Quality Management and the Learning Organisation. The similarities are the early enthusiasm, the momentum building initiatives and the doubts whether tangible benefits will materialise.

There are some **encouraging differences** also. First, there is support for CSR from the financial community through SRI and associated corporate sustainability indexes. Secondly, there is early evidence of business benefits, serious attention on measurement and commitment to create impact is high in the CSR agenda. Thirdly and most important more than ever before there is consensus that CSR is a necessary and critical element in sustainable development and this is reflected in strong business and governmental level support.

