Economist Intelligence Unit

The Economist

The importance of corporate responsibility

A white paper from
the Economist Intelligence Unit
sponsored by Oracle

Preface

The importance of corporate responsibility is an Economist Intelligence Unit white paper, sponsored by Oracle.

The Economist Intelligence Unit bears sole responsibility for this report. The Economist Intelligence Unit's editorial team executed the surveys, conducted the interviews and wrote the report. The findings and views expressed here do not necessarily reflect the views of the sponsor. Justin Doebele is the author of the report.

Our research drew on two main initiatives:
We conducted two global online surveys on the topic of corporate responsibility in October 2004. One survey of senior executives gathered 136 respondents. The other of institutional investors received 65 responses. To supplement the survey results, we also conducted 17 in-depth interviews with senior executives and analysts. Mr. Kevin Money of the John Madejski Centre for Reputation at Henley Management College in the UK advised in the initial stages.

Our thanks are due to all survey respondents and interviewees for their time and insights.

January 2005

Executive summary

Corporate Responsibility (CR) has emerged as a significant theme in the global business community and is gradually becoming a mainstream activity, according to a new survey by the Economist Intelligence Unit, in co-operation with Oracle Corporation. The growing emphasis on corporate responsibility is affecting the relationship between companies and their various stakeholders, such as investors, customers, vendors, suppliers, employees, communities and governments.

In October 2004 we conducted an online survey of corporate executives around the world and a separate online survey of institutional investors, asking them to assess the importance of corporate responsibility. In all, 136 executives and 65 investors responded. The main findings of the survey include:

- Eighty-five percent of executives and investors surveyed said CR was now a "central" or "important" consideration in investment decisions. This figure is almost double the 44% who said CR was "central" or "important" five years ago, demonstrating the growth in CR's significance.
- The three most important aspects of CR for executives surveyed were: ethical behaviour of staff (67%); good corporate governance (58%); and transparency of corporate dealings (51%).
- For institutional investors, transparency of corporate dealings was even more important. Sixty-eight percent said it was one of the three most important aspects of CR, followed by high standards of corporate governance (62%) and ethical behaviour of staff (46%).
- Eighty-four percent of executives and investors surveyed felt CR practices could help a company's bottom line.
- Brand enhancement (61%) and better staff morale (67%) were picked by both groups as the most important business benefits of CR.
- But both groups also cited cost implications (42%) and unproven benefits (40%) as the two biggest obstacles to implementing CR programs.

There are several definitions of CR, but for the purpose of this paper, the term is defined as "the integration of stakeholders' social, environmental and other concerns into a company's business operations." "CR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders," says N R Murthy, the chairman of an Indian IT firm, Infosys.

This definition implies an emphasis on a company's external relationships. But our survey shows that executives are much more focused on the internal aspects of CR, in particular ethical behaviour, corporate governance and transparency. By contrast, external aspects received much less emphasis: philanthropic giving and ethical investments were ranked as priorities by 6% and 4% respectively of those surveyed. Another sign of this internal focus was that the most important stakeholders for executives, after customers (65%), were employees (61%) and shareholders (46%). And they said that this focus would not change much in the next five years. Stakeholders such as non-governmental organisations and local communities were given a low priority at the present time (1% and 5% respectively) and a slightly higher priority in five years (2% and 9%). Over time, some argue, the internal and external aspects of CR will merge as companies build strong internal-

governance structures and are able to turn their attention outwards.

Until recently, board members often regarded CR as a piece of rhetoric intended to placate environmentalists and human rights campaigners. But now, companies are beginning to regard CR as a normal facet of business and are thinking about ways to develop internal structures and processes that will emphasise it more heavily. In the not-too-distant future, companies that are not focusing on CR may come to be seen as outliers. As companies focus on non-financial performance, an important yardstick of CR, the measurement of intangibles, such as customer satisfaction and employee morale, are likely to become less vague and more credible.

The CR trend is being driven by a variety of factors, such as the erosion of trust in large corporations, the globalization of business, the corporate-governance movement, the rise in importance of socially responsible funds and sheer competitive pressures. This last factor, however, does not necessarily imply that firms emphasising CR will beat the competition. It may produce such intangible benefits as brand-enhancement, stronger employee morale and greater investor confidence. But, on the tangible side, it is harder to prove that CR leads to higher profits. Indeed, it is easier to quantify the costs of emphasising CR than the benefits. A full-fledged CR programme at a large multinational can cost tens of millions of dollars, or as much as 2% of total revenue.

The worldwide development of CR, then, is neither linear nor uniform. At this stage, CR seems like the proverbial elephant being felt by different blind men—it is interpreted in many ways, but, nonetheless, is a large, single body and one that is on the move. If CR is to progress to the next stage of its development, a major challenge is to establish more widely accepted ways to measure CR. At the moment, there are many competing standards of measurement. CR also remains a controversial subject, rejected by many corporate boards as an unwelcome and unnecessary intrusion into company affairs. The arguments, if anything, prove that CR is very much a "live" topic and one that has to be addressed by the global business community.

Introduction

Corporate Responsibility (CR) is not an academic topic to A.J. Devanesan, the president of one of the world's largest pulp and paper companies, Asia Pacific Resources International Ltd (APRIL), based in Indonesia. In September 2004 an angry crowd of 250 illegal loggers ambushed APRIL's staff on a remote logging road deep in the rainforests of Sumatra. They were upset that APRIL had prevented them from illegally harvesting APRIL's forests. The mob started hurling stones and firebombs, setting one of the APRIL workers ablaze (he escaped uninjured).

Welcome to the brave new world of CR. As it becomes more generally accepted, it is also moving further afield, even into the remote rainforest. Indonesian timber companies are not often upheld as paragons of CR but APRIL is an exception. After being criticized for years by rainforest groups for its logging policies, APRIL is seeking to become a good corporate citizen. "We want to be known as a world-class company, one which does the right thing," says Mr Devanesan. APRIL is not only trying to stop illegal logging, but has also set aside around 20% of its total 330,000 hectares of forest for conservation purposes

In some cases, firms such as APRIL take it upon themselves to improve their CR. In others, there is a ripple effect, as one company practising CR requires all its vendors and suppliers to uphold the same standards. A US fruit company, Chiquita, requires all its fruit suppliers to adhere to its CR standards in order to continue to do business with the firm, a decision that affects fruit growers across Latin America.

The Singapore-based Olam, the world's second-largest trader of cocoa and robusta coffee, imposes its own CR standards on all the farms supplying it with raw products, affecting cocoa farmers in Ghana, Ivory Coast and other African nations. "As we sell to many confectioners, they are very concerned that we are not buying from farms that use child labour," says Olam CEO, Sunny Verghese. Among Olam's clients are Nestle and Cadbury.The CR activities of APRIL and Olam are far from isolated cases. There are many straws in the wind, among them:

- More than 1,500 companies have signed the United Nation's Global Compact since it was launched in 2000. The Global Compact asks companies to uphold 10 principles relating to human rights, the environment and clean business practices.
- Almost a quarter of all Global Fortune 500 companies now produce some kind of report that provides an account of their environmental, social or sustainability efforts. Among them are General Electric, ExxonMobil and Intel.
- The New York-based GovernanceMetrics International (GMI), which covers corporate governance and CR, now produces in-depth rating reports on 2000 companies around the world and has a growing client base including TIAA-CREF, State Street Bank and ABP, the largest pension fund in Europe.
- Officials in Canada, Norway, Japan, Denmark, Sweden, South Africa, France, the Netherlands, Taiwan, the UK and Australia have either adopted or are considering adopting some form of CR reporting, either for the governments themselves or for companies that are reporting to the government.
- More than 10,000 individuals and 3,000 listed

companies have helped to develop the standards of the Global Reporting Initiative (GRI), an organisation based in Amsterdam, trying to create a single global measure for CR performance. Among its corporate clients implementing GRI standards are Bayer, Canon, Deutsche Bank, General Motors, Heineken and Shell.

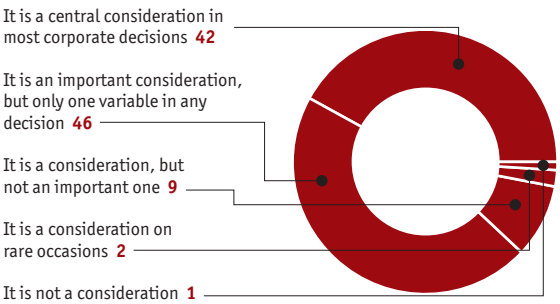
- A group of five major European institutional investors, including the second-largest pension fund in the UK and the largest pension fund in the Netherlands, jointly stated in October 2004 that they would allocate 5% of their budgets for the purchase of non-financial research analysis of such topics as corporate governance, labour management and environmental practices.
- One in every nine investment dollars under professional management in the US is now invested in socially responsible funds. This amounts to US$2 trillion (trn) out of a total of US$19trn in investible funds, according to the 2003 report on socially responsible investing (SRI) produced by the Social Investment Forum, the national trade body for the SRI industry.

The results of our survey show a similar growth in the importance of CR. A total of 88% of executives said that CR is a "central" or "important" consideration in decision-making. This compares with 54% of executives who said it was a "central" or "important" consideration five years ago. The biggest percentage change between now and five years ago was among European executives. A total of 46% said CR was "central" or "important" five years ago compared with 84% at the present time. In Asia, the proportion rose from 49% to 82% and in North America from 66% to 88%.

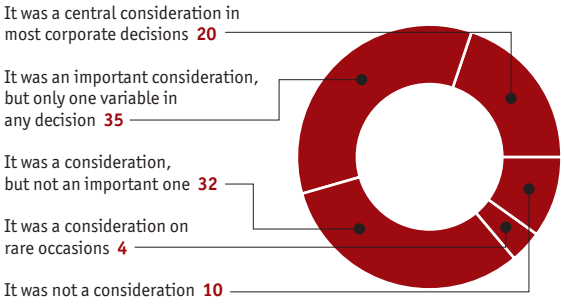
The survey of professional investors reveals a sharper trend. Eighty-one percent of those surveyed said CR was currently a "central" or "important" consideration in their investment decisions, compared with 34% who said it was "central" or "important" five years ago. In fact, 14% of them said CR was not a consideration at all five years ago. Now, not a single investor said it was not a consideration.

Once companies have begun to pay more attention to CR, it is hard to reverse the direction. Investors and other stakeholders come to expect the company to emphasise CR more and more. "Sure, there are companies that go backward—but that is a path to disaster," says the chief executive of Chiquita, Fernando Aguirre. "It would be very difficult [for Chiquita] to go backwards now."

Executives
How important a consideration is corporate responsibility at your company? Select the statement that best applies.
(% respondents)

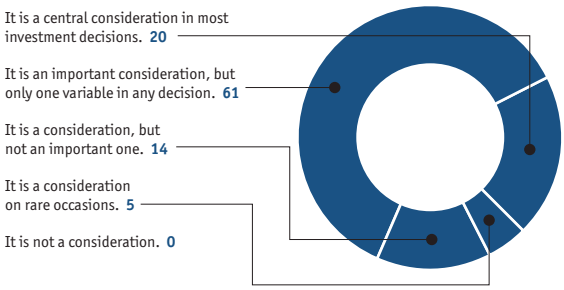


Executives
Five years ago, how important a consideration was corporate responsibility to your company?
(% respondents)



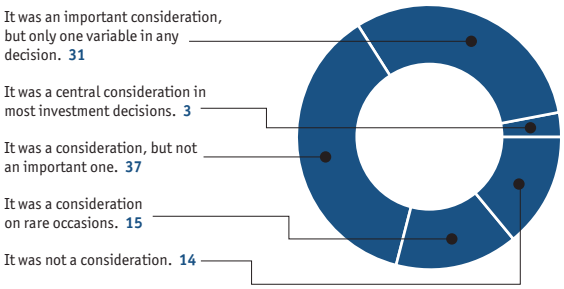
Investors

How important a consideration is corporate responsibility to your investment decisions? Select the statement that best applies.
(% respondents)



Investors

Five years ago, how important a consideration was corporate responsibility to your investment decisions?
(% respondents)



In Asia, recent corporate scandals, greater media focus and greater regulatory pressure were all ranked by executives as the factors that led to the growing importance of CR (with around one-third of them reporting these three as the highest pressures). In comparison, executives in Europe and the US said these factors were less significant. The difference can most probably be explained by factors such as the financial crisis in Asia in 1998 that highlighted CR issues in the region. In Europe, executives say that an emphasis on CR gives them a competitive advantage, a view held by about one-third of all European executives surveyed, against only 18% of Americans and just 16% of Asians.

Chiquita case study

Home for howler monkeys

Once vilified by CR advocates, Chiquita has transformed its environmental and labour policies in the last few years. One of its major projects is a 100-hectare nature reserve set up on donated land on its banana plantations in Costa Rica. The reserve, established in co-operation with a leading Swiss retailer, Migros, is designed to preserve an area of rainforest that is rich in biodiversity. Two-toed sloths and howler monkeys live in the forest as well as a wide variety of other flora and fauna. The company has built a visitor centre and trails in the area so it can also be used for educational purposes, such as visits from local school children on field trips. The project has taken several years to develop and the company is looking at ways to improve on it, such as opening forest corridors so that the reserve can be connected to other nearby forest areas enlarging the natural ecosystem for the forest inhabitants.

Definitions of corporate responsibility

Despite the growing importance of CR, there is little agreement as to what the phrase means and there are several different names for the same or similar practices, such as Corporate Social Responsibility (CSR), Corporate Citizenship, Global Citizenship and Corporate Accountability.

While some may argue over the distinctions among these terms, at the core they all point towards the same fundamental principle: that a company is responsible for providing more benefits than just profits for shareholders. It has a role to play in treating its employees well, preserving the environment, developing a sound corporate governance, supporting philanthropy, fostering human rights, respecting cultural differences and helping to promote fair trade, among others. All are meant to have a positive impact on the communities, cultures, societies and environments in which companies operate.

These efforts should also benefit a company's various stakeholders, who comprise all or some of the

following: customers, employees, executives, non-executive board members, investors, lenders, vendors, suppliers, governments, NGOs, local communities, environmentalists, charities, indigenous people, foundations, religious groups and cultural organisations. "CR is still an emerging term," says Melissa Brown, executive director at Association for Sustainable and Responsible Investment in Asia (Asria). "I have met many people with strong feelings about the terms, but I'm an agnostic. The underlying issues are fundamental—environment, human rights, governance, corruption and so on."

As for the executives in the survey, in their opinion the two most important stakeholders are customers and employees, followed by shareholders and board directors. The survey results indicate that executives may embrace CR in their companies, but they still do not give high importance to a broad range of stakeholders. When asked their priorities in five years' time, the executives surveyed see little change in the ranking.

There is a wide regional difference in the importance of the various stakeholders. In the United Kingdom, there is a high sensitivity to companies' use of animals in medical tests. Scandinavia is one of the most progressive regions in the world on virtually all CR issues, with the exception of whaling, which is practised by Norway. Singapore places much emphasis on CR, but at the same time permits companies to do business in Myanmar, contrary to the practice of many other developed countries.

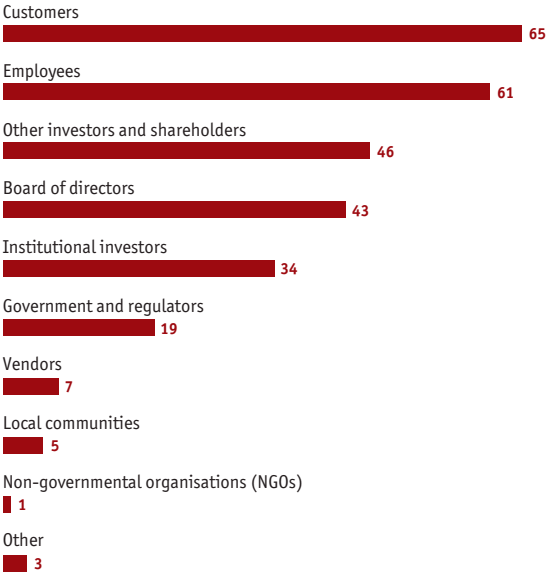
It is not surprising then that there is a wide variation in approaches to CR. At one extreme is a legalistic approach, in which a company "goes by the book" on CR, following a set of specific guidelines or measurements.

Many Japanese firms follow this method. "More than 600 Japanese companies produce environmental reports," says Ms Brown. "And environmental reports require good statistical and monitoring ability." A Japanese retailer, Lawson, for example, takes a factual attitude to CR.

Executives

What are the most important stakeholders to your company? Select the top three stakeholders.

(% respondents)



Japan is not the only country where companies go by the book. In the survey, both executives and investors were asked how to judge CR from the viewpoint of this rules-based approach. On average half of both groups said "compliance with laws and regulations" was the key measurement by which to judge a company's CR, far ahead of other yardsticks, such as philanthropic activities.

At the other end of the spectrum is a fuzzier version of CR that emphasises the spirit, as well as the letter, of the law. It is the application of CR that goes beyond building a school in rural Africa or making sure the firm is complying with the US Sarbanes-Oxley Act. Some say that this form of CR even requires a fundamental and permanent modification of capitalism.

Stephen Davis is one of the world's foremost

Lawson case study

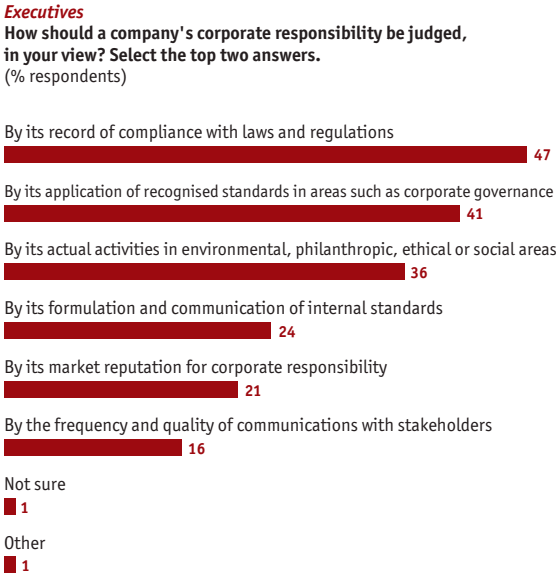
Lawson takes a gentle approach

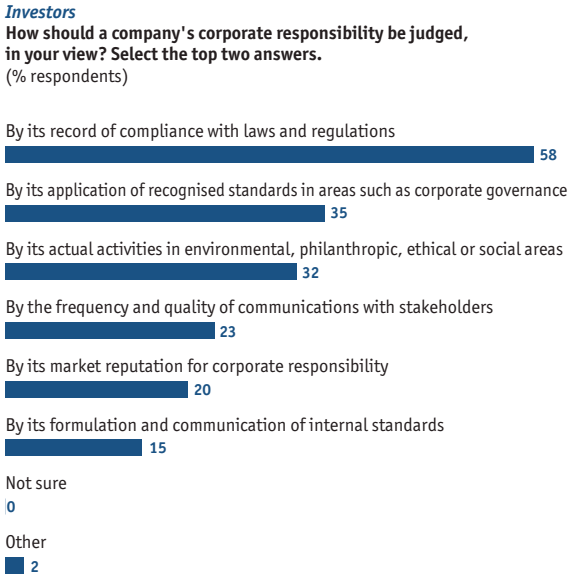
Lawson, the second-largest convenience store chain in Japan after Seven-Eleven, has an extensive "environmental and social" programme that is outlined in a 47-page sustainability report subtitled "a gentle approach to our earth and its people" – the sixth such report produced. The report contains a detailed account of the company's CR programmes, such as:

1) the use of recycled plastic to make store uniforms to save 2.3m plastic bottles.
2) the development of over 1,500 Lawson-brand food items without preservatives or artificial colours.
3) the introduction of plastic bags that are 0.38 grammes lighter than the previous ones, saving a total of 6 m kilograms of plastic in one year.
4) the donation of 30 sewing machines to help disadvantaged people in Sri Lanka, Myanmar and Vietnam.
5) the planting of 20,000 trees in 46 locations across Japan.

The company also discloses its success rate in achieving its own internal targets on various CR efforts, such as saving energy, recycling and environmental protection. A typical entry is a 91.8% success rate in introducing 73 low emission delivery trucks (only 67 were actually introduced). On four other measures, Lawson also failed to meet its targets. But Lawson achieved its targets in seven measures, such as recycling 100% of its printer toner cartridges.

authorities on corporate governance. Mr Davis, who has studied governance for 15 years as head of Davis Global Advisors, based in Boston, Massachusetts, sees evidence that the world is moving towards a "civil economy," where the principles of a civil society are applied to the global economy. He believes that the priorities of internal stakeholders will become more closely aligned with external ones. New corporate rules, such as those enshrined in the Sarbanes-Oxley Act, focus on improving internal governance. Once those become strong, the focus is likely to shift onto external stakeholders.





"You have people who think of corporate governance in the old fashioned ways and then there are the CR folks who are thinking about structural issues," agrees Gavin Anderson, the founder of GovernanceMetrics International, based in New York (Mr Davis is one of the co-founders of the group). One example is in Singapore. David Gerald, the head of Asia's largest shareholder group, the Securities Investors Association of Singapore (SIAS), is pushing to get rid of a government rule that blocks individuals from voting on shares they bought with their government-held retirement investment accounts. Even though individuals own the money in the accounts, the government considers that the accounts are owned by it, and that the government has the right to vote, not the individual But, recently, the government relaxed the rule, saying investors could attend annual meetings of companies they held through these retirement funds, even if they were still not allowed to vote.

Forces for change

The survey confirms that shareholders constitute one of the drivers behind the growing emphasis on CR. Executives around the world chose three main factors that are causing firms to pay more attention to CR: greater focus on CR by shareholders, recent corporate scandals and greater pressure from governments and regulators.

According to the survey, executives said that the strongest drivers of the increase in importance of CR were shareholders, recent corporate scandals and greater pressure from regulators (all 29%).

There are several other motives for companies to adopt CR measures, including:

Erosion of trust: Public trust in corporate management has declined, following a spate of financial scandals, such as those that enveloped Enron in the US and Parmalat in Italy.

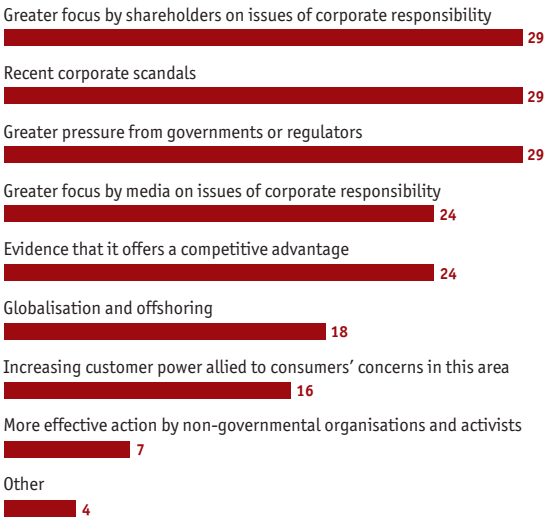
Globalisation: Anti-globalisation groups, such as Earth First, have demanded greater accountability from governments and companies alike. Companies are increasingly adopting CR as a form of insurance policy to circumvent or mollify outside pressure groups.

Competitive pressure: As more companies in an industry adopt CR practices, the laggards come under increasing pressure to follow suit. A typical example is the oil industry, where almost all companies now engage in some form of CR programme.

Competitive advantage: Many companies regard the intangible benefits of a CR programme, such as a better brand image, as a way of gaining the upper hand over their rivals.

A rules-based approach to CR may have its advantages, but few would disagree that CR ultimately depends on the personal integrity of the people who work in a company. "You can't have two standards, one for society and one for companies. Both must promote good morals and ethics," says Mr Gerald. If the individuals themselves can conduct their businesses in an ethical and sustainable manner, the argument goes, then the company will inevitably conform to any external CR standard. "I use the golden rule in every transaction: do unto others as you would have them do unto you," says N R Murthy, chairman of an Indian IT firm, Infosys. An example of this idea is an annual survey of "trust", conducted by a US public-relations firm, Edelman, scoring consumer confidence in the integrity of companies, government and other institutions.The results of the Economist Intelligence

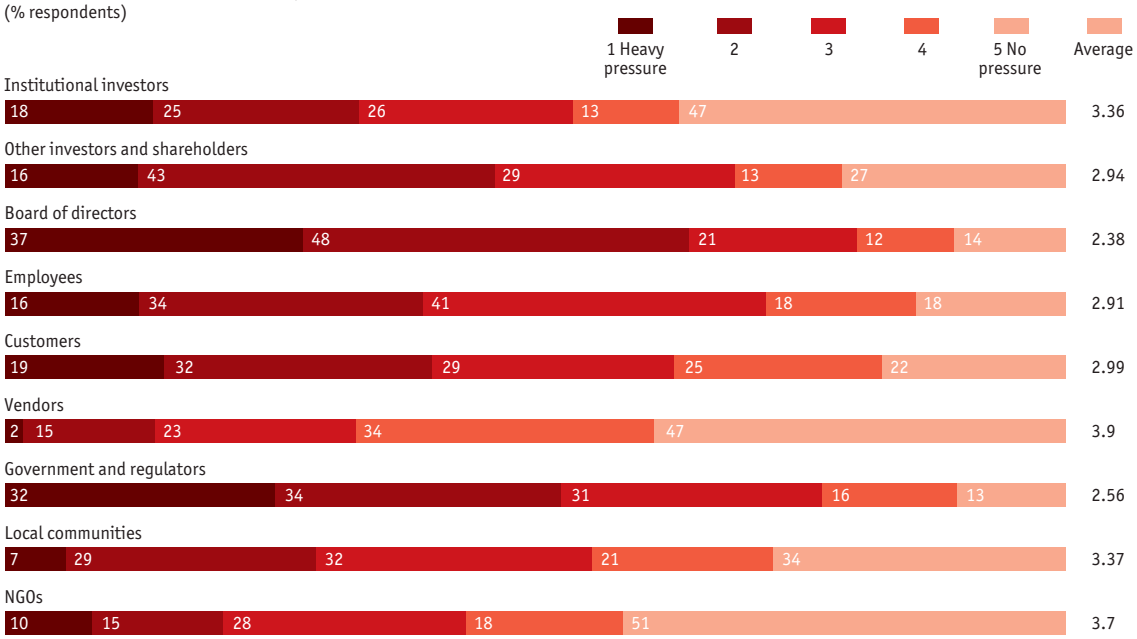
Executives
If CR has grown in importance, what are the main drivers of the change? Select all that apply.
(% respondents)



Executives

How much pressure does your company receive from its stakeholders to improve its corporate responsibility? Please rate each stakeholder from 1 to 5, where 1=A source of heavy and continuous pressure and 5=Not a source of pressure.

(% respondents)



Unit survey support the view that executives and investors place a high value on integrity. The three most important aspects of CR for executives surveyed were: ethical behavior of staff (67%), good corporate governance (58%) and transparency (51%). Labour practices and employee rights also received a high score (44%).

For institutional investors, transparency of corporate dealings was even more important. Sixty-eight percent said it was one of the three most important aspects of CR, followed by high standards of corporate governance (62%) and ethical behaviour of staff (46%). Labour practices received a much lower score (23%) among investors than among executives (44%).

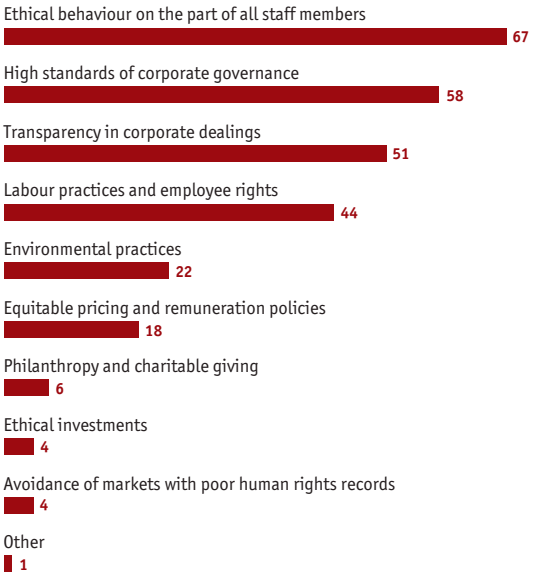
This emphasis on qualities that are hard to measure means that CR remains a poorly defined concept. Companies, consultants, lawyers, non-governmental organisations (NGOs) and other interest groups all have their own definition. Those who are most interested in environmental issues tend to put forward an environmental definition that gives short shrift to other factors. Those who support philanthropy emphasise the charitable component of CR. Those who uphold human rights see CR as largely a labour issue.

Now there is a growing number of people who are urging the need for a single, universally accepted method of measuring CR, so that firms can be compared across borders and across industries. "We need to have one homogenized global standard that can be applied around the world—the same standard everywhere," says Jim Thompson, who runs Hong Kong-based Crown Relocation, one of the world's largest moving companies.

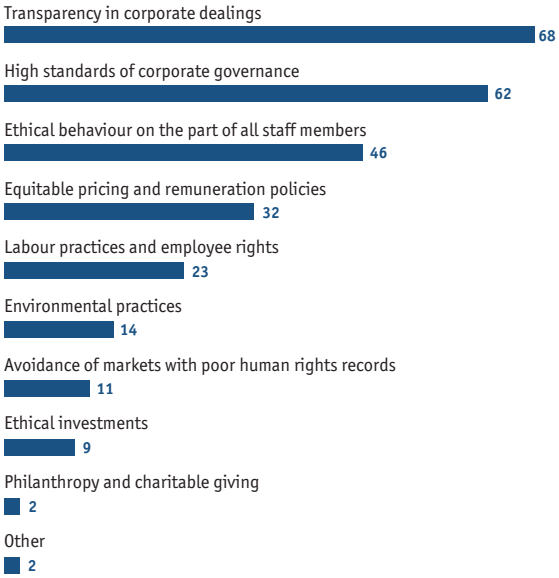
But which standard should apply and how should it be administered? One idea is to establish a central

The importance of corporate responsibility

Executives
What are the most important aspects of corporate responsibility to your company? Select up to three aspects.
(% respondents)



Investors
What are the most important aspects of corporate responsibility to your investment decisions? Select up to three aspects.
(% respondents)



organization that sets the standard for CR, rather like the International Accounting Standards Board for the accounting profession. The central body would certify accountants who, in turn, would audit firms for their CR practices. This model is the one being pursued by the Global Reporting Initiative (GRI). "Just as there are global standards for financial reporting, we want to establish one global standard for non-financial reporting," says Alyson Slater, Associate Director of the Amsterdam-based body. "The world is too cluttered with standards, codes of conduct and guidelines for CR."GRI is a non-profit organization that is trying to work out how to "monetize" its GRI standard. They are thinking of issuing "accreditation" to consultants, accounting firms and others who, in turn, can charge companies to certify their CR programs by the GRI standard.

A similar, rival model for certifying CR programmes is being promoted by the New York-based Social Accountability International (SAI). For fees ranging from US$5,000 to many thousands of dollars, third-party auditors will certify that a company conforms with the SAI's SA8000 standard that focuses mostly on labour practices. SAI, in turn, regulates these third-party auditors to ensure they are qualified to issue SA8000 certifications. Among the companies using SA8000 is Chiquita, to prove that the company has no child labour, forced labour or discrimination.

Managing corporate responsibility

Another approach is for companies to issue CR reports and to assign someone to manage their corporate CR programme, either in a full-time or a part-time capacity. Again, the models vary widely. In some companies, CR officials are full-time high-level executives and the company issues detailed annual CR reports separate from annual reports. "Our report allows us to capture in one concise package where we are and where we are going with CR," says Jim Walter, senior vice president of Worldwide Quality Assurance (who oversees CR as part of his duties). Chiquita, for example, has had a full-time CR executive for four years who reports to the board of directors.

At other companies, CR is regarded as a public relations or marketing function, often relegated to a junior public relations staffer who writes a one- or two-page CR study that forms part of the standard annual report.Other companies practise CR without using the term. They engage in activities that could be described as CR, such as the promotion of philanthropy, fair trade, environmental protection, human rights and so on, but don't know or don't care to include these activities under CR. On the other side of the coin, many companies like to promote various activities as being "CR"-friendly, but appear to be normal business practice. For example, the Japanese convenience store chain, Lawson, boasts that it is environmentally friendly by reducing power consumption in its stores and having more fuel-efficient delivery trucks, but both measures are ones that any company would pursue to save money, with or without CR.

CR practice varies widely, but the overall trend is clear. General Electric, for example, appointed a full-time vice president for "corporate citizenship" two years ago. The CEO of GE, Jeff Immelt, was recently quoted as saying "It's up to us to use our platform to be a good citizen, because not only is it a nice thing to do, it's a business imperative."

Intel has also for the last three years appointed a full-time person to be responsible for CR, but someone based in the public affairs division rather than at an executive level. "We need a single person who can manage the relationships with the various CSR, NGO and sustainability groups," says David Stangis, who is charged with the task. Intel issues an annual CR report that uses GRI standards. Its 2003 "global citizen" report is 40 pages long, covering issues such as the recycling of electronic waste, community programmes and labour relations. The company also holds special briefings about its non-financial accounting for socially responsible investors and other groups.

The idea of better communication is an essential one to CR. Among executives in the survey, the three top ways in which

Software case study

Programming responsibility

Dozens of software houses have in recent years begun to sell programmes designed to help companies conform with CR standards. "At least 50 or 60 companies are writing some kind of software," says GRI's Ms Slater. The GRI body itself is seeking to develop a software programme that companies can use to implement GRI standards and issue CR reports. When GRI sent out a request for companies offering to develop the technology, it received 50 proposals. At Infosys, CR and software converge. While the company supports a number of charities and environmental efforts (such as using recycled toilet water to irrigate its lawns), Infosys uses IT to manage its employees in a transparent and fair manner. For example, all employee-appraisal forms are done online and then stored in a central database. The company has an in-house programme based on human-capital accounting theory to analyze the income-generating potential of all employees, including value added per employee and similar measures. "CR is really about ensuring that the company can grow on a sustainable basis while ensuring fairness to all stakeholders," says the chairman, N R Murthy.

they report they are improving CR are strengthening governance structures (63%), implementing open and candid conversations with stakeholders (60%), and providing special training for executives and employees (46%).

Investors have a similar attitude, saying that they can improve CR through private dialogue with companies and also requests to companies to improve governance structures. These results show the importance of transparency in dealings with stakeholders, such as employees and shareholders.

The business case

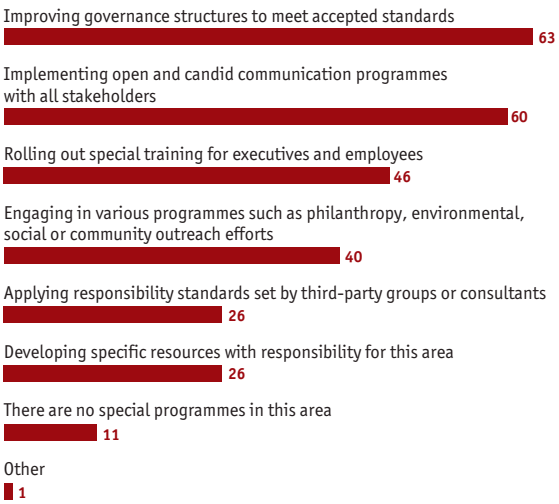
Few corporate executives these days would deny that robust CR practices yield intangible benefits, but it continues to be difficult to quantify the impact, if any, of CR on profits. Although CR dates back several decades, it has taken a long time to gather momentum, because it was perceived in the boardroom as a cost rather than an investment. "The CR movement never really took off until there was a business case for it," says Sunny Verghese, the CEO of Olam.

Developing a link between "doing good" and "doing well" is now a major focus of many CR advocates. "All the companies we talk to tell us one thing: show us the business case. Everyone is doing analyses now, trying to pull this together," says Ms Slater. One term often used is the "triple bottom line," that is, a bottom line for profits, but also for social and environmental benefits, often defined as "economic prosperity, social responsibility and environmental sustainability."

But does CR actually improve profits? "There is mixed evidence on CR and performance. No one has been able to pin it down," says Mr Davis. While the idea of a company with good CR having better financial performance makes intuitive sense, it is hard to verify. "It is really difficult to measure the bottom-line impact of CR. I have gone through plenty of data and there is

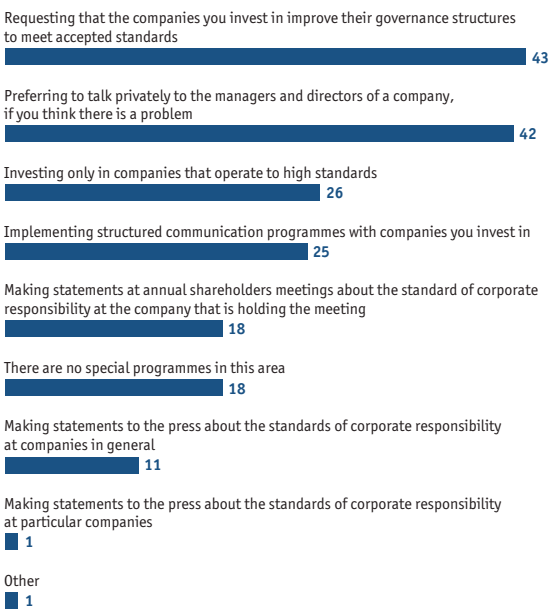
Executives

In what ways is your company working to improve standards of corporate responsibility? Select all that apply.
(% respondents)



Investors

In what ways is your organisation working to improve standards of corporate responsibility? Select all that apply.
(% respondents)



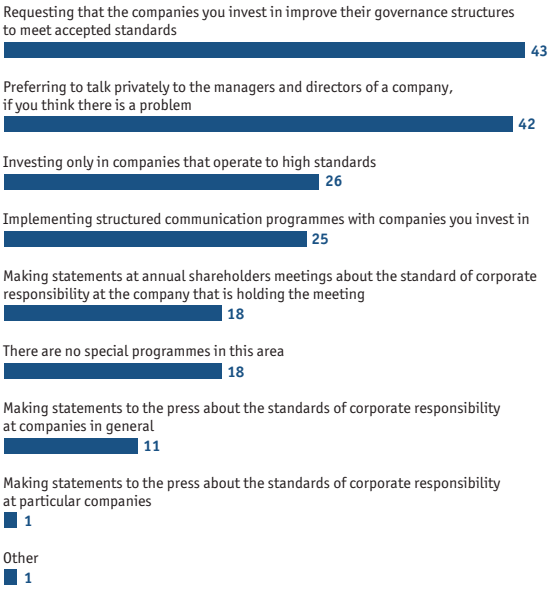
not much correlation. That [connection] is elusive," says Intel's Stangis. Others claim the question is irrelevant. "We don't even calculate a return on our investment in CR," says Ericsson spokesperson, Pia Gideon. "It is one of our core values, so we must do it."

The survey results confirm the difficulty of justifying CR on a return-on-investment basis. Among both executives and investors, when asked what are the biggest obstacles to CR, they both picked two main factors: unproven business benefits and the cost of CR programmes.

Major CR programmes are not cheap. Intel spends around US$100 m on improving various programmes, such as its chemical and solid-waste recycling programmes and college scholarship programmes. Infosys estimates it spends around 1% of its corporate profits on programmes such as offering free IT courses to poor communities. An American toy maker, Mattel, estimates it spends about 2% of total revenue on its

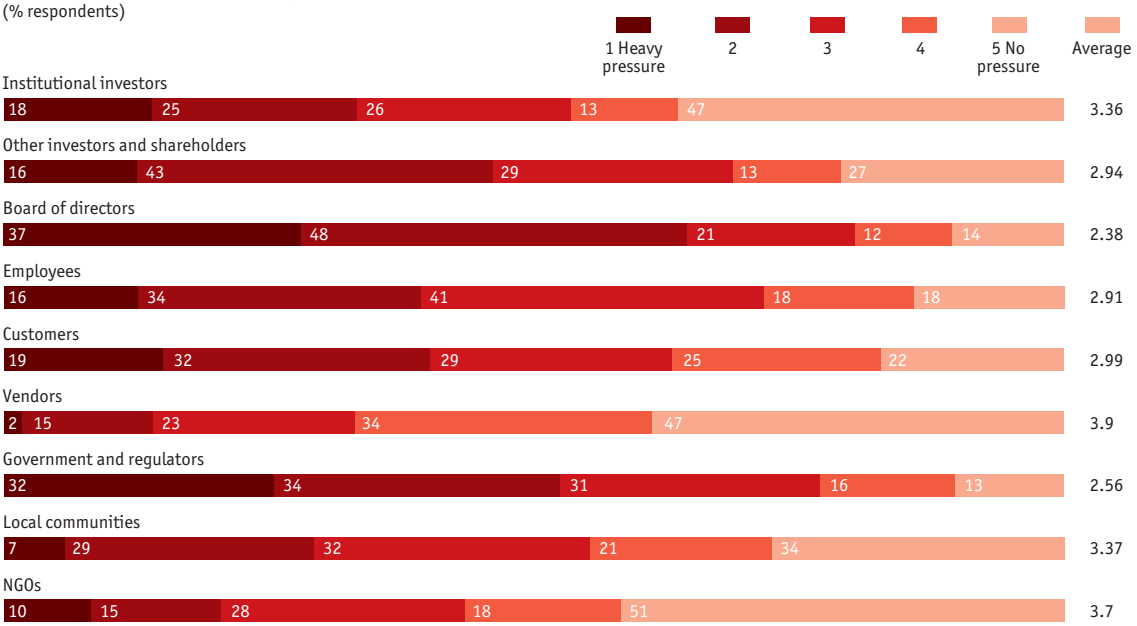
Investors

In what ways is your organisation working to improve standards of corporate responsibility? Select all that apply.
(% respondents)



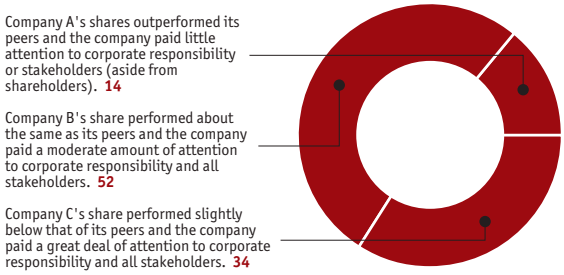
Executives

How much pressure does your company receive from its stakeholders to improve its corporate responsibility? Please rate each stakeholder from 1 to 5, where 1=A source of heavy and continuous pressure and 5=Not a source of pressure.
(% respondents)



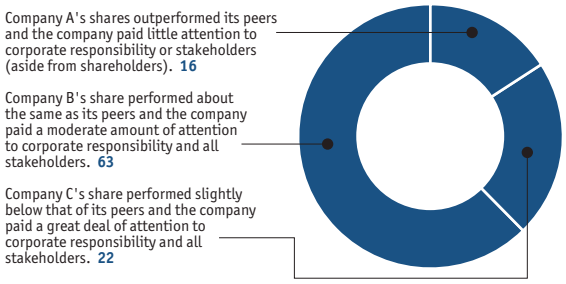
Executives

Which one of the three companies below would you most likely invest in?
(% respondents)



Investors

Which one of the three companies below would you most likely invest in?
(% respondents)



programmes and APRIL spends about 1% of its revenue on CR.

In the survey, both executives and investors tended to choose a middle course between making a profit on their shareholdings and investing according to their conscience. Both groups were asked to choose between three companies in which to invest. One company had a good performance and no CR, another had lower performance and good CR and the third company had achieved a moderate performance and modest CR. The overwhelming majority chose the last company.

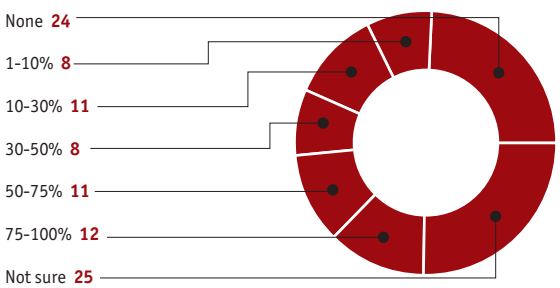
In terms of personal investments, both groups also put little emphasis on using CR as an investment criterion. In both cases, one quarter of them were "not sure" how much of their investments were in companies with good CR. The next biggest group of 23% said that "none" of their personal investments was with "ethical investments."

There are plenty of examples of companies that say CR has helped profits. Chiquita said last year that it saved US$5 m a year in fertilizer costs through an eco-friendly programme developed by the Rainforest Alliance and US$4 m by recycling pallets—significant savings for a company with a net profit of US$99 m last year. "Most of those savings went to the bottom line," says company spokesman, Michael Mitchell.

Of course, in the Chiquita and Lawson cases, the hard-headed response would be that companies are taking normal cost savings and labelling them as CR. But this would seem to imply simplistically that CR has to be painful and costly to be genuine. The reality is

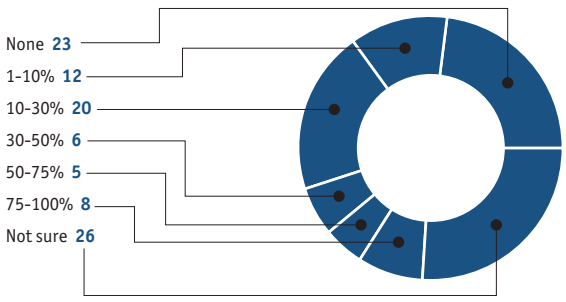
Executives

Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)



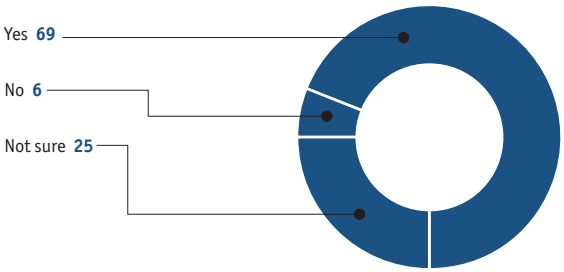
Investors

Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)

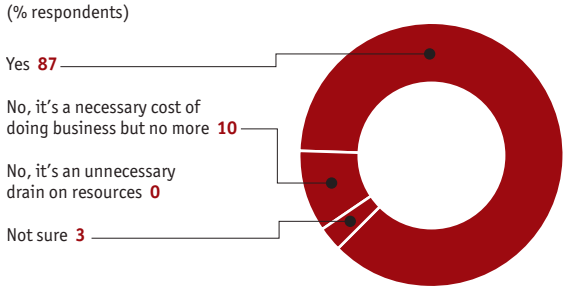


Investors
If it has grown in importance, what are the main drivers of the change? Select all that apply.
(% respondents)

Investors
Do you think that firms that emphasise corporate responsibility tend to have a better long-term financial performance than firms that don't?
(% respondents)



Executives
Do you believe that good corporate citizenship can help a company's bottom line?
(% respondents)



more complex. As Mr Aguirre says: "You can't say [our efforts] are all due just to CR, but much of it is—there are a number of elements at play."

Indeed, among investors surveyed, they ranked "evidence that it offers a competitive advantage" as the second most important reason for companies to adopt CR.

Respondents in our survey appear to be inconsistent. They agree that CR is good for long-term performance but cite CR's unproven business results as the main reason for not implementing such programmes. There is wider agreement, however, about the intangible value of CR. A good CR programme has enormous value in areas such as brand-enhancement, company morale and investor satisfaction. As Olam's Verghese says: "Some people will do CR to motivate staff, others to get a higher stock price. A third reason could be regulatory. Sometimes you have to look very hard for a company that's just wanting CR for its own sake."

The idea that intangibles are important supports the view that CR can be evaluated statistically. A New York-based investment advisory firm, Innovest, has developed a proprietary "intangible valuable asset" (IVA) measurement to gauge the value of such assets as "sustainable governance," "eco-value," "human capital" and "stakeholder capital." The group argues that traditional accounting methods cannot capture the value of such intangibles as intellectual property, customer loyalty, strategic alliances and a company's ability to innovate. It assigns a value to IVA, a heavy part of which is derived from CR aspects. Innovest's approach has found some serious supporters. The group is chaired by Jim Martin, the former chief investment officer of TIAAF-CREF, and among the minority shareholders is Europe's largest pension fund, APB.

The importance of corporate responsibility

Executives
If yes, in which ways can it positively affect the bottom line? Select up to three ways.
(% respondents)

Investors
If yes, in which ways can it positively affect the bottom line? Select up to three ways.
(% respondents)

Here again, the survey respondents strongly agreed on the value of intangible benefits of CR. Both executives and investors picked the same two variables, by a wide margin, as those benefiting the most from good CR practices. The two variables were enhancement of the brand and higher employee morale.

This view was supported by some interviewees. "For Mattel, it's the lack of a negative, that's how our CEO puts it," says Mr Walter. "We make toys, we're in a very public arena and we have a sensitive consumer base. It's a type of insurance policy. We are trying to avoid any [bad] event." The same rationale is true for Chiquita. "CR gives you brand strength with consumers. It's an intangible benefit to invest in the brand. Some of the return is measurable and some of it is not," says Mr Aquirre.

About 40% of American and European respondents to the survey said that the main reasons for emphasising CR included the need to improve community relations and to deflect pressure from regulators. In Asia, where companies are less sensitive to community relations and where regulators are less powerful, only 33% of respondents took this view.

Employee morale is also important. Mr Walter puts it this way: "It is hard to quantify sometimes. The company is dedicated to a clean, safe and healthy workplace. Our workers work harder, more productively and with less turnover." Mattel says that the number of work days lost owing to work-related injuries has been cut almost in half between 2000 and 2003, a clear improvement in worker productivity. "CR makes a difference," says Stefano Pessina, chief executive of Europe's leading drug distributor, Alliance Unichem, based in the UK. "We have fewer problems if our employees are happy. We get a big gain in productivity. Absentee rates fall."

Then there is the issue of shareholder returns. "If you have a company with good CR, it is also a confident company. It is happy to have high disclosure. Analysts can more easily understand it, so they give it higher ratings," says Mr Anderson. Mr Murthy gives one example: "In 1995 we pulled out of contract talks with General Electric over a disagreement on pricing. Within 48 hours we met with all the analysts and they liked [the fact that we spoke to them]. Anyone can tell good news. We want to be known for proactively telling the bad." Having good transparency and high ratings by analysts not only

helps the stock price, but can also lower the cost of capital for companies, as several studies have shown. Clear communication with stakeholders can help companies withstand a crisis, as when Johnson & Johnson quickly withdrew Tylenol from the market in 1982 and 1986, when capsules were tampered with.

Many Asian executives in the survey disagreed with the idea that a high standard of CR can help a company in the financial markets, however. Only 3% of them said that good CR helps them to obtain cheaper capital. This may reflect the fact that CR is not a very important consideration for local banks and investors. For Europeans and Americans, about 9% of these two groups on average felt that good CR lowered their cost of capital.

Poor practices can be expensive

Of course, a company doesn't have to be dedicated to CR to seek to improve workplace safety, be transparent or build a good brand. But these figures do highlight a negative point: a company that pays no attention to CR is not necessarily going to have lower costs and be more profitable than one that does. In other words, while the bottom-line benefits of CR may be hard to quantify, the reverse is also true: the lack of CR doesn't guarantee higher profits for a company, all other things being equal.

"Companies that pollute often have tremendous inefficiencies in manufacturing. For example, coal-fired plants with a dirty burn aren't efficient," says Ms Brown. Companies that lack CR may gain some short-term advantages over those that have it, she says, but over time it is not clear that they remain competitive. Poor labour relations, high pollution and similar CR problems will erode the performance of a factory, not help it, she says.

The same is also true for issues such as corruption. "Bribery is an expensive business model," she says. Whenever companies begin to globalize, they tend to embrace CR faster than those who stay at home, in her view. "You tend to look for sustainable models as soon as you go" abroad, she says, since an outsider entering a new market will be forced to depend on rules to succeed, as it has fewer local connections than entrenched domestic players.

This is where some companies can gain an edge by utilizing CR to build a clean image. "We have a competitive advantage because the reputation of Chinese companies is so low in the global market," says Jack Ma of an online trading company, Alibaba.com, based in Hangzhou. Mr Ma emphasizes what he calls the "three trusts" in his company: the first between the company and customers, the second between the company and employees, and the final one between the company and investors. "We want to be known as the best employer in China, also the company with the best CR," he says.

It is Alibaba's strong brand image that helps drive the business. Because Alibaba has gained the trust of traders outside China, it can be a bridge to bring small Chinese companies to the world market. Mr Ma has reinforced the company's image by certifying Chinese suppliers as being trustworthy partners for Western buyers. These days, dozens of companies are willing to pay Alibaba thousands of dollars a year to be certified as a trusted Alibaba supplier. Obviously, this business model requires Alibaba to maintain its credibility with Western buyers; otherwise the entire company's future would be threatened.

"Three years ago, some salespeople were accepting kickbacks from companies to list them as our trusted suppliers," says Mr Ma. "I had a clear message: no kickbacks. I would rather go bankrupt than do this. We had to fire the salespeople who were doing this. Therefore everyone knows that when you do business with Alibaba it is clean."

But some companies go too far in burnishing their credentials. Excessive corporate chest-beating about

their CR practices can backfire, when, for example, companies over-publicize their charitable works, Mr Gerald gets upset when he sees a company engaged in what is called "cause-related marketing." "I don't like it when a company spends a thousand dollars on a charity and then spends a million dollars advertising the fact," says Mr Gerald.

Indeed, advertising and public-relations companies have developed sophisticated cause-related marketing strategies for companies, on the premise that it is one of the cheapest and most effective forms of building brand loyalty. It's a tactic used by dozens of companies, from Starbucks to the Body Shop. Mr Gerald suggests that there is a more open way to address the issue. "Boards have no mandate to give to charities. If they want to do that, then they should put the money aside in a trust and put it to a shareholder vote," he says. Mr Gerald argues that it is always better to give the money back to investors and let them be philanthropic. "Charity begins at home," he says.

It's a sentiment echoed by Mr Verghese: "Companies don't have the skills or assets to do social good, there are others who can do it much better than the company. Let shareholders decide on contributions to charity." Chiquita is also aware of the risk of overselling CR. "We are not doing CR just to sell more bananas," claims Mr Aquirre.

Some corporate executives argue that the best form of CR is actually one that uses the company's expertise and has a business purpose. The survey supports this, since 87% of executives believe that good corporate citizenship helps the bottom line.

For example, Olam is helping cocoa farmers in Ghana to improve their yields and quality. Even though Olam is the world's second-largest trader of cocoa beans, and buys from these same farms, Mr Verghese argues that this business-minded approach leads to improvements in CR. "We have helped 250,000 farmers," he says. As these farmers get better, they make more money, helping the entire rural economy—and, Mr Verghese points out, they have no obligation to sell their better beans only to Olam.

"We don't have the skills to cure AIDS," says Mr Verghese, "but we can find where our CR and economic interests meet. Then you have an incentive to do it right. And it is sustainable." Mr Ma makes a similar case for his business. "Our CR is to help the small and mid-sized businesses of China to grow. We have to help create jobs," he says. He mentions a visit to an impoverished part of northern China, where he claims a village of 50 people were making a living by selling goods over Alibaba. "You have kept us alive," he recalls a woman saying.

Even those who operate in developed markets, such as the founder of the Easy Group in Europe, Stelios Haji-Ioannou, make the same argument. He sees Easy Group's main contribution to CR as a social one, wiping out the high costs and bureaucracy of one bloated industry after another. "Our mission statement says that whatever we do has to be low-cost, has to be fun, has to be innovative and has to be the underdog fighting for the little guy," he says. "We are the consumer's champion."

Corporate responsibility: a false notion?

Indeed, the arguments of Olam, Alibaba and the Easy Group are a variation of what critics of CR have said for years: that the best, and only, business of a company is its business. Left alone, a company will maximize profits (done within a legal framework), resulting in the maximum happiness for all stakeholders.

The advocates of CR, say these critics, imply there is something shameful in companies making profits by providing goods and services to consumers. So, CR implies that redemption can only be found through being "responsible" as a good "corporate citizen".

But critics say that CR distracts companies from

being successful, throwing sand into the gears of global capitalism by increasing the burden of regulations and other costs, and thus ultimately eroding the benefits that accrue to global stakeholders. One of the clearest critiques has come from an economist, David Henderson, the former head of the economics department of the OECD, and currently a visiting professor at the Westminster School of Business. In a 2001 treatise entitled, "Misguided Virtue: False Notions of Corporate Social Responsibility" (published by the New Zealand Business Roundtable), Mr Henderson wrote:

"CSR is flawed in its prescription, as well as its diagnosis. What it proposes for individual businesses, through 'stakeholder engagement' and giving effect to the 'triple bottom line,' would bring far-reaching changes in corporate philosophy and practice, for purposes that are open to question and with worrying implications for the efficient conduct of enterprises. Across economic systems and political boundaries, it would strengthen existing tendencies to regulate transactions, and to limit competition, in ways that would further restrict the opportunities and freedom of choice of people and enterprises."

The same sentiment was summed up by a management thinker, Peter Drucker, who says in the Canadian movie documentary "The Corporation" released in 2004: "If you find an executive who wants to take on social responsibilities, fire him. Fast."

Yet respondents to the survey appear to disagree. Eighty-eight percent of executives believe that it is now an important consideration in most corporate decisions. There seems no hint of remorse for this, because 87% believe good CR helps the bottom line.

Conclusion

CR is a difficult and elusive topic for companies to deal with. It can often be very costly and yield benefits that are hard to quantify. Perhaps this is one reason why companies, according to the survey, have put so much focus on the internal improvements that can be made, such as improving corporate governance and transparency. This could also explain why the most important stakeholders, after customers, are the traditionally important employees and shareholders.

There's also the issue of just what standard of CR should companies use and how far companies should go to perform their responsibilities beyond what the laws call for. The issue of what is the "responsibility" of a corporation is far from being settled, and there is an unresolved argument over what CR means. Companies face a plethora of options among the various standards, guidelines, benchmarks and other proposed measures of CR.

One point that all can agree on is that CR is not a neutral topic. There is a persistent debate about whether the CR "movement" represents an unjustified intrusion into corporate affairs, and whether companies should invest profits in their own CR projects or return the money to shareholders to let them invest as they see fit. But there is no denying that CR has become an important issue facing the global business community and one that promises to grow in importance in the coming years.

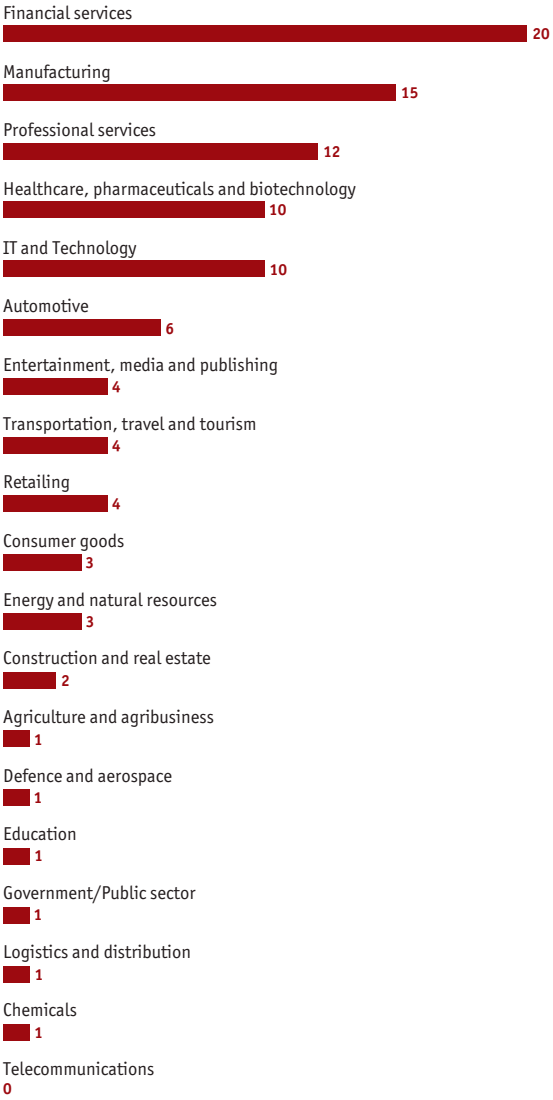
Interviews for the white paper

1) Fernando Aguirre, chief executive, Chiquita, Cincinnati, Ohio
2) Gavin Anderson, president, GovernanceMetrics International, New York
3) Melissa Brown, executive director, Asria, Hong Kong
4) Stephen Davis, president, Davis Global Advisors, Boston
5) A.J. Devanesan, president, Asia Pacific Resources International Ltd., Singapore
6) David Gerald, founder, Securities Investors Association Singapore
7) Pia Gideon, spokesperson, L.M. Ericsson, Stockholm, Sweden
8) Stelios Haji-Ioannou, founder, Easy Group, London
9) Jack Ma, founder, Alibaba.com, Huangzhou, China
10) Michael Mitchell, spokesperson, Chiquita, Cincinnati, Ohio
11) N R Murthy, co-founder, Infosys, Bangalore, India
12) Stefano Pessina, chief executive, Alliance UniChem, London
13) Alyson Slater, associate director, Global Reporting Initiative, Amsterdam
14) David Stangis, director, Corporate Responsibility, Intel, Santa Clara, California
15) James Thompson, founder, Crown Relocation, Hong Kong
16) Sunny Verghese, chief executive, Olam, Singapore
17) Jim Walter, senior vice-president, Worldwide Quality Assurance, Mattel, El Segundo, California

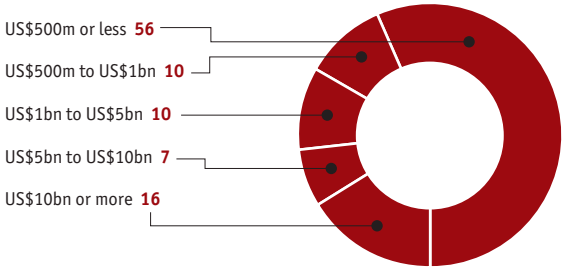
Appendix: executive survey results

The Economist Intelligence Unit conducted two global online surveys on the topic of corporate responsibility in October 2004. One survey of senior executives gathered 136 respondents. The other of institutional investors received 65 responses (p30).

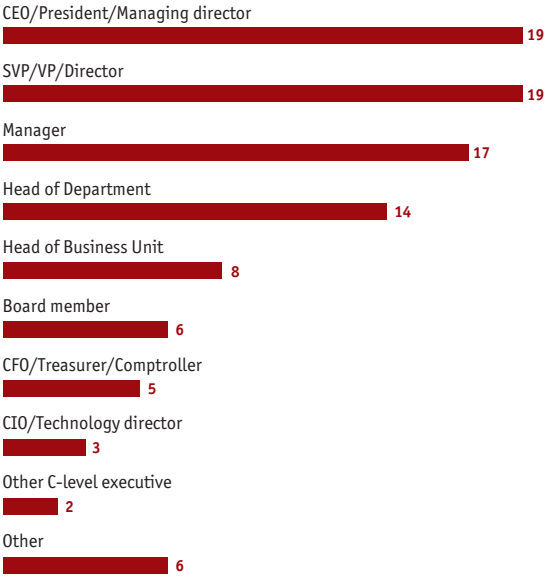
Executives
What is your primary industry?
(% respondents)



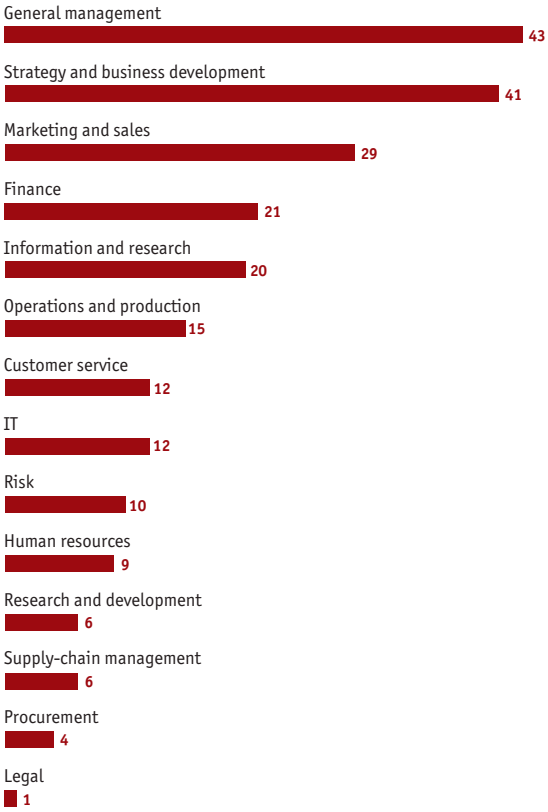
Executives
What are your organisation's global annual revenues in US dollars?
(% respondents)



Executives
Which of the following best describes your title?
(% respondents)

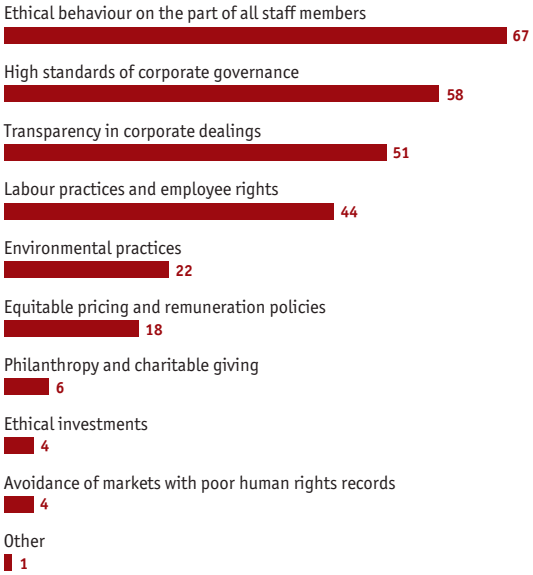


Executives
What are your main functions? Please choose no more than 3 functions.
(% respondents)

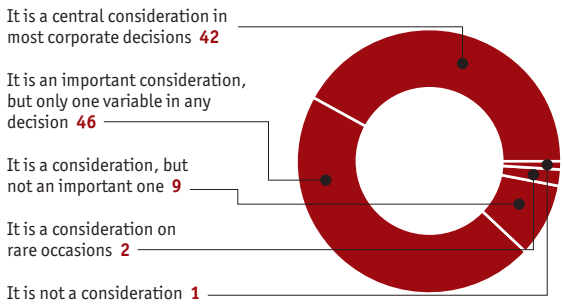


Executives
How should a company's corporate responsibility be judged, in your view? Select the top two answers.
(% respondents)

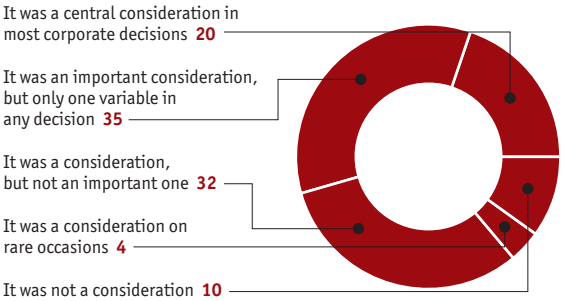
Executives
What are the most important aspects of corporate responsibility to your company? Select up to three aspects.
(% respondents)



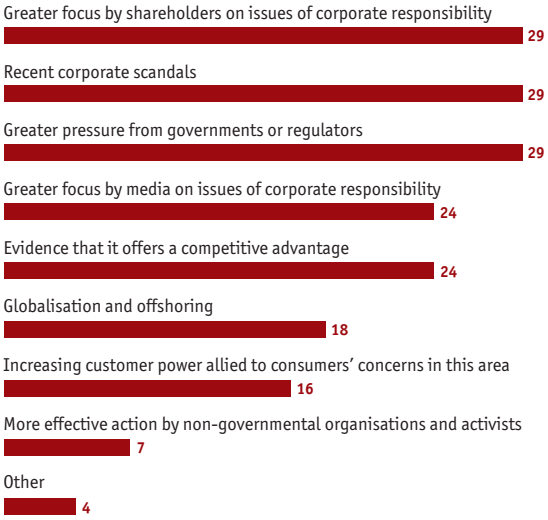
Executives
How important a consideration is corporate responsibility at your company? Select the statement that best applies.
(% respondents)



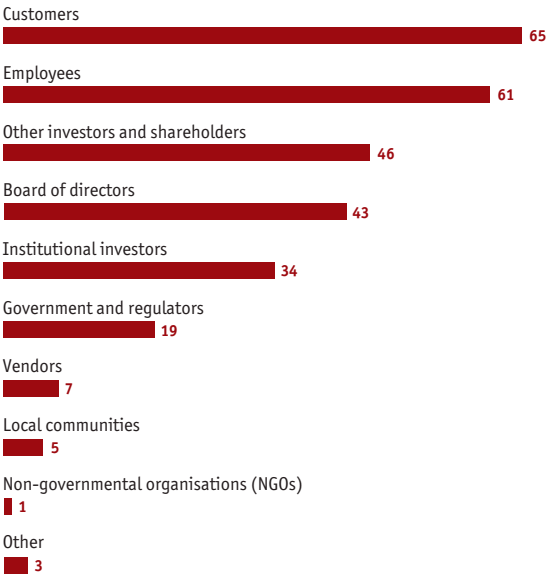
Executives
Five years ago, how important a consideration was corporate responsibility to your company?
(% respondents)



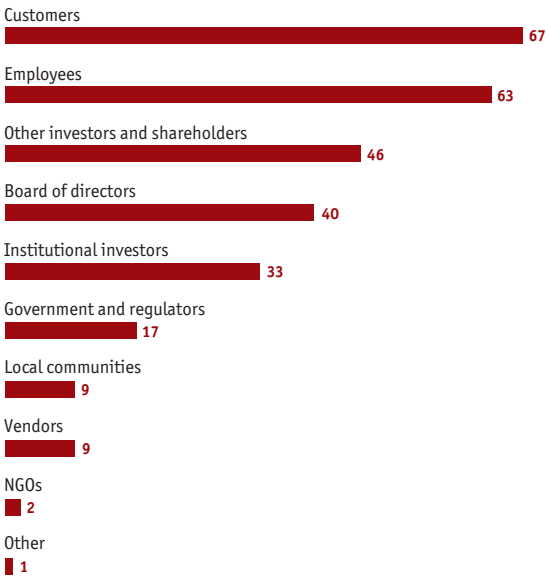
Executives
If CR has grown in importance, what are the main drivers of the change? Select all that apply.
(% respondents)



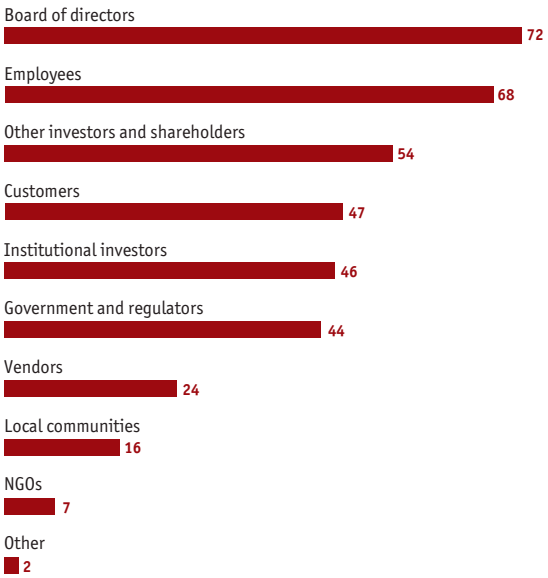
Executives
What are the most important stakeholders to your company? Select the top three stakeholders.
(% respondents)



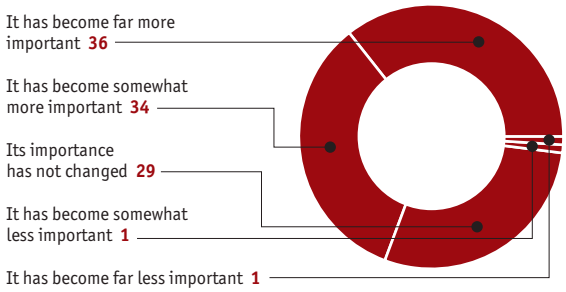
Executives
In five years' time, which do you expect to be the most important stakeholders to your company? Select the top three stakeholders.
(% respondents)



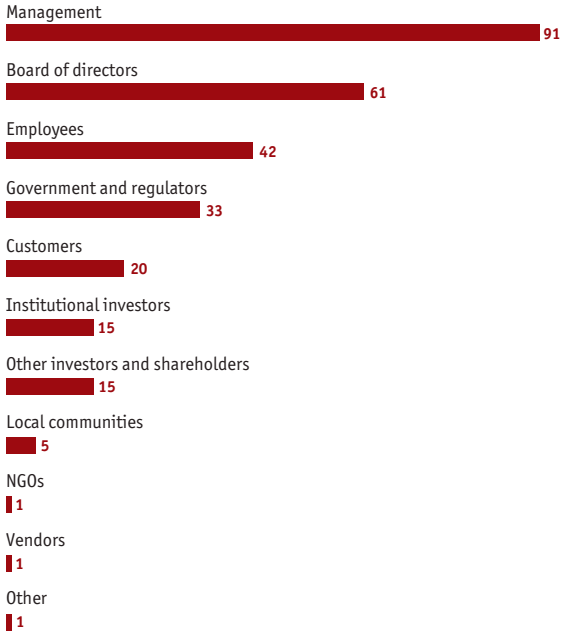
Executives
With which of the following groups of stakeholders does your company have formal, regular and structured communications? Select all that apply.
(% respondents)



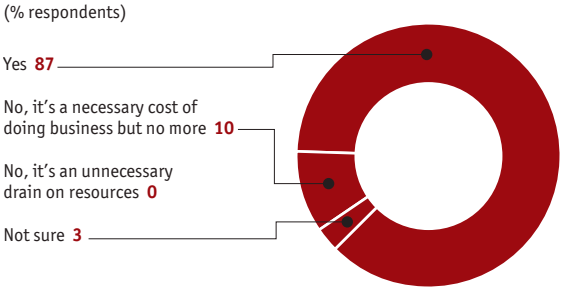
Executives
How has the importance of corporate responsibility to your company changed over the past five years?
(% respondents)



Executives
Who are the most effective actors in instilling a sense of corporate responsibility? Select the top three actors.
(% respondents)



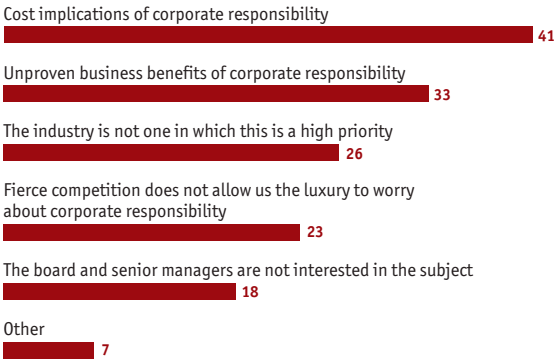
Executives
Do you believe that good corporate citizenship can help a company's bottom line?
(% respondents)



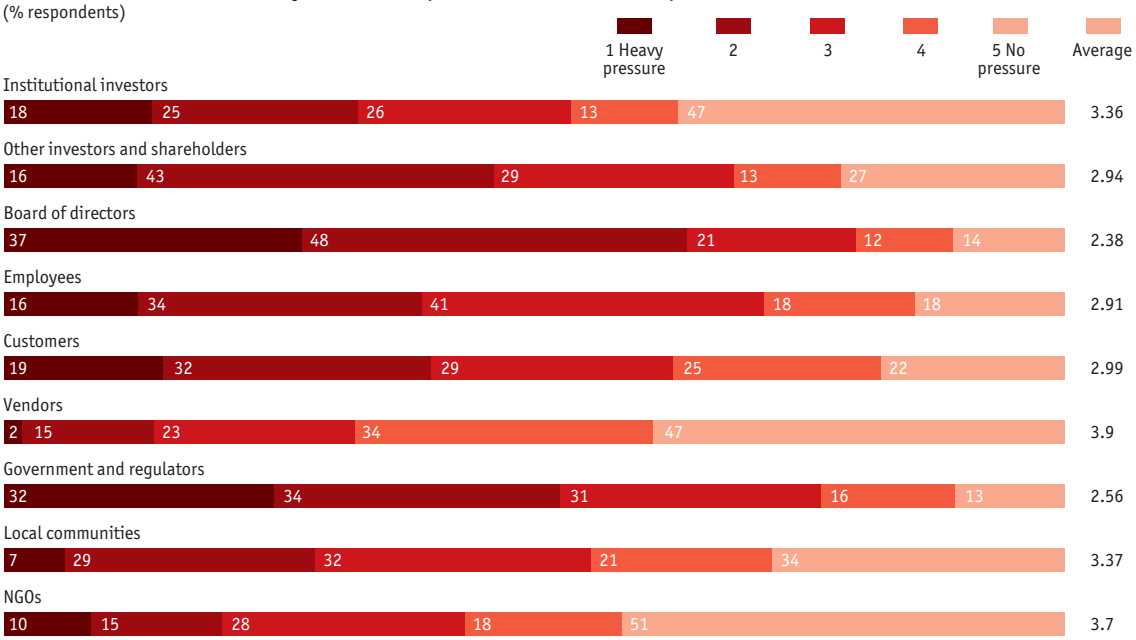
Executives
If yes, in which ways can it positively affect the bottom line? Select up to three ways.
(% respondents)

Executives
In what ways is your company working to improve standards of corporate responsibility? Select all that apply.
(% respondents)

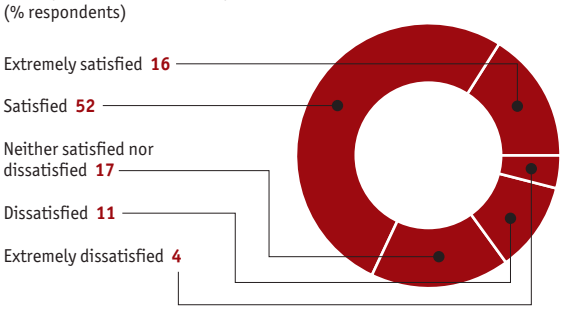
Executives
What are the main barriers to an improvement in the standards of corporate responsibility at your company? Select all that apply.
(% respondents)



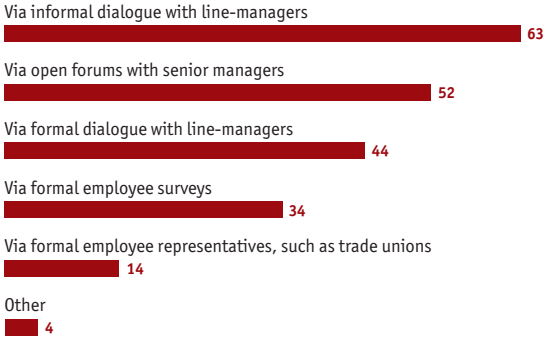
Executives
How much pressure does your company receive from its stakeholders to improve its corporate responsibility? Please rate each stakeholder from 1 to 5, where 1=A source of heavy and continuous pressure and 5=Not a source of pressure.
(% respondents)



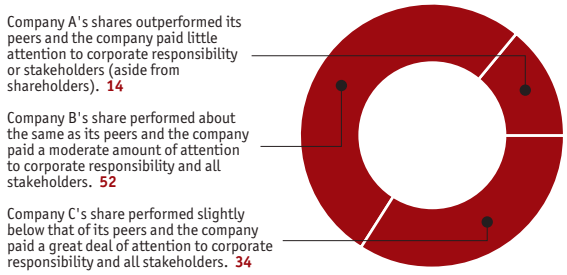
Executives
Judged by the attention your company pays to your interests as an employee, how satisfied are you with its performance?
(% respondents)



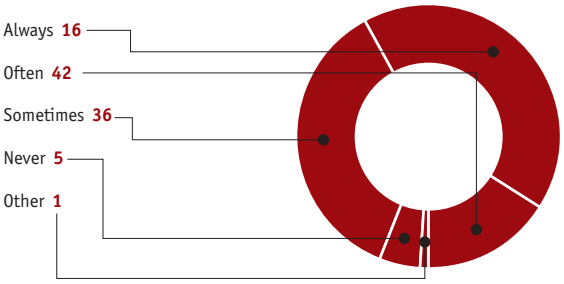
Executives
As an employee, how are your concerns and views represented in the company decision-making processes? Select all that apply.
(% respondents)



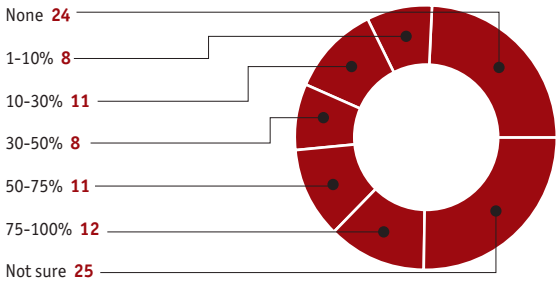
Executives
Which one of the three companies below would you most likely invest in?
(% respondents)



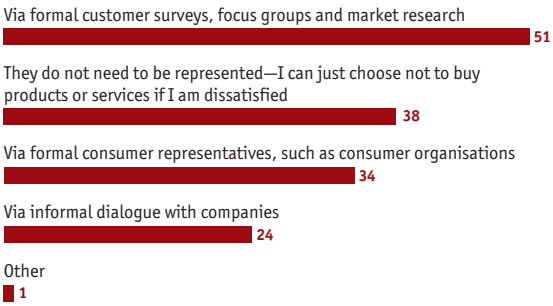
Executives
Is your own buying behaviour influenced by whether the company producing the goods or services has high standards of corporate responsibility?
(% respondents)



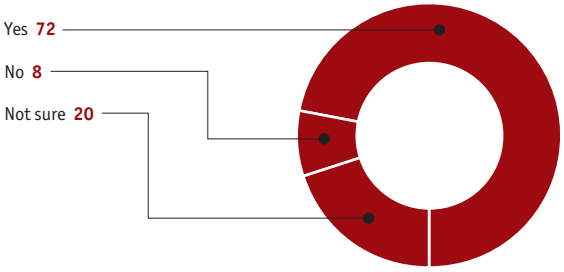
Executives
Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)



Executives
As a customer, how would you like to see your concerns represented in company decision-making processes? Select all that apply.
(% respondents)

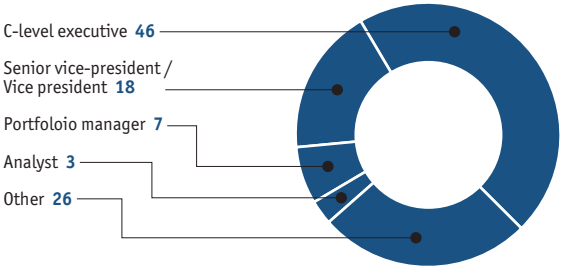


Executives
Do you think that firms that emphasise corporate responsibility tend to have a better long-term financial performance than firms that do not?
(% respondents)

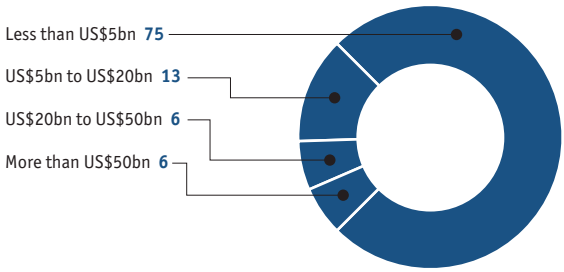


Appendix: institutional investors survey results

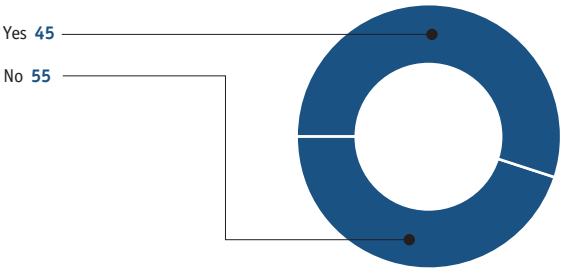
Investors
What is your title?
(% respondents)



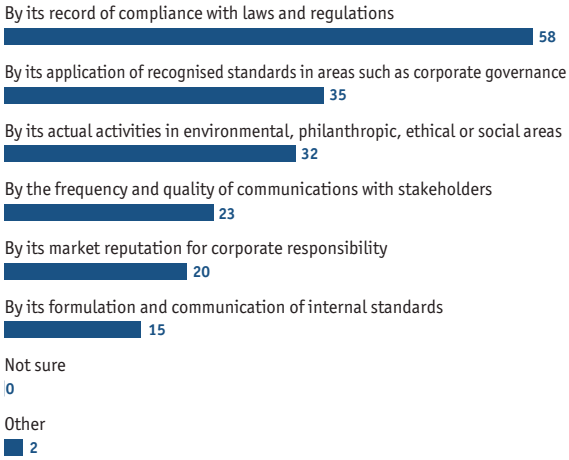
Investors
What is the value of your company's total global assets under management, in US dollars?
(% respondents)



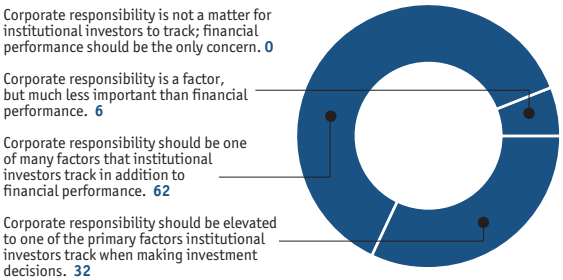
Investors
Do you personally manage assets?
(% respondents)



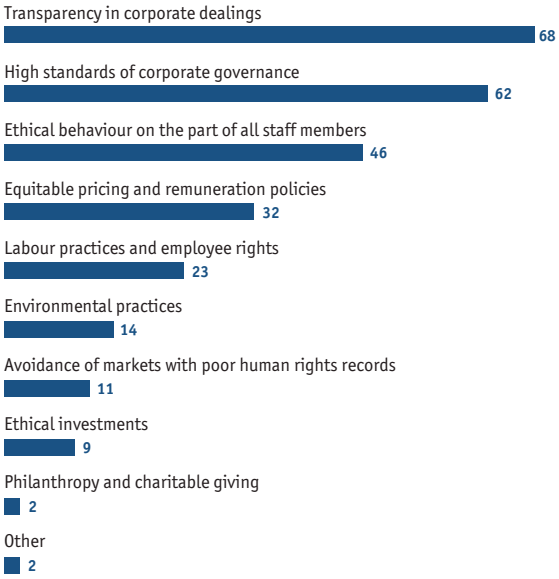
Investors
How should a company's corporate responsibility be judged, in your view? Select the top two answers.
(% respondents)



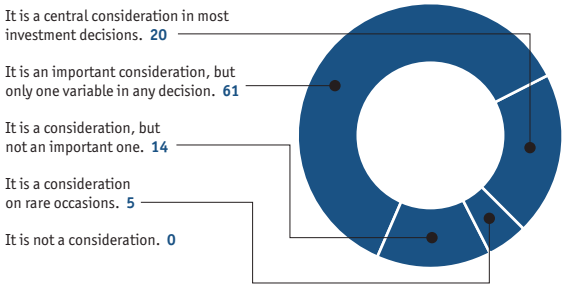
Investors
Which statement do you think ought to reflect the stance of institutional investors toward corporate responsibility?
(% respondents)



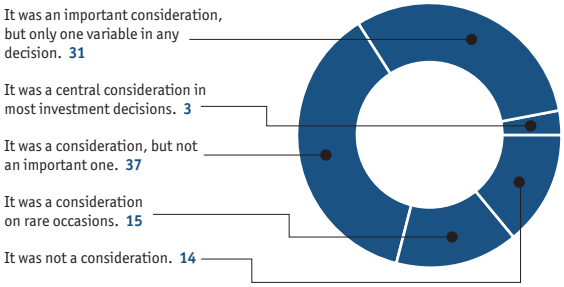
Investors
What are the most important aspects of corporate responsibility to your investment decisions? Select up to three aspects.
(% respondents)



Investors
How important a consideration is corporate responsibility to your investment decisions? Select the statement that best applies.
(% respondents)

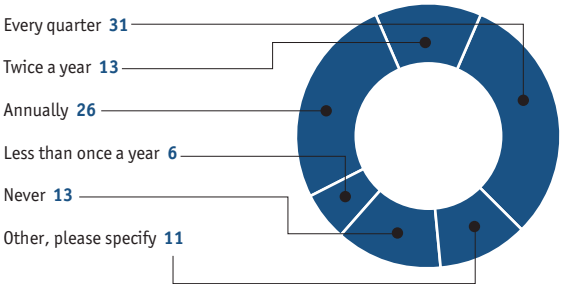


Investors
Five years ago, how important a consideration was corporate responsibility to your investment decisions?
(% respondents)

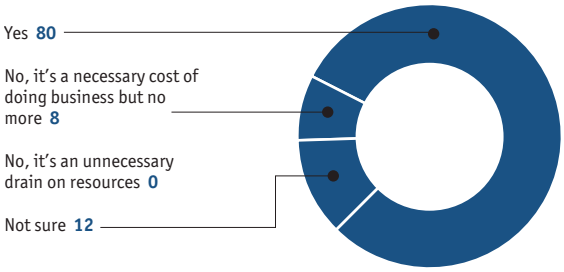


Investors
If it has grown in importance, what are the main drivers of the change? Select all that apply.
(% respondents)

Investors
How often does your firm have formal and candid communications with the companies in which it invests?
(% respondents)



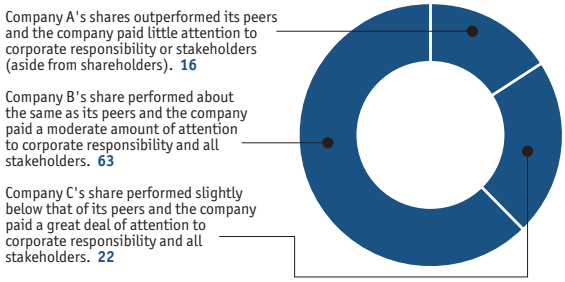
Investors
Do you believe that good corporate citizenship can help a company's bottom line?
(% respondents)



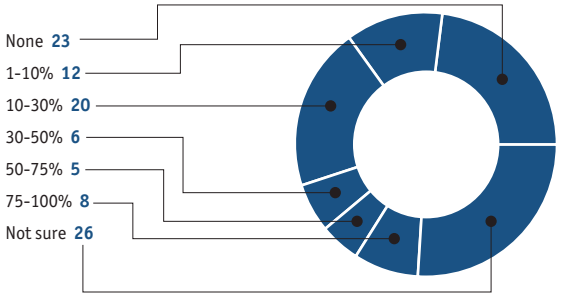
Investors
What are the most effective actors in instilling a sense of corporate responsibility? Select up to three actors.
(% respondents)

Investors
If yes, in which ways can it positively affect the bottom line? Select up to three ways.
(% respondents)

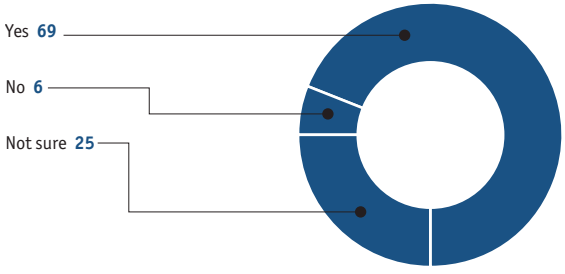
Investors
Which one of the three companies below would you most likely invest in?
(% respondents)



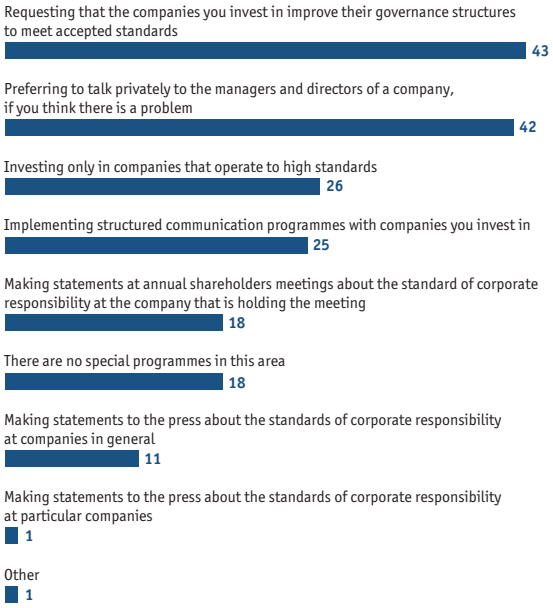
Investors
Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)



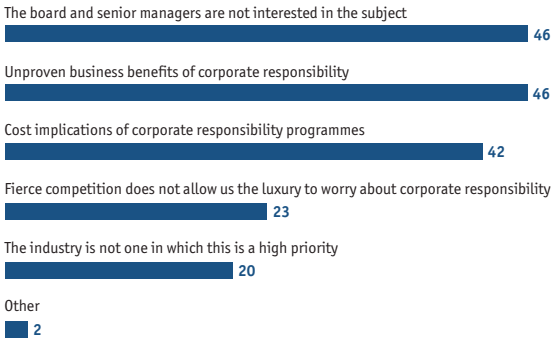
Investors
Do you think that firms that emphasise corporate responsibility tend to have a better long-term financial performance than firms that don't?
(% respondents)



Investors
In what ways is your organisation working to improve standards of corporate responsibility? Select all that apply.
(% respondents)



Investors
What are the main barriers to an improvement in the standards of corporate responsibility at the companies in which you invest (or don't invest)? Select all that apply.
(% respondents)

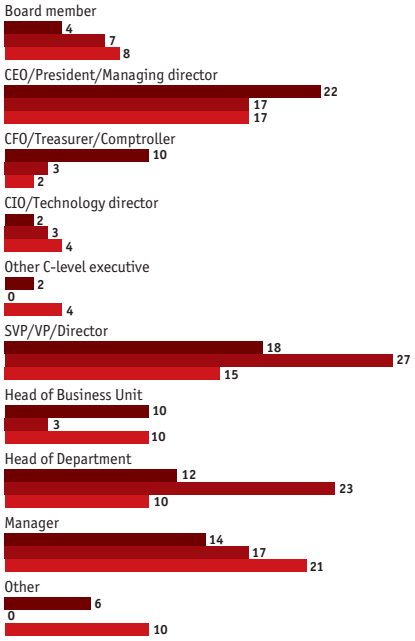


Appendix: regional survey results

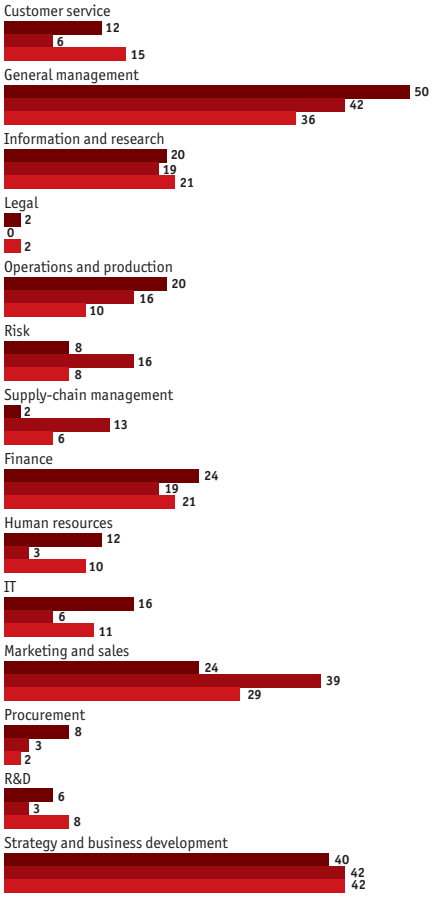
The importance of corporate responsibility

The Americas
Europe, Middle East and Africa
Asia Pacific

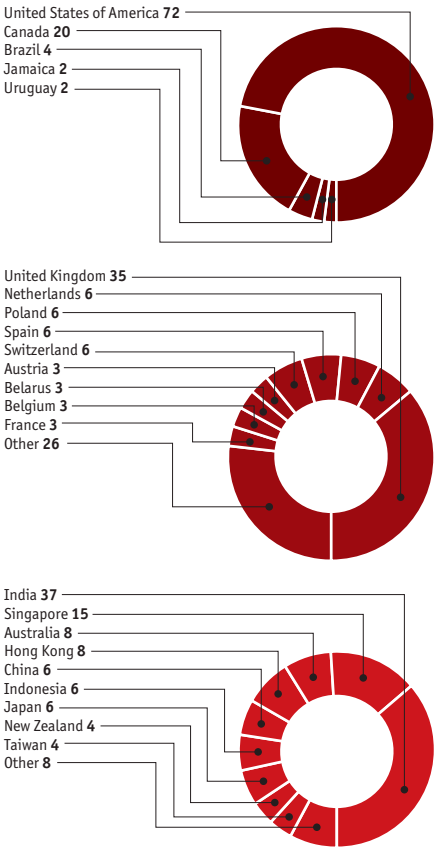
Executive survey
Which of the following best describes your title?
(% respondents)



Executive survey
What are your main functional roles?
Please choose no more than 3 functions.
(% respondents)

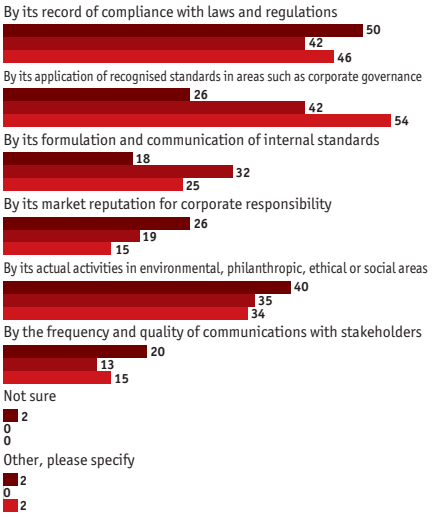


Executive survey
Country
(% respondents)

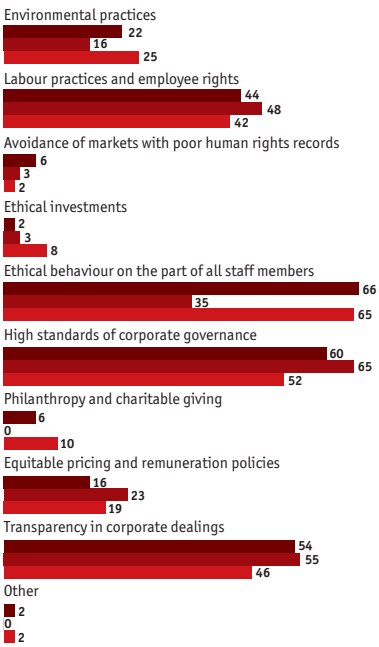


The Americas
Europe, Middle East and Africa
Asia Pacific

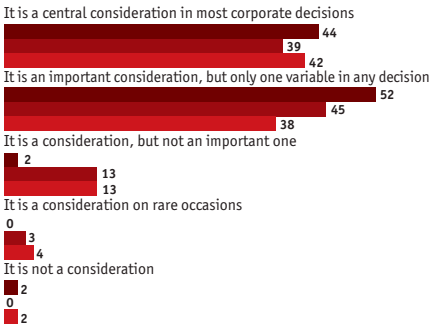
Executive survey
How should a company's corporate responsibility be judged, in your view? Select the top two answers.
(% respondents)



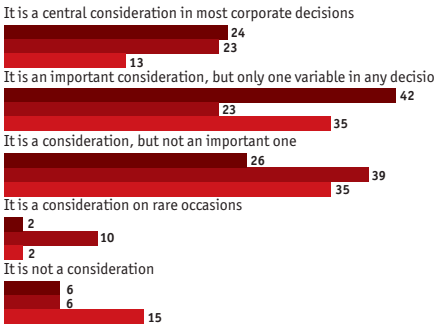
Executive survey
What are the most important aspects of corporate responsibility to your company? Select up to three aspects.
(% respondents)



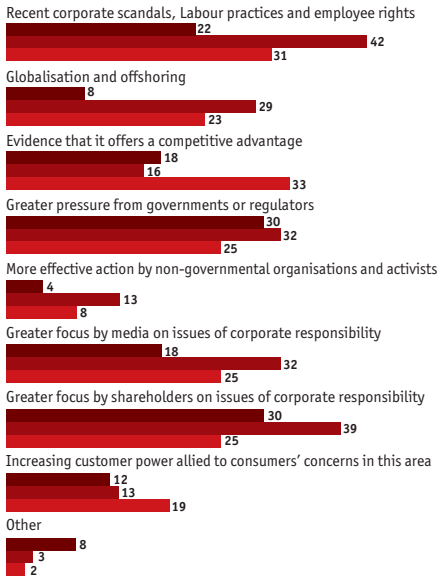
Executive survey
How important a consideration is corporate responsibility at your company? Select the statement that best applies.
(% respondents)



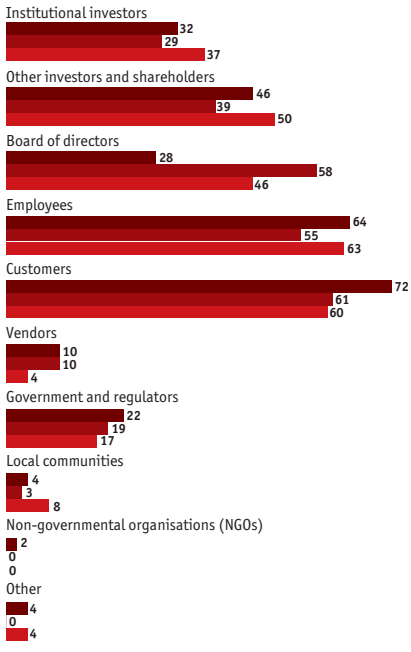
Executive survey
Five years ago, how important a consideration was corporate responsibility to your company?
(% respondents)



Executive survey
If it has grown in importance, what are the main drivers of the change? Select all that apply.
(% respondents)

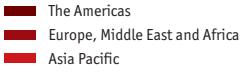


Executive survey
What are the most important stakeholders to your company? Select the top three stakeholders.
(% respondents)



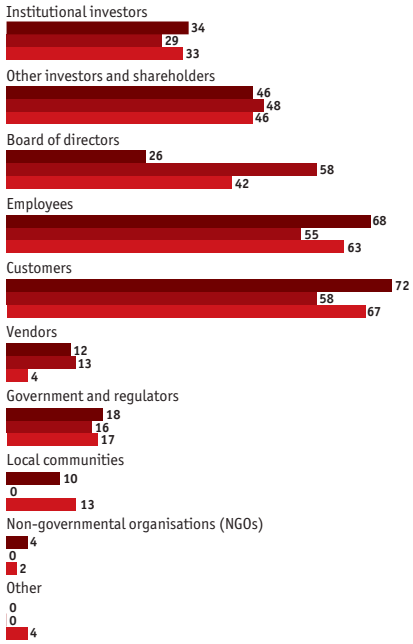
Appendix: regional survey results

The importance of corporate responsibility



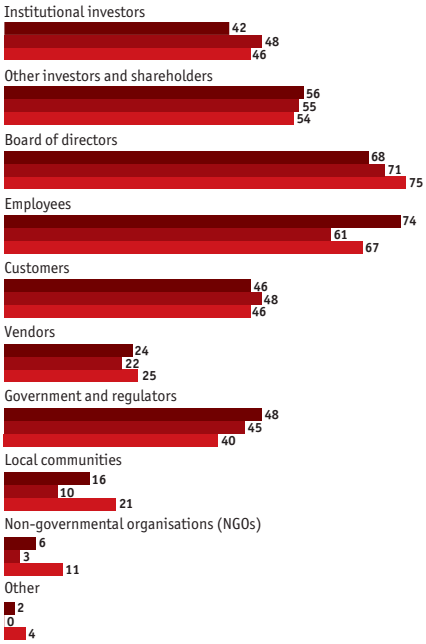
Executive survey

In five years' time, which do you expect to be the most important stakeholders to your company? Select the top three stakeholders.
(% respondents)



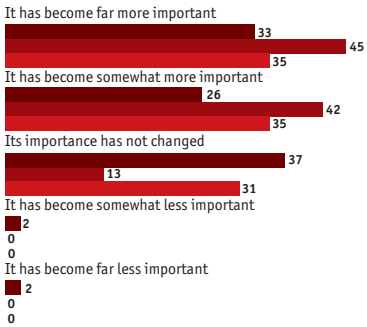
Executive survey

With which of the following groups of stakeholders does your company have formal, regular and structured communications? Select all that apply.
(% respondents)



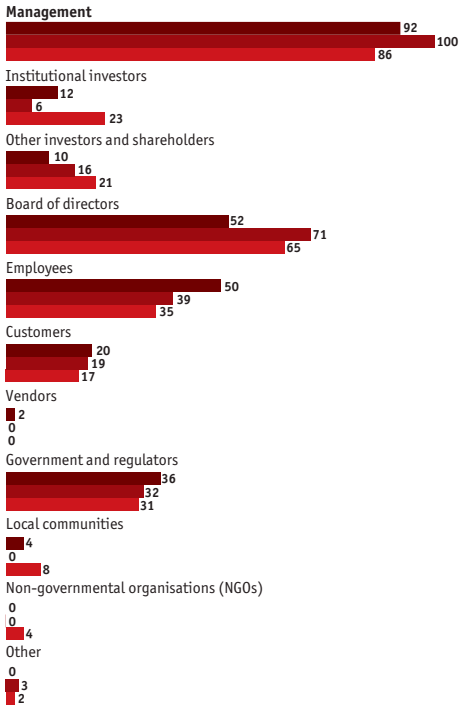
Executive survey

How has the importance of corporate responsibility to your company changed over the past five years?
(% respondents)



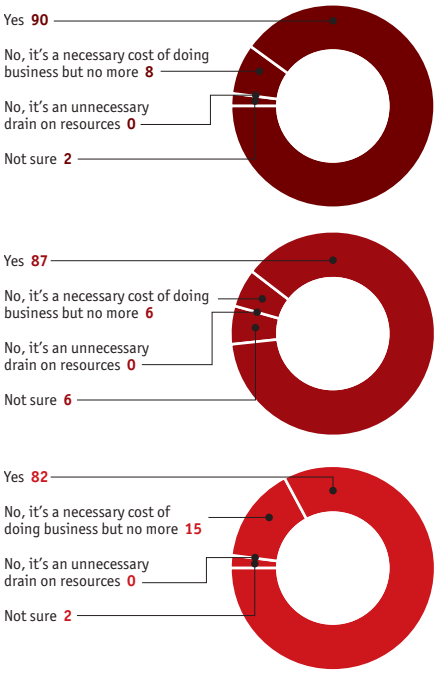
Executive survey

What are the most effective actors in instilling a sense of corporate responsibility within companies? Select the top three actors.
(% respondents)

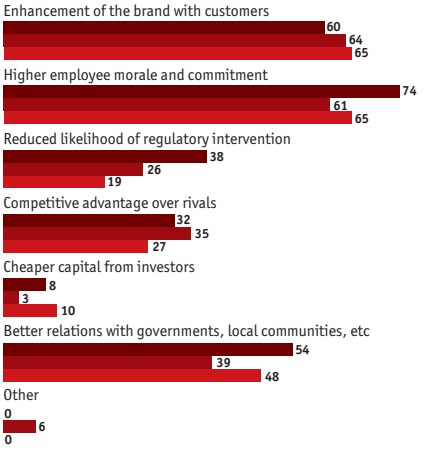


The Americas
Europe, Middle East and Africa
Asia Pacific

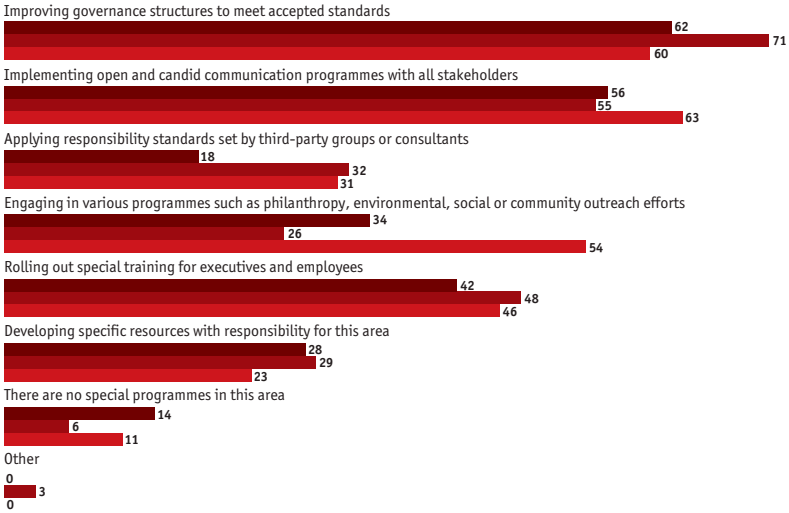
Executive survey
Do you believe that good corporate citizenship can help a company's bottom line?
(% respondents)



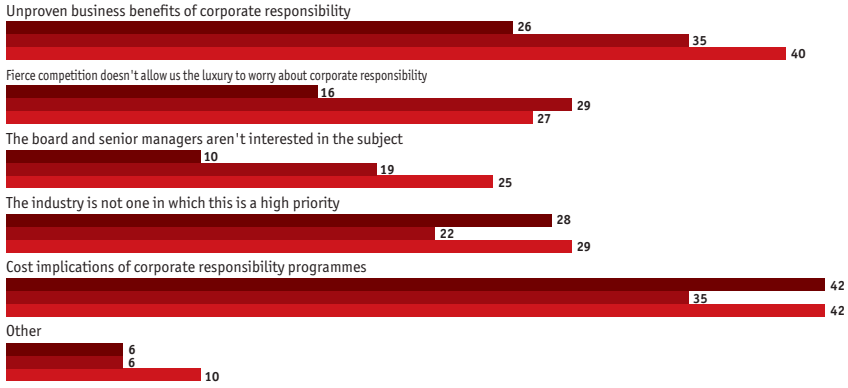
Executive survey
If yes, in which ways can it positively affect the bottom line? Select up to three ways.
(% respondents)



Executive survey
In what ways is your company working to improve standards of corporate responsibility? Select all that apply.
(% respondents)



Executive survey
What are the main barriers to an improvement in the standards of corporate responsibility at your company? Select all that apply.
(% respondents)



Appendix: regional survey results

The importance of corporate responsibility

The Americas
Europe, Middle East and Africa
Asia Pacific

Executive survey

How much pressure does your company receive from its stakeholders to improve its corporate responsibility? Please rate each stakeholder from 1 to 5, where 1=A source of heavy and continuous pressure and 5=A source of no pressure.
(% respondents)

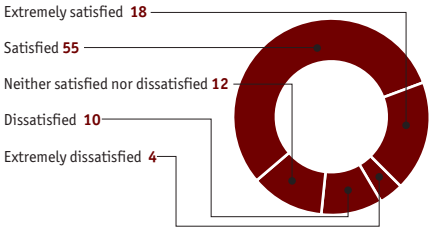
	1	2	3	4	5
Institutional investors	12	17	29	4	37
Other investors and shareholders	15	35	22	4	24
Board of directors	29	31	15	6	19
Employees	13	32	34	11	11
Customers	11	23	32	17	17
Vendors	2	9	20	26	43
Government and regulators	30	26	21	13	11
Local communities	4	18	38	13	27
NGOs	4	11	29	11	44

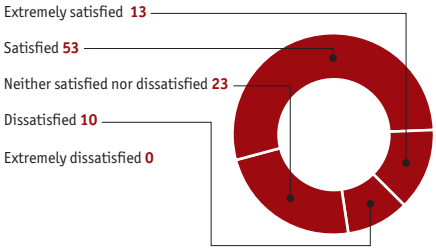
	1	2	3	4	5
Institutional investors	14	21	14	18	32
Other investors and shareholders	14	32	25	11	18
Board of directors	37	30	20	13	0
Employees	15	15	44	15	11
Customers	19	37	4	26	15
Vendors	4	15	15	35	31
Government and regulators	27	31	31	8	4
Local communities	8	23	27	15	27
NGOs	8	8	28	16	40

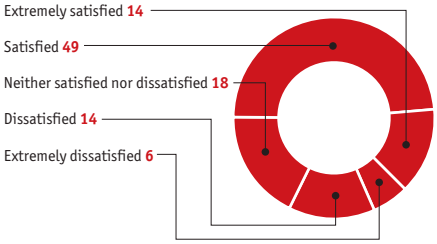
	1	2	3	4	5
Institutional investors	14	22	14	12	38
Other investors and shareholders	10	33	22	14	22
Board of directors	22	45	16	10	8
Employees	12	24	26	18	20
Customers	16	22	22	20	20
Vendors	0	11	22	26	41
Government and regulators	20	26	24	16	14
Local communities	6	27	16	20	31
NGOs	10	16	16	18	39

Executive survey

Judged by the attention your company pays to your interests as an employee, how satisfied are you with its performance?
(% respondents)

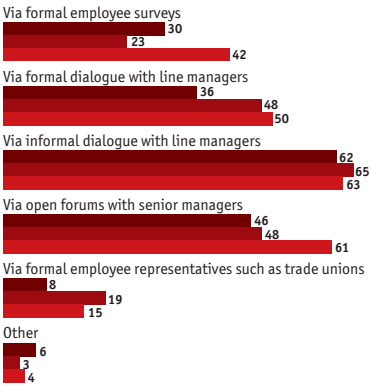






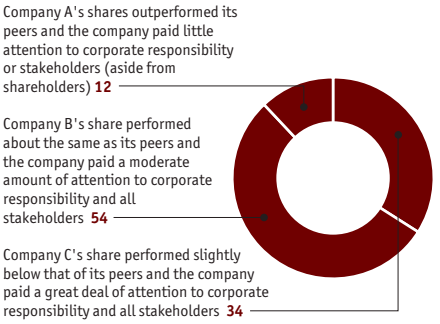
Executive survey

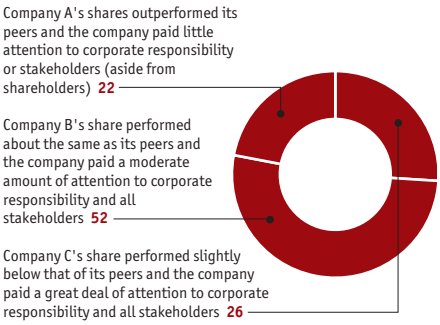
As an employee, how are your concerns and views represented in the company decision-making processes? Select all that apply.
(% respondents)

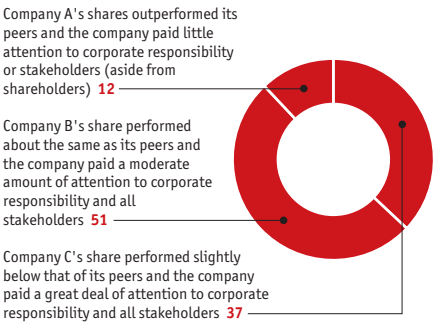


The Americas
Europe, Middle East and Africa
Asia Pacific

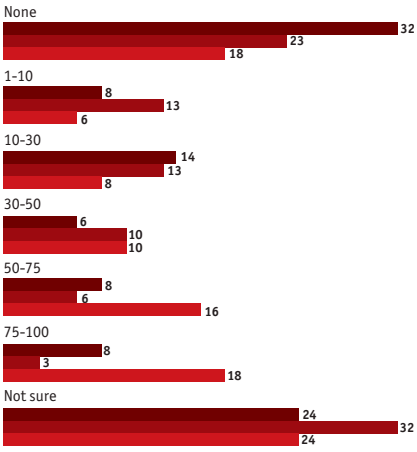
Executive survey
Which one of the three companies below would you most likely invest in?
(% respondents)



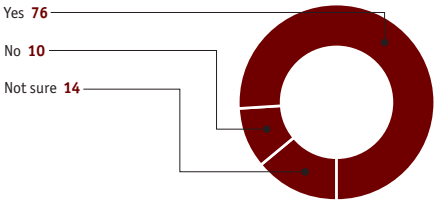


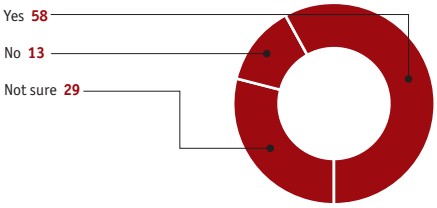


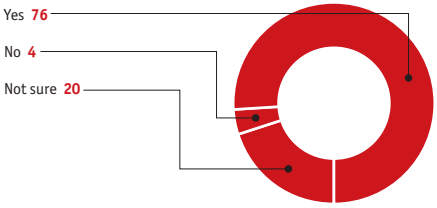
Executive survey
Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)



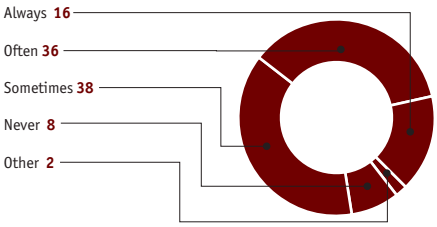
Executive survey
Do you think that firms that emphasise corporate responsibility tend to have a better long-term financial performance than firms that don't?
(% respondents)

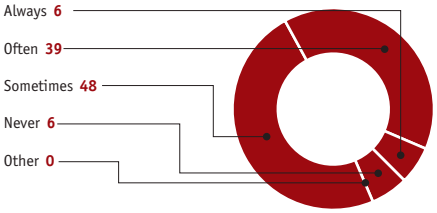


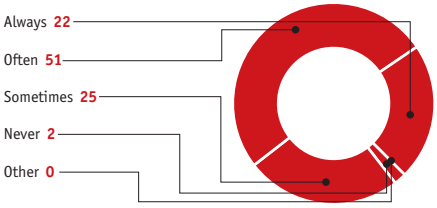




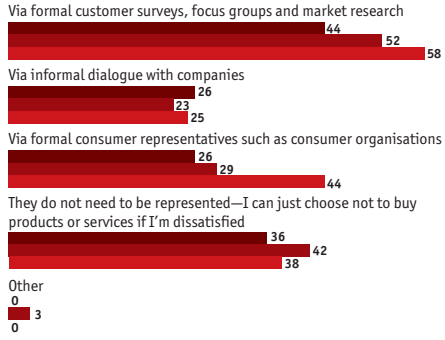
Executive survey
Is your own buying behaviour influenced by whether the company producing the goods or services has high standards of corporate responsibility?
(% respondents)







Executive survey
As a customer, how would you like to see your concerns represented in company decision-making processes? Select all that apply.
(% respondents)

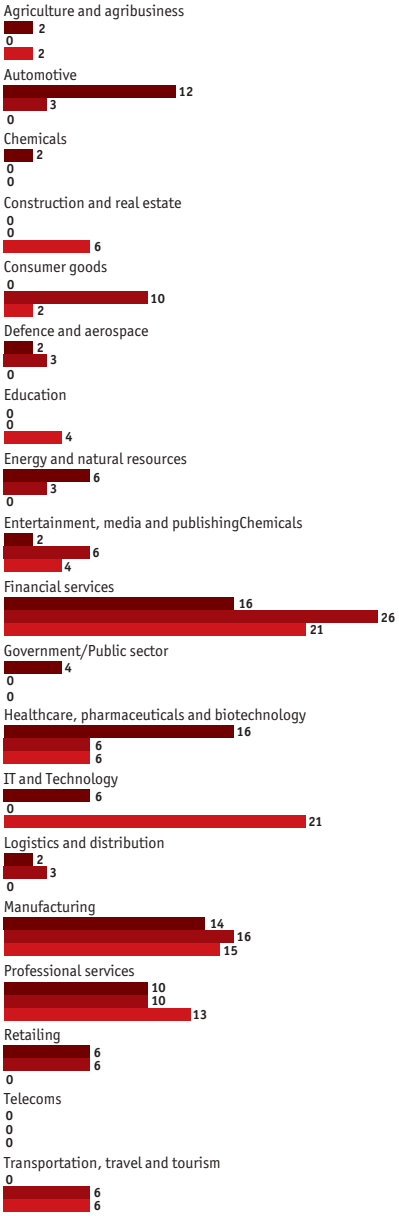


Appendix: regional survey results

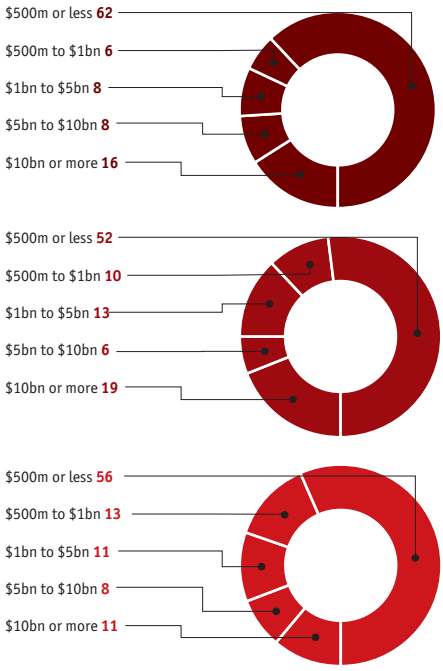
The importance of corporate responsibility

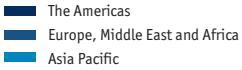
The Americas
Europe, Middle East and Africa
Asia Pacific

Executive survey
What is your primary industry?
(% respondents)

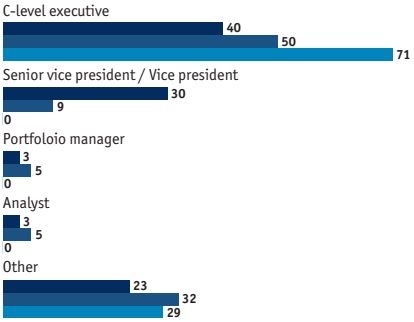


Executive survey
What are your organisation's global annual revenues in US dollars?
(% respondents)

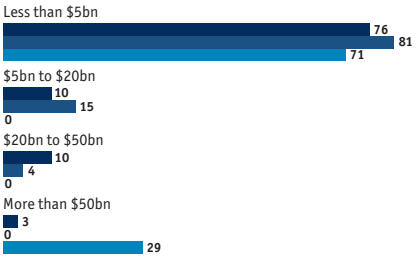




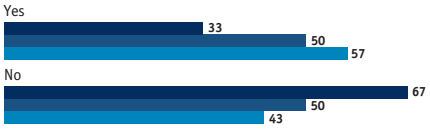
Investors survey
What is your title?
(% respondents)



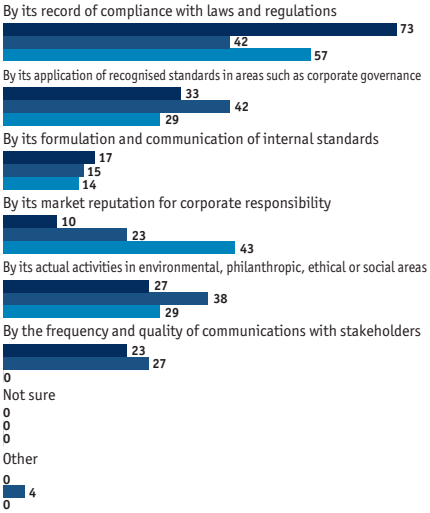
Investors survey
What is the value of your company's total global assets under management, in US dollars?
(% respondents)



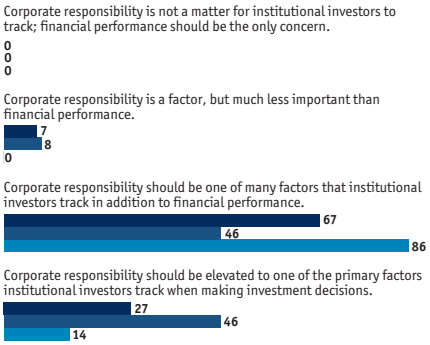
Investors survey
Do you personally manage assets?
(% respondents)



Investors survey
How should a company's corporate responsibility be judged, in your view? Select the top two answers.
(% respondents)

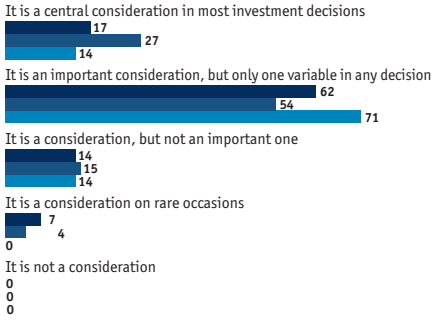


Investors survey
Which statement do you think ought to reflect the stance of institutional investors toward corporate responsibility?
(% respondents)



Investors survey
What are the most important aspects of corporate responsibility to your investment decisions? Select up to three aspects.
(% respondents)

Investors survey
How important a consideration is corporate responsibility to your investment decisions? Select the statement that best applies.
(% respondents)



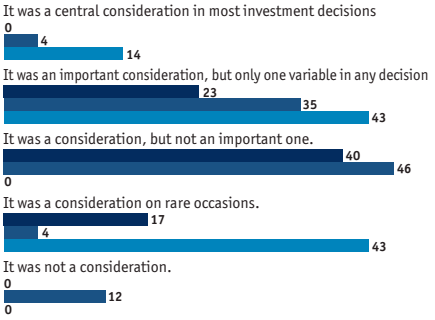
Appendix: regional survey results

The importance of corporate responsibility

The Americas
Europe, Middle East and Africa
Asia Pacific

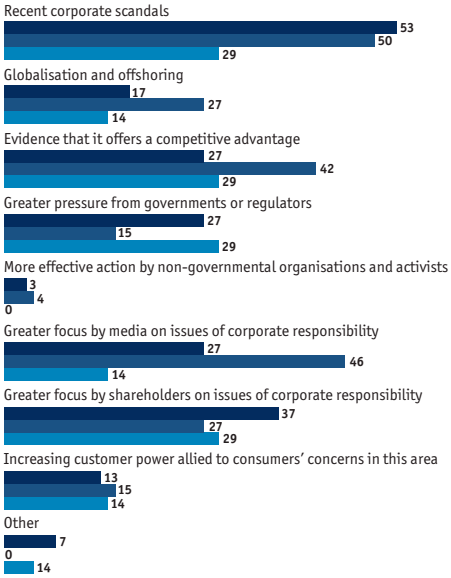
Investors survey

Five years ago, how important a consideration was corporate responsibility to your investment decisions?
(% respondents)



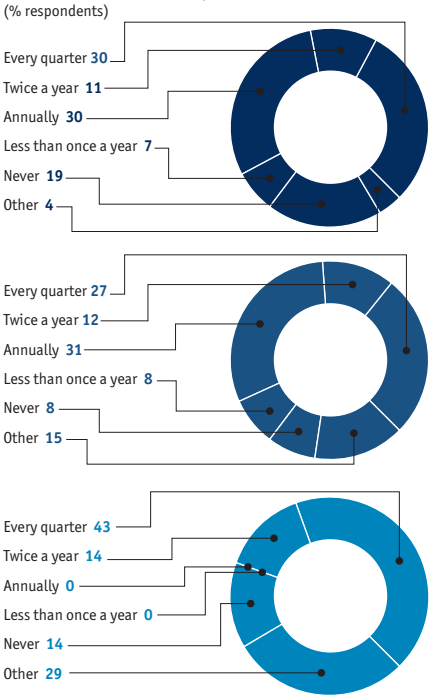
Investors survey

If it has grown in importance, what are the main drivers of the change? Select all that apply.
(% respondents)



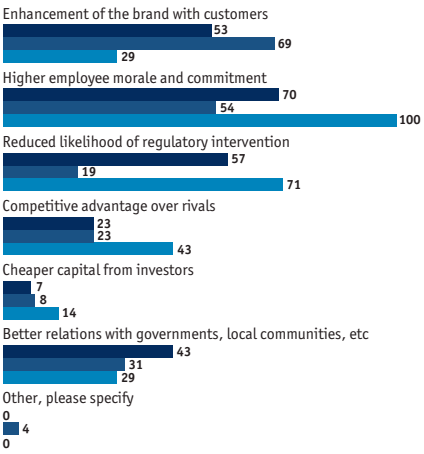
Investors survey

How often does your firm have formal and candid communications with the companies in which it invests?
(% respondents)



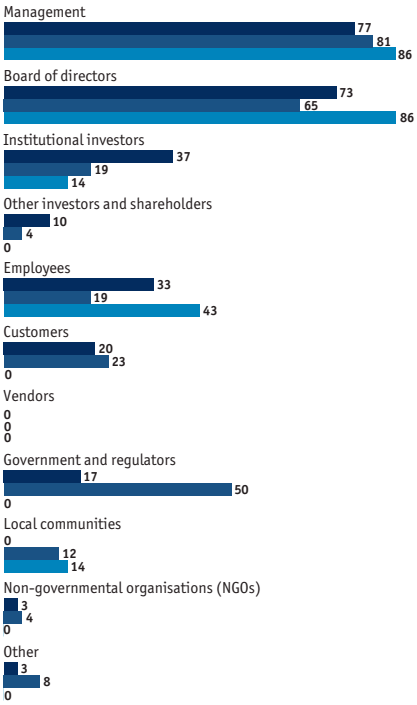
Investors survey

If yes, in which ways can it positively affect the bottom line? Select up to three ways.
(% respondents)



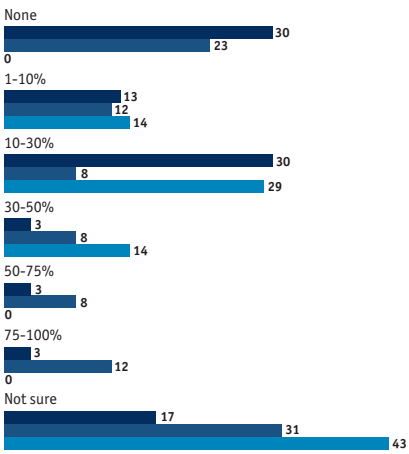
Investors survey

What are the most effective actors to instilling a sense of corporate responsibility within companies? Select up to three actors.
(% respondents)



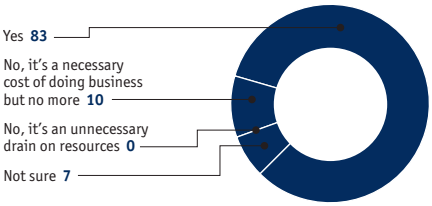
Investors survey

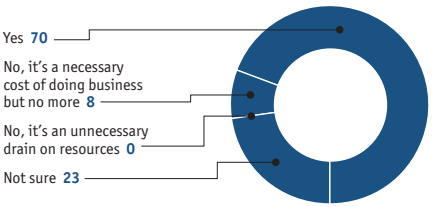
Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)

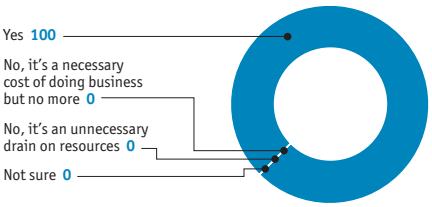


The Americas
Europe, Middle East and Africa
Asia Pacific

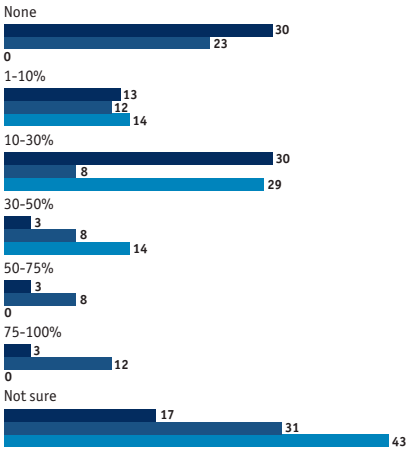
Investors survey
Do you believe that good corporate citizenship can help a company's bottom line?
(% respondents)







Investors survey
Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)



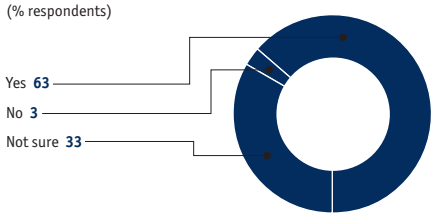
Investors survey
Which one of the three companies below would you most likely invest in?
(% respondents)

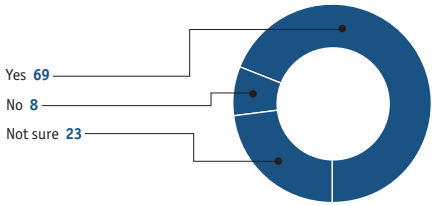
Company A's shares outperformed its peers and the company paid little attention to corporate responsibility or stakeholders (aside from shareholders). 24.14%
24
8
14

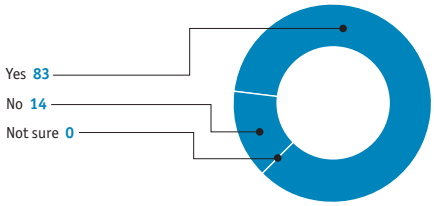
Company B's share performed about the same as its peers and the company paid a moderate amount of attention to corporate responsibility and all stakeholders. 55.17%
55
65
71

Company C's share performed slightly below that of its peers and the company paid a great deal of attention to corporate responsibility and all stakeholders. 20.69%
20
27
14

Investors survey
Roughly what percentage of shares in your personal investment portfolio are in companies or mutual funds that are "ethical investments"?
(% respondents)







Investors survey
In what ways is your organisation working to improve standards of corporate responsibility? Select all that apply.
(% respondents)

Investing only in companies that operate to high standards
10
38
57

Requesting that the companies you invest in improve their governance structures to meet accepted standards
40
42
57

Implementing structured communication programmes with companies you invest in
27
23
29

Making statements to the press about the standards of corporate responsibility at companies in general
17
4
0

Making statements to the press about the standards of corporate responsibility at particular companies
7
8
0

Making statements at annual shareholders meetings about the standard of corporate responsibility at the company that is holding the meeting
10
27
14

Preferring to talk privately to the managers and directors of a company, if you think there is a problem
17
58
43

There are no special programmes in this area
23
19
0

Other
7
4
14

Investors survey
What are the main barriers to an improvement in the standards of corporate responsibility at the companies in which you invest (or don't invest)? Select all that apply.
(% respondents)

Unproven business benefits of corporate responsibility
50
13
29

Fierce competition doesn't allow us the luxury to worry about corporate responsibility
17
27
43

The board and senior managers aren't interested in the subject
60
27
43

The industry is not one in which this is a high priority
13
23
29

Cost implications of corporate responsibility programmes
47
42
14

Other
0
4
0

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