Corporate Responsibility Index

El-Masry, AA

<http://hdl.handle.net/10026.1/6740>

Springer Reference & Database Publishing

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Corporate Responsibility Index

Ahmed El-Masry¹ and Nahla Kamal²

¹Plymouth Business School, Devon, Plymouth, UK

²ALROWAD, Dokki, Giza, Egypt

Synonyms

CR index; CRI; ESG index; S&P index
S&P/EGX ESG index; Sustainability index

Definition

The Corporate Responsibility Index (CRI) is a management and benchmarking tool produced by UK's Business in the Community (BITC). It was developed in collaboration with BITC's corporate members.

It is designed to assist managers enhance their CSR performance and to allow benchmarking of companies on certain aspects of CSR.

Introduction

Business in the Community in the United Kingdom created the CRI in 2002. Over 350 organizations have used the tool in the UK since its creation, most of which are UK-based companies listed in the FTSE 350.

It has been argued that the essential features upon which corporations work are the management of risks, transparency of systems, and corporate ethics (Hopkins 2004). The CRI uses a standardized method and question set through which corporations can report on their ethical and environmental performance. It is an instrument and not an entire system; however, it is a successful one. It is a voluntary survey which offers a yearly benchmark of how corporations manage measure and report their corporate responsibility.

BITC defines corporate responsibility as "a company's positive impact on society and the

Corporate Responsibility Index, Fig. 1 The CRI annual cycle (Source: Corporate Responsibility index 2010)

environment, through its operations, products or services and through its interaction with key stakeholders such as employees, customers, investors, communities and supplies.”

complete the survey. All submissions must be signed off at main board level to ensure director-level commitment to the veracity of the responses to the survey.

The annual cycle is shown in Fig. 1.

Key Issues

Details of the CRI

CRI Process

The CRI operates on an annual cycle. Companies submit a large volume of information and documents in support of their submission, and BITC reviews all submissions for consistency and quality. The survey is opened online each year in September. Qualifying corporations (mostly BITC members) are sent an exclusive username and password and have about 2 months to

Scores and Feedback

All participants receive a feedback report explaining their performance and comparing it to their peers and the overall average. Such feedback is designed to promote better management of CSR issues and also comparison of companies against peers and other participants in the CRI. The CRI results are published each year with a media partner, currently the Financial Times. The UK participating companies are listed in an extension titled “Companies that Count” in May or June every year. The names of the participating

companies are not being announced until the results are published. It is the decision of the corporation of whether they wish to announce their participation on their own website or if they desire case studies of their corporate responsibility practices to be submitted for consideration by the Financial Times (Corporate Responsibility Index 2010).

Eligibility

The CR Index is designed for large companies. Typically participants meet two of the three criteria below, although this is not a mandatory requirement (Corporate Responsibility Index 2010).

- Turnover of £250 m
- Assets greater than £125 m
- Greater than 1,500 employees

Sector leaders of the Dow Jones Sustainability Index are also eligible to participate in the index.

Licensing of the CRI

BITC also licenses the CRI, including the following organizations in the following countries:

Australia	The St James Ethics Centre licensed the CRI from 2003 to 2009. Since 2009, some Australian companies have continued to participate in the CRI through BITC.
Greece	Licensed from 2008, the Institute of Corporate Responsibility runs the CRI for Greece-based companies.

While the CRI was licensed to the St James Ethics Centre in Australia, publication of results of Australian companies was with two leading daily newspapers: The Sydney Morning Herald and Melbourne's The Age. The conditions of the contract proposed between St James Ethics Centre and Fairfax (publishers of The Sydney Morning Herald and Melbourne's The Age newspapers in Australia) officially identify an intention to encourage best practice as the main purpose of the implementation. Presumably this was because participants are not likely to be attracted to a "blame and shame" game that has informed other methods to this form of

implementation (Corporate Responsibility Index 2010). Fairfax drew upon information from the broader debate about responsibility and concentrated on the benefits of responsible corporate activity. The approaches used by The Sydney Morning Herald and Melbourne's The Age (Fairfax) follow the media partner approach adopted by BITC's UK experience.

The seventh Australian Corporate Responsibility Index (CRI) Awards were published on May 27, 2010, at the 11th National Business Leaders Forum on Sustainable Development at Parliament House, Canberra. Eligible entrants in the awards included all Australian and/or New Zealand companies that participated in the 2009 CRI in Australia.

The 2009 CRI Award winners in Australia and New Zealand (Aus/NZ CRI) were as follows:

- Best Overall Performance Platinum Award: Energy Australia – for the corporation that has attained the highest overall score in the 2009 Aus/NZ CRI
- Platinum Award Certificate: Australian Broadcasting Corporation and Country Energy – for corporations that have attained a Platinum overall score (more than or equal to 95%) in the 2009 Aus/NZ CRI
- Best Progress Gold Award: PricewaterhouseCoopers – for the corporation that has attained a Gold overall score in the 2009 Aus/NZ CRI and the highest score enhancement between 2008 and 2009
- Best Progress Silver Award: New Zealand Post Group – for the corporation that has attained a Silver overall score in the 2009 Aus/NZ CRI and the highest score enhancement between 2008 and 2009
- Best Progress Bronze Award: Western Power – for the corporation that has attained a Bronze overall score in the 2009 Aus/NZ CRI and the highest score enhancement between 2008 and 2009

The CRI Leaders' Network in Australia includes ANZ, BHP Billiton, Boral, EnergyAustralia, Rio Tinto, Toyota Australia, and Westpac Banking Corporation. In addition, Australian Broadcasting Corporation and Country Energy are entitled to join the CRI Leaders'

Network in 2010. CRI Leaders' Network refers to Australian and/or New Zealand corporations that have accomplished more than or equal to 95% in previous Aus/NZ CRI surveys (PWC 2005).

Details of Greek Companies

Brief History

The CRI was established in collaboration with over 80 leading UK corporations and with UK-based nonprofit organizations.

There has been a tremendously positive response from corporations, investment fund managers and city analysts, pension funds, insurers, government, and the public. Over 100 corporations have participated in the Business in the Community (BITC) Index every year from the time of its establishment. For instance, in 2004, 500 companies were asked to join in. 139 corporations of these finished the index, which represents 14% increase compared to 2003. Essentially the 139 embrace the majority of the biggest corporations in UK (Pricewatercoopershouse 2005). Companies which have achieved Platinum for their global operations are Anglo American, BHP Billiton, British Telecom, Rio Tinto, Tata Consultancy Services, Unilever, and Yum.

CRI Performance Compared to Total Shareholder Return

In October 2008, Business in the Community published research showing that FTSE 350 companies which consistently managed and measured their corporate responsibility as evidenced by good performance on the CRI outperformed their FTSE 350 peers on total shareholder return 2002–2007 by between 3.3% and 7.7% per year. In 2010, further research was published which showed a similar trend (see Fig. 2) (Corporate Responsibility index 2010). That result is in contrast to a negative correlation for TSR for the Dow Jones Sustainability Index and a slightly positive correlation for FTSE4Good Index.

How Does the CRI Work?

The CRI has released corporations with a web-based tool created by Business in the Community, and is protected by a password to every corporation, permitting members to finish the survey online and to download the information that assists their proposals. Corporate strategy, integration, management, performance and impact, and assurance and disclosure are the five main components of the index model. The corporate strategy section observes how the nature of the corporation and its activities impact the corporation's values, how these relate to

strategy, and how they are tackled through its management, development of policies, and responsibilities held at a senior level in the corporation. The integration section observes how corporations make plans for, administer, and incorporate corporate responsibilities all over their operations. This integration is measured in the management section, which checks procedures for supervising various stakeholder relationships. This section embraces the main topics for corporations, and it observes its procedures, objectives, and targets. Community, environment, marketplace, and workplace are included in the four management areas. The performance and impact section engages the corporation's performance across a variety of social and environmental areas. In total, they are six impact areas where all corporations make obligatory reports on two environmental impacts: global warming or energy and transport together and waste management.

Also corporations are asked to choose two social impacts obtained from product safety, occupational health and safety, human rights and the supply chain, diversity in the workplace, and community investment as well as two additional self-selected impact areas that matter to the corporation. The score of the survey is set by summing up the marks of the five sections, as shown in the diagram below where 10% of the total score is awarded to the corporate strategy section; 22% of the total score is awarded to the integration section; 26% of the total score is awarded to the management practice section, including community, environment, marketplace, and workplace management sections; 36% of the total score is awarded to the performance and impact section, including a choice of social and environmental impact areas; and the last 6% of the total score is awarded to the assurance and disclosure section. It should be noted that each management section of community, environment, marketplace, and workplace, as well as each of the social and environmental impact areas, is equally weighted. All this represents a self-assessment process, and every corporation is accountable for signing off its own index findings by CEO or through the board member

handling the corporate responsibility to guarantee director-level dedication to the reliability of the responses to the survey. The index process offers a number of levels of assurance. Business in the Community has worked through a validation process to strengthen the honesty of the index, including checks throughout key stages in the compilation, examination, aggregation, and presentation of information. Once the validation process has been completed by corporations, the results are electronically published by BITC's online benchmarking system, as shown in Fig. 3.

Benefits

Corporations who adopt the CRI as an internal management instrument have discovered that it is very helpful in recognizing how the integration of corporate responsibility offers the opportunity to add value to the corporation. Here are some comments of different directors using CRI in their corporations (bitc.org.uk):

- Mark Johnson, Chief Executive Officer of PricewaterhouseCoopers (PwC), stated that "Corporate Responsibility is an integral part of our business – it is not a sideshow. PwC's corporate responsibility commitment includes our contribution to the community, protecting the environment, creating the right culture for our people and embedding these values in everything we do. The CRI helps us to not only measure our performance but to be transparent in our results."
- Craig Murray, the Managing Director of Country Energy, says: "At Country Energy corporate responsibility is integral to our corporate strategy. The CRI process provides independent and comprehensive feedback on how well we are doing relative to our internal targets as well as to industry best practice. Our progress in the survey has been a pleasing reflection of the company's commitment to corporate responsibility principles."
- George Maltabarow, the Managing Director of Energy Australia, states: "An independent benchmark like the CRI is the best way for a company to truly gauge its performance in key areas like the community and environment. Using the CRI pushes us to improve

year after year and shows our commitment to doing the right thing.”

Consequently, CRI provides the participating corporations with several benefits (bitc.org.uk):

1. It helps corporations improve, execute, and assess their responsible practice and assists corporations in creating a corporate responsibility issues into corporate strategy.
2. By identifying what responsible corporation means in practice, the Corporate Responsible Index helps to set the management and reporting criteria against which corporation will be judged.
3. It challenges whether the corporation is performing its activities in an organized and integrated way and directs companies through the process of integration.
4. It brings various functions in the corporation together to comprehend and manage the key CSR issues for the business.
5. It provides corporations with a practical gap analysis through a confidential feedback report, stressing on parts of great performance and spotting where enhancements need to take place.
6. It is a benchmark that permits corporations to contrast their performance inside and across divisions through tracking their progress over

time, comparing progress to that of industry peers and the wider universe of all other participants, and showing cases and sharing best practice publicly or through the optional “mutual disclosure” tool – companies are ranked and results are published annually in the Financial Times, which reaches 500,000 readers daily.

7. It offers a communication tool with various stakeholders both internal and external, which creates transparency and builds trust. This is achieved by enabling more direct and focused commitment with stakeholders; by regularly assisting stakeholders to understand the corporation such as its operations and the constraints it faces and, on the other hand, assisting the company to understand its stakeholders, for instance, their perceptions and issues of importance; and by also helping in creating trustable and long-lasting relationships.

What Differentiates CRI from Other Indices?

The CRI is the only voluntary, business-led benchmarking index which embraces all corporation divisions and reports on the four basic influence sections of corporate responsibility: community, workplace, marketplace, and environment. The CRI works as a business instrument rather than an investment instrument. Indices that

are applied mainly as socially responsible investment indices include the Dow Jones Sustainability Index and the FTSE4 Good. Other indices concentrate on one influence area, for instance, climate change and community, respectively, such as the Carbon Disclosure Project and the London Benchmarking Group (Corporate Responsibility Index 2010). The main distinctive characteristics that the CRI embraces are:

- It is a voluntary action.
- It is established by business for business.
- Its core focus is on corporate responsibility management, not financial performance.
- It is a self-assessment with third-party validation.
- It has worldwide scope.
- It has verified its value to management.
- It is flexible and responsive where questions are updated including input from participants and reference groups from corporations and society groups.

Other Indices

Other indices exist in other countries, including:

- Dow Jones Sustainability Index
- FTSE4Good
- ESG Index (Egypt)
- CSR Index (Estonia)
- Sustainability Index (Latvia)

Future Directions

Further research could be based on analyzing the experience of a wider list of corporations using the CRI and what value it adds to them compared to other companies.

Cross-References

- Business in the Community (UK+Derivatives)
- Corporate Governance
- Corporate Social Responsibility
- Dow Jones Sustainability Indices
- ESG Index
- FTSE4Good Index
- S&P Index
- S&P/EGX ESG Index

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Corporate Responsibility Maturity

Heiko Spitzack

Doughty Centre for Corporate Responsibility,
Cranfield School of Management, Cranfield
University, Cranfield, Bedford, UK

Synonyms

Corporate responsibility maturity; Developmental corporate responsibility; Evolutionary corporate responsibility

Definition

Corporate responsibility (CR) maturity describes the state of responsible business practices of an organization. Different stages of corporate responsibility maturity are distinguished along an evolutionary/developmental process from basically none to exemplary practices.