Oregon State Bar
Sustainable Future Section

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Corporate Social Responsibility: Making it Meaningful

By Jeff Cronn and Marco Materazzi

The Corporate Social Responsibility ("CSR") movement is a growing trend within the business community to self-monitor and report the impact of business practices on consumers, employees, communities and the environment. Companies throughout the world, from local privately held businesses to global Fortune 500 conglomerates, are continuing to focus more of their attention and resources on CSR and CSR reporting in order to improve social and environmental responsibility, attract business, increase efficiency and enhance long-term strategic planning.

Critics of the CSR movement suggest that the current regime of voluntary CSR reporting may actually be counterproductive, as it enables corporations to appear to be addressing important issues without actually doing so. While there is no doubt some truth to this, we think we are seeing an evolution in CSR and CSR reporting, moving from a primarily reactive response to public relations issues (e.g., supply chain scandals and environmental disasters) to a more proactive process that is part of company culture up to top level management. Perhaps unsurprisingly, we think the primary reason for this is a now more widely acknowledged understanding that a holistic approach to business practice actually improves long-term business performance and profitability.

Potential business benefits of CSR reporting are readily apparent:

Marketing. Consumers are increasingly more likely to choose products from socially responsible companies, providing a strong marketing incentive for businesses to embrace CSR. The same is true for companies which offer their products and services to other businesses. As more scrutiny is placed on large companies, like Apple and Nike, to have responsible supply chain practices, they are more likely to do business with companies that engage in and can demonstrate a concern for CSR and accurate CSR reporting.

Cost Savings. Reducing waste, increasing energy efficiency and using less water are all examples of activities that are not only good for the planet, but also for a business's financial bottom line.

Risk Management. Companies may be able to avoid costly and damaging public relations crises and litigation by taking a pro-active role in monitoring and reducing the adverse impacts of their operations.

Enhanced Strategic Thinking. CSR practices can lead to a focus on longer-term issues that may not be a priority from the perspective of short-term financial reporting (e.g., rising energy costs, the possibility of carbon regulation, competition for natural resources, demand for better work place conditions, demand for equal access to economic opportunity and others). These issues may not affect business performance in the immediate term, but addressing them now will likely lead to better long-term business performance.

So what CSR reporting practices are being adopted by leading businesses? Global companies like GE, Intel, Coca-Cola and many others regularly produce detailed reports on their environmental impacts, supply chain practices and other impacts of their operations. These reports often extend to hundreds of pages and follow detailed and comprehensive third-party reporting standards analogous to the SEC's financial reporting requirements. But a company does not need to

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have a billion dollar balance sheet and a team devoted to CSR and CSR reporting in order to engage in these activities. Companies of all sizes and industries are effectively engaging in CSR and CSR reporting. In Oregon, this reporting follows from the requirement that Oregon benefit companies prepare and deliver a "benefit report" to each equity holder and post it on a publicly available website. The benefit report is like a CSR report but describes the extent to which the benefit company provided the general and any specific public benefit as provided in the statute and met or exceeded the identified third party standard.

We've found that good CSR reporting practices have the following common elements:

- Identification of goals. A clear expression of what the company is trying to achieve, such as economic goals (e.g., integration of CSR into business strategy, product development, innovation); environmental goals (e.g., reduction of waste, reduction of carbon emissions, reduction of energy use); social goals (e.g. employee health and safety, living wage, diversity, community investments).
- Identification of audience and stakeholders. An understanding of the stakeholders to whom the company is primarily speaking (consumers, investors and funding sources, employees and potential employees, community and social activists), and the reasonable expectations and interests of these stakeholders.
- Establishment of the baseline. A frank and balanced assessment of the company's current performance. Establishing an accurate baseline allows a company to better report its progress (or lack of progress) in achieving its goals.
- Collection and measurement of data. Systematic data collection and analysis is more compelling and meaningful than mere anecdotes.
- Application of a third-party standard. Use of a third-party standard helps make reports accessible and comparable between companies and across industries. The current leading standards are now being used primarily by larger publicly traded companies; however, newer standards more suitable for smaller companies are emerging.
- Regular reporting. High-quality CSR reports are balanced, accurate and released on a timely basis. Some companies are now also moving towards continual, web-based reporting, rather than the production of one annual comprehensive report.

Whatever you think of the efficacy of CSR and CSR reporting, there can be little doubt that it is here to stay. We remain optimistic that the trend towards increased voluntary CSR reporting, coupled with newly emerging reporting standards, a trend towards mandatory reporting in several areas (like conflict minerals and forced labor) and the proliferation of benefit company legislation, will result in a "race-to-the-top" that will lead to more responsible, transparent and sustainable business practices that improve long-term business performance.

Jeff Cronn is the Chair of Tonkon Torp's Business Department and Marco Materazzi is a Senior Associate in the Business Department. Both Cronn and Materazzi have practices that emphasize mergers and acquisitions, and a range of corporate and business matters. They also played an active role in crafting Oregon's recently enacted Benefit Company legislation.