The evolution of Corporate Social Responsibility

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Over the past two decades, the Corporate Social Responsibility (CSR) movement has grown from something marginal - restricted to a select group of academics, NGOs and businesses - to a media frenzy; and most recently has consolidated itself as an important subject, but not leading news.

CSR no longer consists simply of philanthropic action, but relates to how business entities manage the impact of their operations on society and the environment, as well as how they interact with stakeholders. Several initiatives have come into existence during the evolution of this thinking, creating tools and references that the private sector can use as guidance when developing CSR strategies. Initiatives include: management systems, third party certification schemes, performance indicators, committees, codes, and reports.

It is now clear that to reach a sustainable future, the private sector needs to play a central role, with CSR at the forefront. The vital role of business has been recognised most recently in the Rio+20 Zero Draft, where substantial confidence has been placed in the private sector when discussing the green economy.

The recognition of businesses as a crucial part of this global transition reflects the pivotal role they play in modern society. Today, the private sector is just as, if not more, present than the State. However, CSR has currently reached its limit in terms of mainstreaming into the business community. As a voluntary movement, the barriers currently imposed to CSR result in it being only too easy for companies to focus solely on the bottom line.

The time has now come for the international community to seriously address CSR. We need a United Nations Convention on Corporate Social Responsibility and Accountability in order for CSR to leap forward and transform the private sector into protagonist of change. Rio+20 presents a great opportunity for this. We ask that the paragraph 24 of the current draft reflects that Corporate Social Responsibility has to address the implementation of a set of practices regarding environmental, social and human rights issues, as well as practices related to transparency, disclosure and ethics.

We believe that a way forward is to get governments to agree on a “global policy framework requiring all listed and large private companies to implement sustainability issues into their management and throughout their supply chains, and to integrate sustainability information within the reporting cycle.”

The Dialogue on a Convention for Corporate Social Responsibility and Accountability (CSRA) is the starting point for a stakeholder-led conversation on corporate responsibility in relation to the Institutional Framework for Sustainable Development and Green Economy themes of the Rio+20 Conference. The dialogue aims to draw on conversations over the last number of years in relation to businesses’ proactive contribution to sustainable development.

For more information visit: www.csradialogue2012.org
Trends in Corporate Social Responsibility Disclosure: How are countries incorporating sustainability reporting?

The importance of the private sector as a key actor within green economy talks has been highlighted in many places, including the Zero Draft, and industries have been keen to have their voice heard in the discussions and to demonstrate how they are committing to sustainability issues and incorporating them in their policies and operations.

The negotiations stress the need to act now and the urgency to address the multiple-crisis we currently face, including climate change, poverty eradication and more. The impatience of delegates and stakeholders - who feel there has been endless discussion on the issues, but limited action and implementation – is palpable. Especially, in regard to the role of the private sector.

We have seen twenty years of encouragement to act in an environmentally sound way, to respect human rights and to engage with stakeholders in a constructive way. And indeed, this has triggered positive responses in the shape of principles, guidance and mechanisms to support this engagement. The actual implementation of these mechanisms has however been left largely in the hands of companies, and while some seem to be doing a good job, the pace expected (and required) to see a substantial difference, has not been achieved.

An important first step in the right direction is the call for an international framework on mandatory sustainability reporting, which requires companies to publish information on environmental, social and governance issues as part of their reporting cycle. Many companies are already doing this, and it has proved to be an important tool for investors and shareholders, enabling them to make more informed decisions about the long-term direction of the company; governments, who can promote the transparency and accountability of the sector; and for civil society, who can use this tool as part of their right as citizens to be informed and, if required, to engage in decision-making processes.

Disclosure trends in Corporate Social Responsibility

If an internationally framework is agreed, implementation should be flexible to allow governments to choose guidelines and mechanisms that are best suited to national priorities and processes. There are experiences already in place to learn from and build on. Many governments have already started to embed CSR reporting and guidelines into national regulation. Furthermore, Stock Exchanges, especially in developing countries, are strongly recommending or instructing listed companies to publish sustainability reports.

Examples of existing initiatives are below and a visual representation of global sustainability reporting trends is provided in the map adjacent.

Sustainability reporting by governments

Spain: The Sustainable Economy Law (2011) mandates that government-sponsored commercial companies and state-owned business enterprises need to adapt to strategic plans to file corporate governance and sustainability reports in accordance with generally accepted standards. The government will also make available a set of indicators for self-evaluation, according to international standards on social responsibility.

Argentina: Law 2594 of the Buenos Aires City Council requires all companies in the city that have over 300 employees to produce sustainability reports. At minimum, companies are required to comply in accordance to Ethos Reporting Initiative’s G3 indicators and AA1000 standard.

Sustainability reporting by stock exchanges

South Africa: The Code of Corporate Governance (King III) requires integrated sustainability reporting and third party assurance from all South African companies as a listing requirement for the Johannesburg Stock Exchange.

Brazil: Bovespa (Brazilian Stock Exchange) recommends companies to state whether they publish a regular sustainability report and disclose where it’s available, or explain why they do not.

The map represents CSR disclosure initiatives employed by National Governments: Argentina, Australia, Denmark, France, Germany, Indonesia, Malaysia, Singapore, Spain, Greece, along with the Stock Exchanges in Australia, Brasil, Hong Kong, Korea, The Netherlands, and the National Governments disclosure efforts shown apply to various company sizes and sectors, see www.hoosiercenter.org/iri/?page_id=596.

NOTES:

• The following countries have initiatives under development: Greece is planning to issue government guidelines for the implementation of a CSR label in 2013. Malaysia and Mexico have Sustainability Indexes which are currently under development, both of which are expected to be launched in 2012.

The National Government disclosure efforts shown apply mandatory and complete CSR reporting requirements to all companies for that region (occasionally applies only to all listed companies or above a certain market capitalisation).

The Stock Exchange disclosure efforts shown include the indexes which required disclosure of complete CSR information in order to be listed. As a result, the maps do not fully reflect the extent of reporting initiatives and exchanges worldwide.

For a comprehensive collection of the mandatory and voluntary reporting initiatives and stock exchanges which apply to company size and sectors, see www.hoosiercenter.org/iri/?page_id=596.

Global Distribution of Corporate Social Responsibility Efforts by National Governments and Stock Exchanges.
While the number of companies reporting their sustainability performance is growing, the practice is yet to achieve its full potential: the adoption of sustainability reporting has taken 12 years for the percentage of the Fortune Global 250 reporting their sustainability performance to increase from 35-95%—at that rate of increase, it would be decades before sustainability reporting becomes common practice across global markets, for both large and small companies. An estimated 4,500 organisations are included in sustainability reporting databases worldwide, a fraction of the 45,000+ publicly traded companies that are required to disclose their annual accounts and of the estimated 82,000 corporations that do business across national borders in the world today.

"Governments have an opportunity at Rio+20 to make the urgent change to a green and sustainable economy. Governments need to build on the experience of the private sector and existing governmental policies, and agree on a global decision requiring all listed, large public and private companies to disclose sustainability information or explain why they do not."

Teresa Fogelberg, Deputy Chief Executive, Global Reporting Initiative

Widespread transparency is key for a sustainable global economy, and its success requires a global policy approach to sustainability reporting.

This can be achieved at the Rio+20 Conference, by adopting a policy framework on sustainability reporting, based on a 'report or explain' approach. A global decision to ask companies to report their sustainability performance, or explain why they don’t, will make sustainability reporting standard practice.

It will increase the number of companies that disclose sustainability performance data, enhance the volume and quality of data available, raise awareness about sustainability issues for business, investors and the public, and ensure a more level playing field.

This report or explain approach to sustainability reporting policy offers great flexibility, as it promotes transparency without mandating it: companies can decide whether or not to report, and they retain the choice of reporting frameworks and indicators.

Such a policy can be introduced in several ways, for example through smart ‘soft’ regulation, mandatory measures, or stock exchanges requiring listed companies to report. This flexible approach would meet the needs of the diverse economic, social and political contexts of countries around the world.

Governments, international organisations, stock exchanges and a number of private initiatives have developed policy, regulation, requirements and guidelines to promote sustainability reporting and disclosure. Others are considering doing the same.

An International Framework for Corporate Social Responsibility: Moving to action

27th March (During Rio+20 3rd Intersessional) | 18:15 - 19:45
Conference Room E, North Lawn Building, 1st Ave and E 46th St, New York, NY 10017

Following recent discussions on an International Framework for Corporate Sustainability, this event will bring together a panel, from a diversity of sectors, to give add views and experiences on this agenda. The objective is to inform governments and other stakeholders of current work and initiatives around this agenda, drawing on evidence and examples from governments, international organizations, stock exchanges and a number of private initiatives.

Moderator: Derek Osborn, President of Stakeholder Forum

Presentations:
- Teresa Fogelberg (Global Reporting Initiative)
- Steve Waygood (Corporate Sustainability Reporting Coalition/AVIVA)
- Aron Belinky (Vitae Civilis, Brasil)
- Harris Gleckman (Director, Benchmark Environmental Consulting, former Head of Environment, UN Center on Transnational Corporations)
- Jorge Abraão (President, Ethos Institute and board member of Brazilian Stock Exchange)

This event is only open to those attending the 3rd Rio+20 Intersessional and is organised by the Dialogue on a Convention for Corporate Sustainability and Accountability (Stakeholder Forum, Vitae Civilis), Aviva Investors and The Global Reporting Initiative.
Delivering an investment-grade outcome at Rio+20

Nick Robins
Head, HSBC Climate Change Centre of Excellence

This article was first published by the Guardian Professional Network on the Business on the Road to Rio pages.

One of the key tests of Rio+20 is whether it can convince investors of the value of the green economy. The draft outcome for the Rio+20 conference on sustainable development – The Future We Want – has valiantly tried to squeeze 2,298 pages of submissions into a 19-page set of priorities. The text is a mixed bag containing the hopeful, the vague and the promising.

Unlike the first Rio conference, the meeting in June will not produce ‘hard law’ agreements (such as the climate and biodiversity conventions). Instead, the critical factor determining the success of Rio+20 will be the creation of serious policy milestones for 2015 and beyond. Central to this is whether Rio can convince investors that aligning their asset allocation with the green economy will provide better risk-adjusted returns than ‘business as usual’.

Drawing on the analysis developed by the world’s investor coalitions in 2012 – Investment-Grade Climate Change Policy: Financing the Transition to the Low Carbon Economy – there are three ways that this could be done.

Build an integrated policy framework for green growth

Investors need clear short, medium and long-term sustainable development targets, which have political clout and are embedded in core macro-economic and sector policies. At the heart of the draft package is the proposal to agree a set of sustainable development goals by 2015. The potential is to provide a dashboard of critical changes that governments are committed to make through to 2030, giving institutions crucial guide rails for investment.

Energy provides a useful example of what could be done. The Zero Draft incorporates the three-fold goals of the UN’s Sustainable Energy for All initiative: to ensure universal access, double the rate of efficiency and double the share of renewable energy, all by 2030. These are all clearly important. But experience with climate policy has taught us the hard lesson that targets are only useful if baselines are robust, scope is clear and loopholes are closed.

In its World Energy Outlook 2011, the International Energy Agency projected that renewables – hydro, biomass, solar, wind, geothermal, marine – could grow from 13% of primary energy in 2009 to 23% in 2030 in its 450 PPM scenario. This is just short of a doubling, making this a good target to drive deployment.

Turning to energy efficiency, if the global rate of improvement is doubled to a 2% compound annual growth rate, then this could cut global GHGs by around 25% below the usual by 2030. But total emissions would still rise – and by 8% highlighted in its recent Energy Outlook 2030, energy efficiency is expected to improve anyway.

A tougher ‘stretch target’ of halving the energy intensity of the global economy by 2030 would, we estimate, drive GHGs to around 18% below 2010 levels. Beyond energy, the SDGs will need to incorporate real targets for other critical areas of ‘natural capital’ such as food, forests and soils, as well as oceans and freshwater – and show how these can be deployed to meet rising social needs. In addition, the proposed green economy roadmaps could – if done seriously – also provide a starting point for long-term investor engagement and benchmarking.

Phase out ‘inefficient’ fossil fuel subsidies

Shift the scale and direction of incentives: to mobilise capital, investors need to see policy incentives which address the real and perceived risks of the green economy, aim to deliver scale, and provide long-term visibility. The climate arena provides a wealth of experience of the need to confront market failures. Not only is carbon still un-priced in most economies, but $410bn of government subsidies are deployed globally to reduce the costs of fossil fuels; only $66bn is provided for renewables.

In 2009, the G20 committed to phase out ‘inefficient’ fossil fuel subsidies. Again, wording matters: seven nations subsequently stated that they did not have inefficient fossil subsidies. The Rio+20 draft picks up the theme – and focuses on gradually eliminating subsidies that have ‘considerable negative effects on the environment and are incompatible with sustainable development’. This would also include agriculture, fisheries and water.

Governments must play their role in change

More broadly, the Draft is currently weak in terms of generating greater government commitment behind the need for positive incentives (such as environmental pricing/taxation). This could prove a missed opportunity, as revenues can be useful in terms of cutting labour taxes and/or fiscal deficits particularly at a time of weak economic growth. For example, in California, half of the projected $1bn in carbon revenues from the new cap and trade system have been provisionally earmarked for deficit reduction.

Make sure that implementation actually happens: having policies is one thing, but making sure they’re implemented is another. Key to this is the need to keep score – and to provide investors with timely information on the links between sustainability and economic performance at the micro and macro levels.

The Zero Draft does recognise the limits to current measures of GDP but there is an apparent lack of urgency to develop solutions to the current invisibility of natural capital in standard growth models. More promising is the inclusion of the need to develop a global policy framework for all listed and large private companies to integrate sustainability within the reporting cycle.

This builds on the proposal from the Corporate Sustainability Reporting Coalition for Rio to launch negotiations for a convention that obliges governments to introduce a ‘report or explain’ requirement.

So the first draft of the Rio+20 political declaration offers glimmers of potential. If the text is strengthened between now and June, then it could provide the foundations for shifting capital towards the green economy. Like the Durban Platform agreed last December, an outcome of this kind could help frame the next up-shift in policy commitment through to 2015 and beyond, giving a vital boost to investor confidence.
Sustainability is of course a central concept for Rio+20. For many, it's shorthand for ‘environmentalism’ but for Aviva Investors it's much more than that. It means looking to the future and thinking about the long term consequences of all our actions.

As an investor, addressing and questioning the sustainability of a business not only can improve the long-term profitability of a corporation and the returns it makes, but has wider implications, improving the quality of markets they are listed on, increasing macro financial stability and making a material contribution to the lives of those impacted.

A coalition calling for a global convention

We recognise that the business and investor community has made significant progress in recent years. Many have recognised the importance of embedding long-term sustainability issues into their business strategy and have disclosed progress to investors. However, 20 years after the first Earth Summit in Rio, the overwhelming majority of large and listed companies are not publishing any data on their performance in this area.

For this reason, in September last year, Aviva Investors convened a Corporate Sustainability Reporting Coalition (CSRC) calling for action to be agreed at the Rio +20 Earth Summit. This coalition is made up of financial institutions, professional bodies, NGOs and investors with assets under management of approximately US$2 trillion. We are collectively calling on nations to adopt at Rio+20 a binding international commitment to develop a convention that provides a global policy framework fostering the development of national measures mandating the integration of material sustainability issues within the corporate reporting cycle, on a comply or explain basis. In addition we would like to see effective mechanisms for investors to hold companies to account on the quality of these disclosures, for instance through a vote at the AGM. We believe this measure will create the right kind of discussions within boardrooms, throughout firms and encourage investors to think about the sustainability of the firm. This will lead to capital being allocated to more sustainable and responsible companies, thus strengthening the firm. This will lead to capital being allocated to more sustainable and responsible companies, thus strengthening the firm.
In the midst of very complex negotiations related to political commitments to sustainable development, the meaning of green economy and renewing institutional frameworks; a very significant conflict has emerged at the Rio+20 Informal Informals. The negotiations on the Zero Draft for Rio+20 has now become the most important forum for a struggle between those who support the UN’s historic recognition of the human right to water and sanitation (HRTWS) and others who maintain that water and sanitation are not human rights.

The European Union, Canada and New Zealand, in amendments to the original Zero Draft - ‘The Future We Want’ - have suggested language which effectively denies recognition of the human right to water and sanitation by substituting proposals focused on ‘access to water’, which is neither legally binding nor recognised in international law. This is language that was often put forward before the human right to water was recognised in 2010, and is not acceptable in a world where water is increasingly scarce and where implementing states’ legal obligations to respect protect and fulfil the human right to water and sanitation would have a profound impact on the lives of millions. Water is life, and denial of the right to water, which is inextricably linked to the right to sanitation, will condemn millions.

The stakes could not be higher, if Canada, New Zealand, Denmark and the UK (Denmark as chair of the EU and the UK as a leading opponent within the EU; both pivotal in positioning the EU) do not reconsider their position and if other governments opportunistically join them to abandon their legal obligations, it will take an heroic effort from civil society and supportive states to stand firm.

Civil society is watching and awakened to what is at stake, so states should be aware that this will not pass quietly. In the two short days since this threat has come to light, over one hundred respected civil society organizations have signed a letter demanding respect for the human right to water and sanitation and that states respect their legal obligations stemming from General Assembly resolution A/Res/64/292, Human Rights Council resolution A/HRC/15/L/14, and subsequent resolutions at the HRC and WHO. States are being questioned on their position and the Group of 77 is being supported to hold firm on their commitment to the HRTWS. The Special Rapporteur on Water has been alerted and her office is engaged in this debate. Amnesty International is briefing its sectors and the world’s trade union movement is also pressing to protect this hard won right.

Vigilance is the key, as Special Rapporteur on Water, Catarina de Albuequerque has previously counselled water activists. We must take this to heart if we do not want to witness a tragic abrogation of responsibility and legal obligations over the next days here at the United Nations in New York. The human right to water and sanitation must appear in Rio, as a signal of the connections between society and the environment, and as a safeguard in the negotiations, alongside other human rights.

As a final caution, if the human right to water and sanitation is removed, it may never recover to be implemented, as those opposed will be emboldened and reinforced. Can we accept a future that does not protect this most fundamental of rights, is this the future we want? This is the question we need to put to the EU, Canada and New Zealand over the next days of negotiations.