DIRECTORY OF SOCIAL CHANGE
INFORMATION AND TRAINING FOR THE VOLUNTARY SECTOR

DSC response to the Department for Business Innovation & Skills 'Corporate Responsibility' consultation

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About the Directory of Social Change

The Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society.

Through our publications, courses and conferences, we come in contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are constantly struggling to maintain and improve the services they provide.

We are not a membership body. Our public commentary and the policy positions we take are based on clear principles, and are informed by the contact we have with these organisations. We also undertake campaigns on issues that affect them or which evolve out of our research.

We view our role as that of a 'concerned citizen', acting as a champion on behalf of the voluntary sector in its widest sense. We ask critical questions, challenge the prevailing view, and try to promote debate on issues we consider to be important.

DSC has been researching and monitoring corporate charitable giving for the last 25 years, and campaigns for better reporting, and better giving, from companies as part of its Great Giving campaign (www.dsc.org.uk/greatgiving).

Background to the consultation

On 29 November 2010 BIS and HM Treasury published the Growth Review http://www.bis.gov.uk/growth which sets out what the Government are doing to create what they consider to be the best conditions for private sector growth. Corporate governance including narrative reporting is one of the Government's priorities for action in that review.

The first consultation on this theme ran in August 2010 with the intention of finding out what improvements could be made to non-financial reporting, and in 2011 the 'Future of narrative reporting' was published which proposed a new format for reports. The new format would replace 'business review' with a 'strategic report', revoke the Companies' Act 2006 requirement for companies to disclose charitable donations over £2000 and add an Annual Director's Statement which can contain voluntary disclosures on charitable donations. Following further consultation on this, draft regulations were published in October 2012 to make these changes and we expect the changes will become law by October 2013.

In August 2013, the Financial Reporting Council produced an Exposure Draft 'Guidance on the Strategic Report'. BIS had also put out a further follow-up consultation on Corporate Responsibility in July 2013, to guide the design of the new framework for reporting CSR by companies. BIS states this will inform a new framework by the end of 2013 – two months after the new reporting structure comes into force.

The Corporate Responsibility consultation is what DSC responds to below.

What does DSC know about company giving and CSR reporting?

The Directory of Social Change (DSC) has been gathering information on corporate giving for more than 20 years. Data is collected from corporate annual reports and from targeted surveys about giving to UK charities and communities. This information is regularly published in *The Guide to UK Company Giving* and on DSC's website: www.companygiving.org.uk.

These products are aimed mainly at fundraisers to aid with their applications for charitable funding; however, DSC also has a keen interest and expertise in the aggregate picture of company giving, as well as in best practice amongst organisations that support charities financially – this is what prompted our new publication: *The Company Giving Almanac 2013* (http://www.dsc.org.uk/Publications/Fundraisingsources/@162468) which analyses more than 400 top UK companies in detail to examine the state of companies[1] support for the UK voluntary and communities sector today. The Almanac draws extensively on the latest available data on the top company givers, including a wide range of national and international companies, to provide a comprehensive picture of UK company giving.

Key points & recommendations

1. **A voluntary or 'light touch' approach will not deliver fundamental improvement in CSR reporting and practice.** The Government must improve regulatory standards, backed up by statute if necessary, which could set an agreed framework and provide a level playing field for CSR reporting by all companies.

2. **The UK should be a global leader in this area:** We have a long history of corporate social responsibility practice to draw on and while taking account of international standards is highly desirable we should be setting our own gold standard.

3. **One standard core set of metrics is desirable as a basis for comparable CSR reporting:** A core set of principles should apply across all industries to allow open,

transparent and comparable assessment of CSR in the UK and internationally. This would allow customers, shareholders the general public and charities to more easily compare the interests and activities of companies.

4. **The recent revision to the Companies Act 2006, which did away with the requirement for financial disclosure of charitable donations over £2,000, should be reversed or replaced with something that provides greater transparency about the detail of a company's charitable giving.** In our opinion, this revision is a step in the wrong direction and makes a nonsense of the stated goal of transparency in this consultation. We have found no evidence to back up the Government's claim that such a revision was warranted or called for by a majority of respondents to previous consultations.

5. **We recommend the introduction of a CSR Statement of Recommended Practice ('SORP').** As the Charity Commission does for charities, this would be set out by the regulator as a standard framework and principles for reporting, based on international standards translated into a UK context. A SORP would provide consistency in the interpretation of existing standards, and would have the potential to eliminate much of the 'spin' that too often distorts CSR reporting.

6. **SMEs should be supported through existing schemes:** In terms of Government support for SME CSR, we feel it would be best directed to existing schemes which can be strengthened, but the creation of a single national network (potentially coordinated by the regulator) which would be able to provide standardised advice, guidance and support for SMEs and be able to report back standard and comparable figures for SME social involvement would also be desirable.

DSC response to consultation questions

Question 1: What more could Government do to encourage a greater number of companies to adopt internationally recognised principles and guidelines in their own corporate responsibility policies? How might Government, in a light touch way, measure this take-up?

Regulation is required to improve the quality of policies and reporting: If the government is to succeed in any meaningful way to produce effective guidelines on

Corporate *Social* Responsibility (CR)[1], a 'light touch' will almost certainly be ineffectual and will not produce the desired levels of compliance. Government must ensure that companies have a statutory obligation to report in a transparent way on all aspects of CR. Clearly, leaving companies to develop their own standards has failed, as the TUC commented in their response to the August 2010 consultation (The Future of Narrative Reporting – A Consultation):

> *"It could have been expected that after the Companies Act narrative reporting requirements were introduced, companies would experiment and develop new models of reporting to fulfil the requirements. Multiple good and best practice developments could have provided a justification for initially not requiring standardisation in narrative reports, and indeed could have informed guidance at a later date. However, with a few exceptions, this has not occurred, and the general standard of narrative reports is low."*

DSC recognises that some companies may not welcome further regulation or legislation in this area, but the case needs to be made that a more consistent framework and standards could be a 'win-win', by creating level a playing field that could simplify the process for companies and be in the public interest.

As was noted in previous BIS consultations[2] on this matter (emphasis added):

> *"NGOs and Trade unions suggested that national and international standards for reporting and disclosure should be streamlined into one <u>mandatory</u> framework. Regulation providing greater clarity and effective guidance would make reporting simpler, more consistent and useful. The requirements in respect of international standards on the responsibilities of business should be clarified and the earlier materiality guidance could be revised and reissued."*

> *"57. NGOs and Trade unions all supported a statutory reporting standard with a focus on strategic factors and how environmental and social factors affect them. This should also make clear what constituted adequate social and environmental reporting to ensure reporting to a comparable and agreed standard. This might include future risks and developments for example, existing court cases and regulatory action."*

> *"83. NGOs and Trade unions expressed concern that non regulatory means could only be effective alongside regulatory measures to address current deficiencies by setting a minimum standard which was enforced."*

[1] Please see our response to this appellation under "Further Comments".
[2] Future of narrative reporting, summary of responses (August, 2010): https://www.gov.uk/government/consultations/the-future-of-narrative-reporting-a-consultation

We set out further suggestions in this area under Question 4.

UK reporting standards should be in line with internationally recognised principles, but this must have some regulatory or statutory backing. For example, whilst ISO 26000 Guidance Standard gives international guidelines on CR, to which organisations can refer and use as a benchmark, it is a voluntary standard and as such is unenforceable. This guidance was five years in the making and involved over 450 people globally in its consultation process, so to disregard existing work like this would be bad practice and irresponsible.

However, we do believe that the UK should be setting the standard in good practice in this area. We have a long history in this area and some companies and organisations are doing excellent work to set high standards. Government can usefully play a role in promoting examples of good practice and driving up standards for the rest. Some CSR issues can be quite country specific, and to adopt wholesale an international/global benchmark without a UK interpretation for local conditions may be unworkable in terms of CSR and its enforcement.

In our opinion, the UK standard should not seek European ratification, since to try and get universal agreement is probably impossible and waters down requirements, but UK standards should take account of international standards interpreted to fit our particular situation. In effect, this is what happens with the SORP for UK registered charities.

Where we do need to seek international cooperation (and national standards) is in getting companies to report UK charitable donations separately from donations to other countries. Some large companies with bases in several countries fail to do this, making it impossible to accurately monitor UK company giving. Some notable British household names such as Royal Bank of Scotland, British Telecom and Tesco also fail to break down their donations in this way in their reporting.

Question 2: Should Government encourage more sector-specific initiatives and, if so, how might it do that? Do different sectors need different levels of Government support and involvement?

There are certainly industry sector-specific issues in CSR reporting, and industry sectors should be encouraged to develop their own nuances, but there should be a core of standardised requirements for reporting across all sectors in order to facilitate comparisons. The challenge here is to find metrics which apply to all without losing the accuracy and detail of specific industries. It is in the public interest to know which companies and sectors are performing well and which are not.

Certainly different industry sectors are at different stages of development of CSR reporting, with, e.g. the financial and mining sectors being arguably at the forefront. However, it is not necessarily industries which the Government should be supporting so much as individual companies across the board. By making some requirements standardised and requisite and by encouraging other companies and organisations to provide leadership in this area, we believe much can be achieved, as it will allow better comparison within and between sectors. We set out further details under Question 4 below.

Currently, the terms used by businesses varies from industry to industry and from country to country. This causes difficulty in assessing the CSR of different companies operating in different areas. Any 'comparable, voluntary metrics' would need to take into account the varying terminology and seek to rationalise this for the UK context.

Question 3: Are comparable, voluntary metrics on social and environmental aspects desirable? What might be the costs and benefits of this? What role should Government play in determining what these metrics might be and how might we encourage more businesses to adopt them?

It is clear that the current plethora of voluntary metrics and 'guidance' available to companies is overwhelming, and this is not very helpful for companies genuinely attempting to do the right thing. Clear and well drafted regulations for social and environmental reporting could help set a level playing field. The case must be made that this would not be an onerous or burdensome set of 'extra' regulation but a way to simplify and rationalise existing standards.

As PWC note in their "Swimming in Words" (2010) report:

> *"...the UK is not short on rules for narrative reporting disclosures. Indeed one of the difficulties for corporates is keeping track of the many rules which come from different authorities. These rules have led to longer and longer reports so that the ton has now been broken. But are companies communicating better or just more?"*

It is clear that one standard set of core and comparable metrics is desirable as a basis for CSR reporting.

The new non-financial metrics contained in the proposed new 'Strategic Report' referred to in the consultation documents include (emphasis added):

(4) In the case of a quoted company the strategic report must, <u>to the extent necessary</u> for an understanding of the development, performance or position of the company's business, include—

(b) <u>information about</u>—

(iii) social, community and human rights issues, <u>including information about any policies</u> of the company in relation to those matters <u>and the effectiveness of those policies</u>.

If the report does not contain information of each kind mentioned in paragraphs (d)(i), (ii) and (iii), it must state which of those kinds of information it does not contain.

While this is an admirable aim it is far too vague in its requirements.

The same legislation does away with the previous Companies Act 2006 requirement for financial disclosure of charitable donations over £2,000. In our opinion, this makes a nonsense of transparency. We believe this change conflicts not only with Government's stated intentions to encourage 'responsible capitalism', but also pre-empts the outcomes of this consultation. It is also at odds with statements from BIS Minister Jo Swinson who has commented: '*Annual reports are a key tool for shareholders to get a good understanding as to how a company is performing, but they need to be produced in an open and transparent way*'. In sum, the scrapping of this requirement is a move away from openness and transparency and not in the public interest.

In addition we have found no evidence to back up the Government's claim that such a revision was warranted or called for by a majority of respondents to previous consultations. DSC's protestations Business Secretary Vince Cable MP on this issue resulted in the following response from Business Minister Jo Swinson MP in a letter dated 19 August 2013:

The Department for Business Innovation & Skills consulted on its proposals to improve the form and content of narrative reporting between September and November 2011. As part of this we suggested some disclosure requirements that could be removed but, if sufficient evidence was provided of their value to users of company reports, these would be retained. We received no such evidence on the disclosure of charitable donations.

DSC would argue that lack of evidence is not evidence! The reason given for recommending the revision was that: "There is no evidence of continuing conflicts of interest in respect of corporate charitable donations or that this requirement has increased levels of charitable giving from companies." DSC maintains that in the interests of transparency and signalling good intent, making this requirement voluntary negates its usefulness as a tool for those interested in assessing and measuring company giving.

These changes will make it less likely that the public, government, shareholders and other interested parties will be able to see what companies are doing with their money, and we believe that is a retrograde step. Without clear and rigorous reporting it is more difficult for charities and fundraisers to get the vital information they need about which companies give, to what, and why – the starting point for forming strong working relationships between companies and charities.

During the House of Lords debate on this legislation Viscount Younger of Leckie argued that the '*The format of the charitable donations disclosure required companies to disclose the name of the recipient, the amount and the true purpose. For those companies which make a lot of donations this was becoming a burdensome requirement.*'

DSC disagrees that this is a substantive burden; we see no evidence from previous consultations that this was the case. For a charity seeking support, it can give an important illustration of what types of organisations the company is likely to work with, so helping that charity to better target its approach. The annual declaration by companies of the amount of their charitable donation indicates the 'pot' available to potential applicants and so in many cases actually saves the company time and resources in considering inappropriate applications.

The benefits to having comparable metrics here certainly, in our opinion, outweigh the costs. Benefits include society, charities, government, philanthropic individuals, the general public and other interested parties being able to easily see which companies are doing better in this area than others. For the companies involved, this will translate into new and sustained business.

Question 4: How might businesses demonstrate that the information they voluntarily capture and present is externally verifiable? What might be the costs and benefits of this?

There is a tension between what is voluntarily captured and what is externally verifiable. The two are working at cross-purposes. A big problem is the lack of consistency and comprehensiveness in what is reported, which makes external verification or comparing between companies very difficult. If the capture of data relating to businesses' impact on society and the environment was more clearly regulated, then companies would be responsible to the regulator and their shareholders regarding the publication of this information. At present, if businesses want their CSR information verified, (and not many do), they need to go to outside agencies for a CSR audit, or to become voluntary members of benchmarking organisations such as the London Benchmarking Group (LBG_:

> *"Membership of such organisations is a badge of CSR commitment which companies may, in order to deflect criticism, choose to substantiate with evidence. The advocacy of CSR standards is a further incentive for companies to institutionalise their socially responsible actions, values and reporting.[3]"*

Yet such membership groups have been only partially successful. LBG, which has developed the most complex and successful system of CSR reporting, currently has 130 members in the UK, while they state that over 300 companies around the world use their model to benchmark their giving. Whilst LBG's membership includes many leading companies, the total number is a drop in the ocean of the private sector.

Our recommendation is for the regulator to set out a Statement of Recommended Practice (a 'SORP' as the Charity Commission does for charities), with which companies would have to be compliant, meaning outside agencies would not be necessary. A SORP provides a mechanism enabling an organisation to meet the legal requirement for their accounts to give a true and fair view and provides consistency in the interpretation of accounting standards, thus potentially eliminating much of the 'spin' element currently common in corporate CSR reporting.

As the regulator of UK companies, Companies House should have far more involvement in compliance when it comes to Corporate Social Responsibility, which might require a reconsideration of its regulatory authority. Those looking to improve the impact of business on society should look to the charity sector and its regulator for good practice.

Question 5: How might companies best manage their supply chains more effectively? How might Government help with this?

DSC believes that the Merlin Standard for supply chain management, developed by the Department for Work & Pensions (http://www.merlinstandard.co.uk/), could be more widely considered as a basis for improving any supply chain relationships, outside of government commissioning:

[3] Moon, J. (2004) **Government as a Driver of Corporate Social Responsibility.** No. 20-2004 ICCSR Research Paper Series - ISSN 1479-5124. (http://195.130.87.21:8080/dspace/bitstream/123456789/1102/1/20-Government%20as%20a%20Driver%20of%20Corporate%20Social%20Responsibility%20The%20UK%20in%20Comparative%20Perspec.pdf)

"The Merlin Standard has been designed to recognise and promote sustainable excellence within supply chains and provide guidance to those seeking to achieve it. It is built upon four fundamental and integrated principles; supply chain design, commitment, conduct and review."

In addition the Social Value Act (2012) should come into play when commissioning services from companies. Commissioners should consider a company's CSR programme and its relationships with charitable or social enterprise subcontractors as part of bidding criteria and evaluation.

DSC believes that it is incumbent upon the lead company to ensure that wherever possible its suppliers adhere to the same codes of ethics and sustainability as the company itself, and should make efforts to ensure that non-compliant suppliers are either encouraged to comply (at a commensurate level) or left out of the supply chain.

Research shows that SME's encouraged to report on their sustainability in the supply chain experience several benefits, including:

- *Achieving competitive advantage and leadership*
- *Improving internal processes and setting goals*
- *Enhancing reputation, achieving trust and respect*[4]

Question 6: Should companies be obliged to be more responsible for actions within their supply chain? If yes, how could this be achieved without legislation? What would the costs and benefits be?

Yes. However, we are not able to offer a more detailed view at this time beyond what we have laid out in Q5.

Question 7: How might Government best support small business to adopt responsible business practices? What particular challenges does Government face in trying to achieve this? How might it overcome such challenges?

Very little is known about SME CSR, yet from the research which has been done we are persuaded that many SMEs do give, despite constraints on their resources:

[4] Small, Smart and Sustainable: Experiences of SME Reporting in Global Supply Chains. The Global Reporting Initiative (www.globalreporting.org)

"The business case for engagement can be made at all levels although strategic reasons to so engage are rarely obvious in the smallest SMEs where the engagement process is more organic.[5]"

Additionally:

"Jenkins (2004), in an analysis of small businesses in the UK, found that it is possible for SMEs to develop a socially responsible culture more efficiently than large corporations because of the greater influence of owner managers and the absence of bureaucratic hierarchies.[6]"

Levitt goes on to comment:

"The penetration of umbrella groups in the SME community is low so amongst the smallest SMEs there is no co-ordination, little local leadership, no passionate advocacy of the business case for them to engage in the community and there is a lack of awareness of organisations and campaigns involved in corporate citizenship.[7]"

At the same time, local Community Foundations and other entities such as the Lions Clubs and Rotary Clubs surely perform a similar role to LBG and Corporate Citizenship for SMEs. In addition to this, the many new networks and offshoots of schemes such as the Government endorsed Business Connectors scheme (http://www.bitc.org.uk/programmes/business-connectors), Trading For Good (www.tradingforgood.co.uk), and local schemes such as Tameside4Good (http://tameside4good.org.uk/) and Islington Giving (http://www.islingtongiving.org.uk/) which bring together local businesses, charities and individuals, are bridging this gap.

In terms of Government support, we feel it would be best directed to the existing schemes but through a single national network which would then be able to provide standardised advice, guidance and support for SMEs and be able to report back standard and comparable figures for SME social involvement.

Question 8: How might Government help SMEs publicise their responsible business behaviour?

[5] Levitt, T. (2012) The Social SME: A Study of Small Businesses and Selected Social Responsibility Issues in Bradford and York, JRF
[6] Ibid.
[7] Ibid.

Clear, concise guidelines in plain English promoted via a national network. From this it is foreseeable that a scaled-down version of CSR reporting for SMEs might emerge.

Question 9: What role does larger business have in supporting smaller business? Is there an imperative for larger businesses to support smaller businesses? How might Government enable this?

There appears to be an assumption here that larger businesses have better practices. There is no evidence for this and in fact it's the generally poor involvement and non-transparent reporting standards of 'big business' that needs addressing first. It is equally possible that large companies could learn from smaller companies where reporting isn't always about beefing-up what they've 'achieved' for marketing purposes but is often rather more simple and straightforward. With regard to undertaking and reporting on social investment, both large and small companies could learn from the charitable sector.

Where there is good practice, however, it might be possible for larger companies to help smaller ones develop, or to contribute capacity to smaller SMEs in some way.

Question 10: What are the main barriers to businesses contributing more to social outcomes?

Lack of management buy-in

For companies, social responsibility agendas are both a challenge and an opportunity. It is acknowledged that there are a number of challenges that companies may face in implementing better social responsibility throughout their businesses. Perhaps chief amongst these can be the lack of senior management buy-in associated with an over-fixation on what are seen as core business functions. For some, a lack of employee interest and involvement in CSR initiatives is an issue. In some organisations the difference in organisational cultures and languages means that stakeholder engagement, in particular between profit, non-profit and public sector organisations is discouraged. Some company managers just do not see social responsibility as part of their remit. In the twenty-first century, however, this viewpoint is increasingly seen as shortsighted.

Making social exchanges into marketplace transactions

Businesses clearly have a remit to make a profit. Many claim that because of their accountability to their shareholders, they often seek to 'get something back' for any social investment they make. But if companies focus solely on the 'return' on their social 'investment' this can be a barrier to achieving social outcomes. Turning good corporate citizenship into a self-interested calculation can lead to cynicism about the company's real motivations from other stakeholders and the wider public.

A lack of understanding of social need

DSC's recent analysis of corporate giving (*The Company Giving Almanac 2013*) found that corporate donations are not distributed according to where the need is greatest[8]. In fact, donations are distributed around offices and branches where social deprivation is generally relatively low.

What we think is happening here is that workforces have tended to base themselves relatively near their employers (or were there in the first place before the company moved into the area). These areas where businesses and workforces gather (often urbanised) tend to experience rising standards of living. This is great for the company and for its workforce.

It is also great for the local economy, and great for charities based in the area who may benefit from company donations. In fact, other research has shown that these areas tend to be where more new charities and community groups spring up or grow larger – benefitting from the social capital brought by the workforce and their families settling in the area, their donations, and volunteering.

But the knock-on effect is that in other areas of the UK "desertification" happens: areas develop with high unemployment, high deprivation and little investment. So for example, what we found in this research is that, like charities, more companies tend to be based (and to give) in the South of England (including London) rather than the North.

So, for example, as illustrated in a recent article in the Guardian:

> *"while 16.9% of south Yorkshire, which includes Labour leader Ed Miliband's Doncaster constituency, suffers from income deprivation, the total percentage of corporate donations invested in the area stands at 0.1%. At the other end of the scale, Oxfordshire, home to the prime minister, David Cameron, has an income deprivation score of just 6.4% but hoovers up 6.5% of charitable donations."*

[8] See Guardian journalist Patrick Butler's insight into this: http://www.theguardian.com/society/patrick-butler-cuts-blog/2013/jul/03/big-society-corporate-charity-donations-down-dsc

This lack of insight into the bigger picture inhibits companies' effectiveness in contributing to a 'stronger, fairer society', and we would urge companies to step back and consider the wider perspective when making decisions about community investment.

It's not the business case, it's about civic duty and responsibility

As an aside we do not believe that the business case needs to be made for companies to get further involved – (a) the business case is already there, it has been made, and (b) corporate social responsibility is, in our view, a moral responsibility – something which should happen come thick or thin, in profit and in loss, not a nice-to-have extra in the good times only. Charities and communities cannot survive on piecemeal funding which dries up in a poor economy when it is most needed. Appealing to the civic duty of company owners, directors and staff needs to be reinvigorated, not replaced by a transactional 'business case' approach.

Question 11: What more could Government do to make it easier for businesses to support social initiatives? How might Government showcase innovative approaches that others might consider adopting?

DSC believes the nudging approach is one that has potential to deliver results here, especially because companies are under no obligation to give anything at all, and most will remain primarily motivated by profit. There would seem to be potential in an approach that publicly compares the relative generosity of different companies, particularly competitors. This could form a part of the Big Society awards, for example. That would use the natural competitive tendency between companies as a driver to greater and better giving; however, to be meaningful this approach would have to be based on rigorous and independent research and common reporting standards, not company PR.

There are issues inherent in any 'league tables' of company giving, and they must be rigorously assessed for fair representation, but we have seen in recent months the consequences of publishing such lists, with companies getting in touch to find out how their peers and competitors are doing in DSC's Company Giving Almanac tables (LINK?) and how they can do better.

In general though, we believe that if we are to achieve a step change in company giving, Government needs to do more than nudge; it needs to be willing to elbow or at least do some vigorous jostling. And it needs to regulate if real change is to be achieved – even if this is mainly to build and improve the 'choice architecture' for company decision-making on giving to charity.

Question 12: How might the relationship between business and society be strengthened? How might Government support this?

The private sector needs to listen more to the voluntary sector. In other words, where a company is seeking to carry out initiatives which involve local communities, or UK society in general, they should consult with the relevant community groups/campaigning bodies. When it comes to best practice in the social arena, they can a lot from charities. Government could do more to facilitate this dialogue.

Partnerships between companies and charities are a good idea but need to be on equal terms. Developments such as 'shared value' and other new ways of framing company support represent interesting new opportunities, but we maintain that companies giving cash or in-kind help to charity remains hugely important and can have a beneficial impact on society. Corporate philanthropy is far from dead, but it may need a new lease of life after the recent economic difficulties. At a time when so many charities which provide crucial services to people are struggling to survive, a cheque from a corporate donor is not 'just a cheque'; it may be the difference between adapting and surviving or going under.

Equally worrying, perhaps, is the recent rhetoric in the sector about companies bypassing charities by doing their own social projects. Of course there can be value achieved when companies consider their social responsibilities in the round. However, this approach smacks a little of 'companies know best' how to cure society's ills, and that they can do so without the need for the specialist knowledge of charities and community groups, built up over years of working on the ground in that territory.

This approach risks losing out on valuable local connections and engagement with the community that charities can provide. And more importantly, in the long run, if companies are going to 'do it for themselves', the people that charities support may lose out, because the charitable intervention in their lives is likely to be qualitatively different (and most likely much better) than that which business can provide directly. Government needs to stop promulgating the idea that the charity sector needs to become more businesslike, and start seeing and saying that the business sector needs to become more charity-like.

Equal partnerships between companies and charities / communities could see huge benefits for both, and many creative examples exist (e.g. Network Rail and the Samaritans). Business Connectors and other schemes need more support to promote better relationships.

Question 13: Is there any comment you wish to make on UK business and human rights generally?

We are not able to offer a view at this time.

Question 14: Should corporate responsibility be recognised as a profession?

We are not able to offer a view at this time.

Question 15: What more can Government, business and others do to improve information available to consumers who want to take ethical considerations in to account? Does this differ between sectors?

It is worth noting that 62% of European citizens (60% in the UK) feel uninformed about whether companies act in a socially responsible way, despite their interest in knowing (while 63% of US citizens feel that they are informed about what companies do to behave in a socially responsible way). When companies do not understand or rigorously track the interdependency between social and business results, they miss important opportunities for innovation, growth, and sustainable social impact at scale.

A company's reputation is its business lifeline, and reputations may be tarnished in many ways, not just through poor social engagement. Government needs to approach corporate ethics in the round and clamp down on unethical or illegal behavior such as tax avoidance and evasion. Social engagement is an important signal of a company's reputation but where it is used to offset wrong-doing in other areas it is mere 'charity-washing'. Government should approach CSR in the wider context of business ethics.

As for reporting: Make the publication of information a statutory requirement, comparable, robust, transparent and easily accessible. See our response to Question 4. There should be a standard core of comparable information standards across all industries, with sector-specific information reported separately.

Here are the suggestions we put forward for companies in response to the Government's *Giving Green Paper* in 2011 and which are relevant here:

- *Involve shareholders in decision making about their giving* – even if it is merely asking the question of shareholders about whether the company should adopt a policy, and what resources should be directed to it

- *Seek customer participation and feedback about their giving* – the Co-operative, which allows members to participate in how its giving is carried out, is an exemplar in this and its approach could be replicated more widely to other types of business
- *Use guidance from the London Benchmarking Group* about how to account for and report expenditure on Community Investment
- *Refrain from accounting for money donated by customers (till tins) or raised exclusively by their staff (non-matched payroll giving) in their published corporate giving figures,* as if it were giving from the company itself (it isn't).
- *Adopt a customer service approach* to how they provide information about their giving or community support programmes to interested charities
- *Engage with other funders of charity*, such as trusts and foundations, about how to fund and report funding
- *Ask charities what they need* and see how they can best support that need

Further comments

1. Please note that the Directory of Social Change's primary interest in this consultation pertains to companies' social reporting, i.e. their community engagement and charitable donations.
2. We have some specific suggestions for better company reporting, based on our experience of analysing company reports over the last 25 years. These are:
    - Companies' donations whether cash or in-kind should distinguish between that given in the UK and that given abroad.
    - Companies cash donations should be clearly separate from in-kind giving such as pro bono work/free use of premises/volunteering time by staff.
    - The value of such in-kind giving should be what it has cost the company, not what it would cost the charity/non-profit to buy-in/purchase. For example, for goods such as medicines, some companies state the 'giving figure' as the production cost while others state the figure as the value in the market place; (this figure should be what the company has 'lost', not what the company could potentially have gained).
    - Company giving cash figures should not include funds raised by staff and/or customers and should be the amount given by the company which would otherwise have been recorded as profit.

- The company's giving for both cash and in-kind should be recorded as a percentage of pre-tax profit.
- Companies should have a published community/charitable giving policy with criteria and measurable targets clearly defined in order to facilitate comparisons.
- Where a company has subsidiaries/related companies, it should state clearly whether all of its company giving comes from the parent company or whether other community giving information is contained in 'associated' company reports.
- When companies are calculating the cost to the company of involvement in community giving, sponsorships etc., it should also calculate what the company has saved in marketing, market-research, publicity, staff development.

3. The Introduction to the Call for Views refers to 'Corporate Responsibility' being the increasingly more acknowledged term for corporate social responsibility. During our research of 550 UK based companies for the DSC publication *The Guide to UK Company Giving* we have not found this to be the case. The decision by the authors of this document to simply leave the word 'social' out of the phrase seems inappropriate in view of what is said in the 3rd paragraph of the Introduction to the consultation paper (emphasis added):

   > *High on the list of the UK Government's priorities is to achieve sustainable and balanced economic growth across the UK, as well as building a stronger, fairer society. We see responsible business as being central to this. How we can stimulate and support action by business to increase their positive impact on society <u>and</u> the environment and reduce their negative effects, whilst enabling growth within business, is key.*

   We would also dispute the assertion that 'corporate responsibility has become much more prominent and sophisticated in recent years' and that 'corporate responsibility has become so widespread' as stated in the Introduction to the consultation. While DSC would love for this to be true, in our experience of looking at corporate social responsibility across the whole sector (see our recent *Company Giving Almanac 2013* – attached as a PDF) it seems to us that this is true only for a small, elite number of larger (often multinational) companies.

   This analysis found that cash giving is mainly concentrated among a few large companies, with 20% of the companies giving 90% of the cash. While these companies tend to be richer and more powerful, they do not represent the bulk of the corporate sector, the vast majority of whom are SMEs whose CSR is much more moderate and hidden. The number of companies in this elite few is certainly less than 500 (the number of companies whose CSR

DSC examines in detail every two years), and therefore represents less than 0.01% of the total number of businesses in the UK.

4. DSC has some questions on the process of this consultation and others which came before it, and specifically we are interested to find out why BIS has removed the legislative requirement for companies to list charitable donations over £2,000, without introducing an alternative that would maintain the same transparent information. This requirement is invaluable to those of us who monitor and track company giving as well as being a clear signal of intent and practice of CSR to other companies, the public and government. As other observers have noted:

   > *"Stronger leadership and cooperation from the top reporting companies, who have both the resources and long-term expertise to develop strong reporting strategies, is necessary to support 'infant' and 'adolescent' reporters to develop into maturity.[9]"*

   In analysing the previous consultations on this topic we see no clear evidence that this was burdensome for companies to complete, nor that it was surplus to requirement to their CSR reporting. We would ask BIS to publish the evidence supporting this move as part of demonstrating transparency in the process of policy development and legislative changes.

5. DSC believes very strongly that when the framework for reporting is developed, differentiation should be made between 'employee fundraising' and 'corporate/company giving'. In our opinion, over the many years of studying corporate giving, many companies include employee fundraising and payroll giving as the company's own giving – it is not – it is individual giving by people who happen to work for that company. Only where the company gives of its own money (e.g. matched payroll giving, or employee volunteering in work time) is this really company giving.

6. Our recommendations should have the additional benefit of allowing all interested parties (e.g. small/medium charities/non-profits/the public) to access transparent, clear and accurate information in order to apply to the most appropriate companies for support and avoid any unnecessary time spent by companies in considering and declining inappropriate requests, saving valuable time and resources for charities when fundraising and the public when seeking information.

[9] Jenkins, H. & Yakovleva, N. (2004) Corporate social responsibility in the mining industry: Exploring trends in social and environmental disclosure. Journal of Cleaner Production, Volume 14, Issues 3–4, 2006, Pages 271–284 (http://dx.doi.org/10.1016/j.jclepro.2004.10.004)