**Corporate Social Responsibility (CSR)**

**What is Corporate Social Responsibility?**

This is the responsibility of a business for the impact of its activities on the environment, consumers, employees, and communities. CSR includes

* Conducting business ethically
* Respecting employees and customers
* Respecting the environment in the process of doing business

It involves considering public as well as business interest when making business decisions.

It is not just *what* profit they make but *how* they make that profit.

In other words, businesses need to adopt the ‘triple bottom line’ of People, Planet and Profit.

**What is a sustainable corporation?**

Andrew Savitz, in his book, *The Triple Bottom Line,* defines a sustainable corporation as “one that creates profit for its shareholders while protecting the environment and improving the lives of those with whom it interacts.”

The United Nation’s World Commission on Environment and Development, defines sustainable development as:

“..development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

**Examples of CSR in practice**

**Socially responsible**

* supporting community projects in financial and non-financial ways.

Financial support - sponsorship.

Non financial – employees volunteering time

* Occupational health and safety measures in the workplace.
* Listening to employees’, views and grievances.
* Making sure that workplace is free from discrimination.

e.g. providing employment opportunities for the disabled and senior citizens.

* Philanthropy – donating to charity to assist the under privileged and disadvantaged.

**Environmentally responsible**

* Adopting environmentally friendly business practices e.g. recycling wastes and adopting sustainability, reducing energy consumption and industrial emissions.

**Ethically responsible**

* Conducting business without bribery or corruption.
* Drafting and implementing a code of ethics for all employees to follow.

**CSR Costs**

There are several challenges faced in adopting CSR initiatives, especially for the small business.

They are

* Lack of finance
* Lack of knowledge/awareness
* Lack of time
* Difficulty of sourcing environmentally friendly materials.
* Having to train employees to adopt new ways can be a burden.

Read: Internet Article: “Making CSR work”

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1. How does Starbucks contribute to community projects?
2. What are Starbucks environmental initiatives?
3. How does Starbucks involve employees in CSR?
4. What evidence is there to show that they have succeeded in making CSR a part of their culture?

<http://education-portal.com/academy/lesson/social-responsibility-in-organizations.html>

**Corporate Social Disclosure (CSD)**

Corporate Social Disclosure involves reporting on the environmental, social or community element of company operations, to a wider group of stakeholders than those just interested in financial reporting.

In short CSD is the reporting of CSR. CSD is compulsory for the mining industry.

These stakeholders include

* potential investors,
* employees and employee representatives,
* lenders, suppliers and trade creditors,
* customers
* governments and their agencies
* the media
* the general public.

**Triple Bottom line reporting**

The bottom line in companies was traditionally just financial. Now, the environmental element (planet) and the community element (people) are also considered. When these two elements are included with financial reporting this is referred to collectively as **sustainability reporting** or ‘triple bottom line’ reporting on people, planet and profits.

As customer values change, consumers are supporting companies that have adopted sustainable practices and want to buy products and services that are environmentally and socially friendly.

**Contents of CSR or sustainability reports**

**Economic component**

This includes the more traditional financial data.

**Social component**

This includes disclosures on social issues such as:

* Treatment of minorities
* Support for community projects

**Environmental component**

This includes disclosure on the impact of the entity’s activities on air, land, water, natural resources and human health.

* green house gas emissions
* water contamination

**Forms of CSD**

**Inventory approach**

The company provides a list of its achievements during the year.

* Acquired new technology to reduce green house gases.
* Restoration of land that had been denigrated.
* Donations to community groups.
* How it has reduced energy or water consumption.
* What it has done to improve employee welfare such as providing child care.
* What it has done to improve products and services so that they are environmentally friendly.

**Target-based approach**

Here the company reports on whether it has met predetermined targets such as:

* Reductions in green house gases
* Employing more indigenous people
* Improving balance of men and women in managerial positions
* Reducing energy consumption

**Cost benefit approach**

Under this approach, the cost and benefit of each activity is given. Ideally the profit should be adjusted to take into account of these costs and benefits

**Limitations of CSD**

Difficulties associated with the creation of CSD reports include:

* The lack of clear guidelines has resulted in a wide range of reporting methods which are frequently not comparable between different companies. (GRI tries to overcome this.)
* A company may choose to only disclose positive CSR information.
* Obtaining the input of experts and developing methods of verifying the content of the report is challenging for company directors.
* CSD reporting also requires the investment of resources and training of staff to be able to monitor and report on progress. A large company can absorb these costs better than a small or medium sized one.
* The impact of a company’s actions on the environment is likely to be difficult to measure.

**The Global Reporting Initiative (GRI)**

GRI is an organistion based in the Netherlands with the objective of enhancing the quality and utility of sustainability reporting. Its guidelines are used by over 1600 organisations globally.

GRI guidelines include:

* Transparency- reporting should be clear and open to all

* Inclusiveness – stakeholders should be engaged in the development of reports
* Completeness – CSR report should include all material information
* Relevance – information should be significant enough to warrant reporting
* Neutrality –the selection of what is reported should be free from bias
* Timeliness – report should be available on a regular basis so that information is not meaningless.
* Clarity – the report should be meaningful to as wide a range of users as possible
* Auditability – information should be capable of verification by external party

**CSD in Australia**

Australian accounting standards are focused on financial measurement and do not make provision for sustainability and social reporting. However the following could be viewed as attempts to impose CSD reporting.

**The Urgent Issues Group** (a committee of AASB) gave an abstract in 1995 requiring extracting(e.g. mining) companies to report on their restoration responsibilities as a liability and what accounting method they used to arrive at this figure.

**Corporations Act**. Companies under the Corporations Act are required to report a true and fair view of the company. This can be construed to include social and environmental performance.

Since CSD is mainly voluntary, there is a great deal of variety on how companies report. Many public companies make this disclosure available to the public, through their:

* Annual Report
* Websites
* Newsletters
* Press releases

**Homework Activity**

Find out about voluntary disclosure regimes. This is only a limited list.

* The Global Reporting Initiative Sustainability Reporting Guidelines
* Institute of Social and Ethical Accountability AA1000
* SA8000 (SA stands for Social Accountability) human rights, health and safety, and equal opportunities
* Deloitte and Touche Assessor’s manual for the Analysis and Evaluation of Corporate Environmental Reporting
* United Nations Environment Programme
* World Council for the Environment.

**Questions**

1. Identify some types of information that are reported by companies under the area of CSR in the following areas:
2. Social reporting
3. Environmental reporting
4. Explain the term ‘sustainability reporting’.
5. Why do companies engage in corporate social disclosure?
6. Who are the stakeholders of a company? How do social and environmental disclosures in annual reports help them in making their decisions about the company?

Dell operates a small family run business exporting dried flowers. The business has been very successful resulting in them having a very good life style. Dell has decided that it is about time for her to give back to the community. Her father-in- law has suggested that the business sponsors one of the local sports teams

A Explain to Dell what sponsorship is?

B Discuss the advantages of Dell sponsoring a community event?