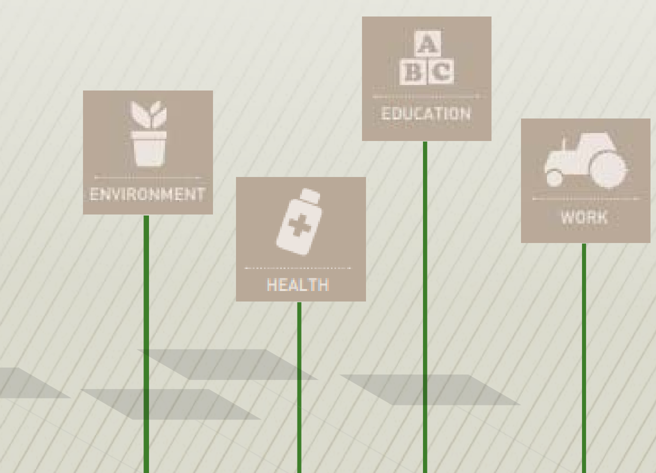
Corporate Responsibility: a different way of approaching business (part 1)

Evolution of CSR

Unlike a belief still widely held, **Corporate Social Responsibility** (CSR) is first and foremost an approach to corporate management through which a company targets sustainable growth by implementing strategies, policies and daily practices that are consistently in line with the interests of the company and those of society at large.

It ensues that CSR applies in all areas of corporate management: for example, in the area of production it may pursue enhanced safety for workers, seek higher quality standards for products, target reduced environmental impact, etc., or CSR may seek in the area of human resources to develop careers in a more efficient way, to implement training policies, to manage corporate restructuring, etc. Similarly, CSR in marketing is expressed through the quest for greater consumer satisfaction, the dissemination of information, etc.



CSR is a deeply rooted concept in the English-speaking world, particularly in the America **of the 1920s**. Between the late 19th- and early 20th-centuries, trade unions, farmers' organisations, churches and moral entities began to exert pressure on businessmen for the first time. Before long, public opinion was tightening its stranglehold over wealthy industrialists leading a number of tycoons, chief among whom Rockefeller, to experiment early forms of

An example of strategic philanthropy: Ca' Corniani

An example of strategic philanthropy in Italy can be traced back to Ca' Corniani, Assicurazioni Generali's first agricultural property located in mainland Venice. One of the earliest land reclamation initiatives by a private entity in the Venetian wetlands (1851), the farm was the outcome of a commercial investment tempered with civil and social concern. The project ultimately transformed a marshy and insalubrious area into a farming settlement with permanent structures endowed with roads, services (a kindergarten, a school with an adjoining house for teachers, a vocational school for women, a doctor, a post office, a church, etc.) and a thriving business and commercial area (food stores, houses for farmers, repairs and maintenance shops and barns, a bakery and a pub).

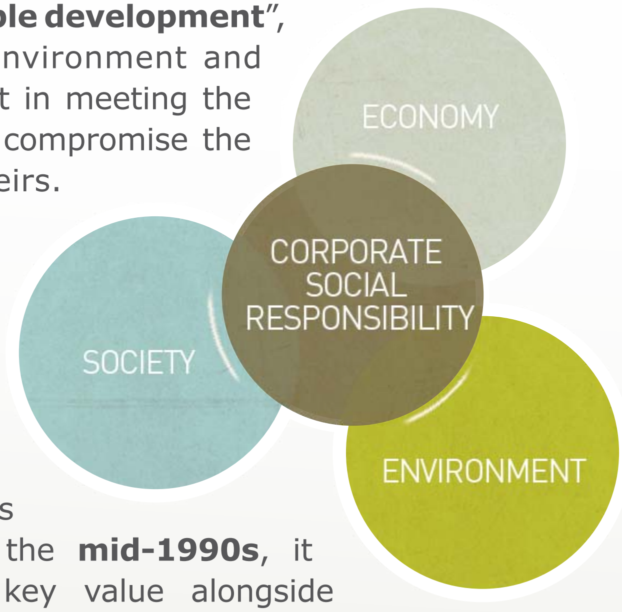
corporate philanthropy intended, at that time, as an activity primarily addressing workers with a view to improving their social conditions through the establishment of kindergartens, schools, places of worship and the introduction of maternity services, pensions, etc.

Up to the **1950s**, the acknowledged traits of a businessman included, in addition to technical skills, the ability to manage business on the basis of moral and ethical qualities and considerations. The earliest study on Corporate Social Responsibility (*Social Responsibilities of the Businessman*) appeared in 1953. Compiled with the contribution of the American economist Howard Rothmann Bowen, the case study assessed companies in terms of both their economic performance and social impact of their aggregate activities.

But it was only in the **1960s** that the debate over Corporate Social Responsibility began to develop more fully, paving the way to the various theories that would blossom in the following years. In particular, it was starting from the 1970s that the **"stakeholder theory"** started to gain ground. The theory alludes to the various parties, including shareholders, employees, customers, sales networks, suppliers, environment, community, state, institutions, contractual partners, rating agencies, lenders, etc., that in coming into contact with the company expect something from it not only from the economic point of view.

The theory marked a shift from the concept of a company that produced profits to be shared among shareholders – i.e. the owners of the company to whom it must respond with regard to the capitals invested – to one where the company, in managing its activities, went beyond legal obligations in order to meet the legitimate social and environmental as well as economic expectations of the various stakeholders.

The **1980s** saw the emergence of "**sustainable development**", intended by the World Commission on Environment and Development (1987) as a development that in meeting the needs of the present generations does not compromise the ability of future generations to satisfy theirs.



This concept added for the first time a global dimension to the environmental and temporal perspective, highlighting that the economic development of a company or a country should not be achieved at the expense of future generations or other peoples elsewhere in the world.

As for the **Triple Bottom Line,** a business success measurement model outlined in the **mid-1990s**, it included sustainable development as a key value alongside environmental and social indicators.

In **1999** the then secretary general of the UN Kofi Annan called on entrepreneurs gathered at the World Economic Forum to show commitment in creating a global market with a human face, bringing in line private interests in business with the objectives set by the international community. It was against this backdrop that in 2000 the United Nations **Global Compact** was outlined, a voluntary basis initiative stating ten principles in the areas of human rights, labour, the environment and anti-corruption.

In 2001, Corporate Social Responsibility was defined as a concept whereby companies *integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis [...] Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing "more" into human capital, the environment and the relations with stakeholders* (Green Paper Promoting a European framework for Corporate Social Responsibility).

A recent development has been the idea of **corporate citizenship** whereby enterprises are called to go beyond their duties so as to contribute to the wellbeing of the broader milieu they operate in.

An example of active citizenship: Generali Zukunftsfonds

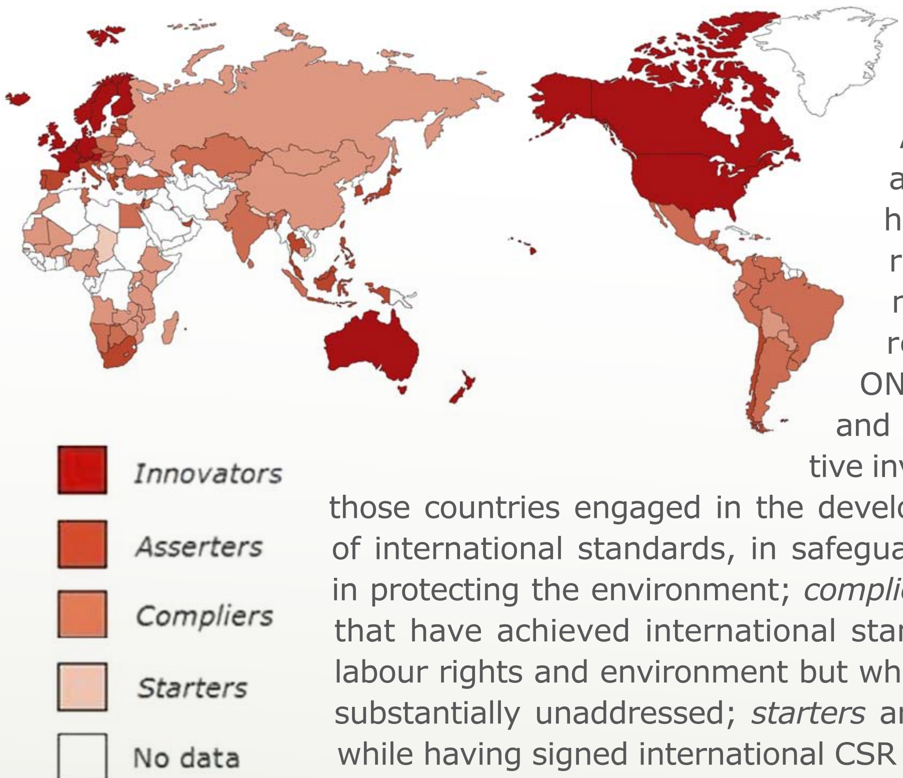
Established in autumn 2008, Generali Zukunftsfonds is another important stage in the long tradition of social commitment that has always been a characteristic trait of Generali Deutschland. Reporting directly to the Generali Deutschland CEO and endowed with a budget of its own, this special unit plays a publicly acknowledged corporate citizenship role that focuses on stimulating the social commitment of citizens. Generali Zukunftsfond, in particular, focuses on over-55 individuals who, as a result of the demographic changes underway, constitute a growing segment of the population and have a great potential in terms of knowledge, energy and, on retiring, time: the involvement of this category of citizens is the cornerstone on which the entire program is based.

Chief among the various schemes carried out by the Fund is the Atlas of Involvement, compiled by Generali for the first time in 2008 and since updated, to chart the large variety of voluntary work carried out throughout Germany, and record its potential development, outlining at the same time the needs of the population. Zukunftsfonds plays a proactive role in gauging these exigencies, liaising closely with national institutions as well as regional and local authorities, and supporting the coordination, information and integration between the various voluntary work organisations.

All community-based social responsibility initiatives are channelled into the Bürger unternehmen Zukunft (Citizens for the Future) scheme, which is financed with the Fund’s budget. Bürger unternehmen Zukunft sponsors a large number of local and regional projects within the framework of a policy whose aim is the durable improvement of social conditions. Other campaigns are designed to directly stimulate civic involvement among the population and to stimulate voluntary work among Generali employees.

In **2011,** the European Commission endorsed this concept and proposed a new definition of CSR as "*the responsibility of enterprises for their impacts on society... To fully meet their corporate social responsibility, companies must execute a process to integrate social, environmental, ethical, human rights and the demands of consumers in their business operations and in their basic strategy in close collaboration with their partners, with the aim to do everything possible to create a shared value among their owners / shareholders and other persons interested and the society identifying, preventing and mitigating their possible adverse effects."* (Green Paper Promoting a European framework for Corporate Social Responsibility).

Although, the CSR model has now spread across the world, the acquisition of social and environmental standards by businesses continues to be uneven, being more developed in some countries and less so in others.
The State of Responsible Competitiveness 2007, a report compiled by AccountAbility to create the Responsible Competitiveness Index (RCI) takes into account 108 countries through CSR criteria divided into three main areas: *Policy drivers*, seven indicators aimed at measuring the existence of public policies encouraging companies to implement responsible business; *Business action*, seven indicators measuring the implementation of governance, social and environmental practices, the existence of voluntary codes and management systems; *Social Enablers*, seven broader spectrum indicators measuring both the social and environmental characteristics that enable businesses, governments and organisations to build effective partnerships to reorganize and improve general market conditions (the fight against corruption, customer orientation, freedom of the press, transparency in transactions, civil liberties, activities with NGOs, environmental impact).
This report has enabled for the classification of countries according to



the various degrees of CSR compliance on the part of businesses. Accordingly, *innovators* are those countries that have already incorporated CSR criteria in national and corporate regulations and where ONGs, consumer groups and media carry out an active invigilation; *asserters* are those countries engaged in the development and promotion of international standards, in safeguarding civil society and in protecting the environment; *compliers* are those countries that have achieved international standards in the areas of labour rights and environment but where civil society remain substantially unaddressed; *starters* are those countries that while having signed international CSR treaties, are still struggling to enforce them.

CSR reporting

With the development of the concept of CSR has come a growing interest on social and environmental reporting. This has led to the development of tools that enable companies to broadly represent its work to stakeholders.
The **Sustainability Report**, often also referred as Corporate Social Responsibility Report, is the voluntary instrument used by companies to report to stakeholders the strategies and activities implemented in the area of CSR.
The Sustainability Report is generally compiled according to the **guidelines for sustainability reporting** outlined in the Global Reporting Initiative (GRI), which includes the principles for identifying the contents of the report and ensure the quality of the information provided, and the performance indicators on specific topics. This tool is a universally accepted model for the reporting of economic, social and environmental performances, which allows to compare Sustainable Reports of companies of different dimensions and sectors.
Every three years, KPMG analyses the biggest 250 companies listed on the Fortune Global 500 (G250) and the 100 largest companies in each of the 34 countries considered (N100) with a view to examining CSR reporting trends. The 2011 analysis showed the number of companies that compile CSR reports

have been steadily rising since 2008. Significantly, many of these companies operate in geographical areas where no data in this regard had been available before (Middle East, Asia, Africa).

A debate has been underway in the past years on the possibility of drafting a single annual report that would provide information on relevant financial and non-financial operations, strategy, governance, performance and medium-to-long-term outlook, while taking into account the economic, social and environmental context of operations. The aim is not to unify in a single document data so far collected separately (Sustainability Report and Financial Report), but to outline a new process providing the description of the results of an organization through the **alignment of financial and non-financial data**. In this light, traditional financial data would be integrated with information about strategy, development plans, risks, opportunities and issues relating to governance and to environmental and social impact.
The main purpose of the document would be to integrate the CSR approach in corporate financial management.
As from 2012, the Generali Group has decided to participate in the **Integrated Reporting Pilot Programme** promoted by the International Integrated Reporting Council (IIRC) with the aim of developing the document known as the **Integrated Report.**

DREAM Programme, Congo, Sant'Egidio Community

The KPMG research also analysed the development of Integrated Reporting, revealing that 27% of G250 and 20% of N100 companies included CSR information in the Annual Report, while 18% of G250 and 11% of N100 included a CSR section in the annual report, but without including quantitative data.

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