indicators that count

social and environmental indicators –
a model for reporting impact
members of the Business Impact Review Group

BAA
BUPA
Cap Gemini Ernst & Young
Carillion
Coca-Cola GB
CIS
Flag

GUS
HBOS
Jaguar
EDF Energy
(formerly London Electricity Group)
Marks & Spencer
Nestle

Orange
Powergen
Sainsbury’s Supermarkets Ltd
Severn Trent
Thames Water
United Utilities
Zurich UK

winning with integrity – principles

Responsible business practice must rest in principles integrated into the business and managed throughout its operations. Business in the Community has set out its principles for responsible business practice as:

• To treat employees fairly and equitably
• To operate ethically and with integrity
• To respect basic human rights
• To sustain the environment for future generations

These principles underpin Business in the Community’s corporate responsibility initiatives.

Business in the Community is a unique movement in the UK of 700 member companies. Our purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society. Together our member companies employ over 15.7 million people across 200 countries. In the UK, our members employ over 1 in 5 of the private sector workforce.

Our members commit to:

• Integrate responsible business practice throughout their business
• Impact through collaborative action to tackle disadvantage
• Inspire, innovate and lead by sharing learning and experience

Business in the Community works globally to support its members through its partnership with the International Business Leaders Forum. In Europe we are the national partner of CSR Europe and we currently chair the CSR Europe national partner network.

Nationally we co-ordinate the All Party Group on Corporate Social Responsibility which has 131 members across both the Houses of Parliament.

Further information about Business in the Community can be found at www.bitc.org.uk.
This report offers businesses an insight into the practical issues involved in measuring and reporting social and environmental performance. There is little doubt that many companies are now actively addressing this challenge.

For some, corporate responsibility is already a source of competitive advantage; for others, it is an important response to the growing demands of key stakeholders. Either way, it looks likely that reporting on social and environment performance as part of the Operating and Financial Review will become a requirement for all large UK companies in the near future as part of the Government’s proposals to modernise company law¹.

The reporting framework tested by this initiative offers valuable learning in anticipation of these proposals. It builds on the Winning with Integrity framework developed by Business in the Community members, road testing the framework in practice, not only by reporting publicly against each of the performance indicators but also doing so for companies of different sizes and from different industries.

The outcome is that those participating in the Group recognise now more than ever before that the benefit of active reporting goes way beyond the obvious reputational credit to be gained from a more open and balanced dialogue with stakeholders. Their experience and that of other companies is that the discipline of reporting, and the processes required to do so, creates a shared understanding around the board table and the organisation as a whole of the central role that corporate responsibility issues can play in determining their success.

It is this realisation, not the threat of regulation or prescription, that is driving the business community to put corporate responsibility high on the strategic agenda.

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¹In July 2002 the Government published its White Paper ‘Modernising Company Law’ responding to the final report of the Company Law Review. In its White Paper the government gave support to the recommendation that UK companies over a certain size or threshold should be required to prepare and publish an Operating and Financial Review (OFR) including material items relating to social, community and environmental performance.
This report covers the work and findings of the Business Impact Review Group between June 2001 and June 2003. The Group, consisting of 20 Business in the Community member companies, addressed the question ‘Can we arrive at a set of tested indicators to measure social and environmental impact relevant to all businesses and suitable for public reporting?’

As part of this exercise, each company made a commitment to work towards reporting publicly using the Winning with Integrity framework on a reporting website developed for the initiative. This reporting remains in place as a learning resource for other companies applying the indicators to their reporting process.

- The Group found that collecting and submitting data to Business in the Community provided internal leverage in collecting and reporting data, resulting in a marked improvement in their own Corporate Responsibility management and reporting.
- Not all issues are materially important to all companies. Management and reporting of corporate responsibility issues is improved by focusing on those items of significance to the business or industry sector in question.
- The Winning with Integrity (WWI) reporting framework has proved to be robust and comprehensive. It is certainly one of the best tested reporting frameworks currently available but it is not the last or only word in reporting. There are considerable merits in others’ approaches to reporting e.g. Association of Chartered Certified Accountants (ACCA) and the Global Reporting Initiative (GRI) and most companies will wish to select from the total universe of possible indicators rather than just rely on one source.
- Not all impact measurement and reporting can be reduced to ‘numbers’ and even quantitative measures frequently need to be put into context with qualitative statements.

The Group’s starting point was the reporting framework ‘Winning with Integrity’ (November 2000). This was the work of a business led task force drawn up after extensive consultation. It set out the indicators in a framework based on impact areas and progression levels.

The Group tested the usefulness of the indicators for internal and external reporting purposes within their own companies and met regularly to share experience and exchange knowledge.

Each company undertook to work through the indicator set with a view to publicly reporting their data. A reporting website within the Business in the Community website was established in the first year of the project to publish the data. This facility allowed companies to present data graphically, at low cost and with the security that they were reporting in a common format with others. Internally it provided a project goal and a focus for resolving questions about disclosure.

Each company made an initial assessment of data sources, and the issues around measuring and disclosing particular indicators. There was consensus that a few indicators were neither useful nor manageable, and these were dropped from the set. One notable omission in respect of health and safety was added.

These changes are listed under ‘Revisions to the indicator set and framework’. A template was developed for collecting and submitting data to Business in the Community for publication on the reporting website. The website was structured to carry ‘core’ data relating to the company as a whole and to allow the company to break this down to make it more meaningful e.g. by different business units or geographical location.

The Group was made up of company representatives tasked with developing the company’s social reporting – already well developed in some companies and at an earlier stage for others. The range of job roles included environmental management, community affairs, corporate social responsibility and public affairs.

- EDF Energy has used the framework as the basis of corporate responsibility reporting, adding some metrics from GRI and other areas important to our business. We broadened our reporting from environment and health & safety to corporate responsibility in 2001 using the four Business in the Community impact areas.
- Marks & Spencer
  - www.marksandspencer.com
- Visit www.bitc.org.uk/corporate-impact for examples of how companies have reported against these indicators.
learning and issues

Useful in guiding our approach to data gathering, and helped us to develop a dialogue with the owners of all our relevant internal data, so that completion of the Business in the Community, DJSI and FTSE4Good surveys is becoming easier. Our first CSR report was aimed primarily at our employees but also used at a seminar for our top 25 investors and distributed through branches for interested customers.

HBOS
www.HBOScr.com

Learning and issues

In applying the indicators some common questions helped the process and some common issues emerged.

Putting certain information into the public domain was identified by different members of the Group from different sectors to be a crucial issue and one that they could not always easily overcome. The problem was often tied to considerations about commercial sensitivity. For example, companies in the Retail sector identified ‘Workforce Turnover’ as being a useful indicator for internal management purposes but one that they were reticent to put into the public domain because it would give competitors information that might work against the interests of the company. Similarly, for companies in the Financial Services sector, ‘Customer Satisfaction’ was deemed highly sensitive and therefore is not an indicator often used in public reporting. However, an organisation’s relationship with its customers in a corporate responsibility context is seen as a legitimate, if challenging, topic. Business in the Community has identified ‘marketplace’ issues as a key area for development in the coming year.

Concern about the robustness of data was an issue, particularly for those indicators that were focussed on social rather than environmental issues. Concerns were often tied to the fledgling nature of most management information systems that for most companies are still unproven. In many instances, companies spent much time making the internal business case as to why certain functions or departments should collect specific data. Concerns over the robustness of the data were understandably heightened by the prospect of putting such information into the public domain, which in turn placed renewed importance on the level of underlying assurance.

As companies started to put data on the Business in the Community website further consideration was given to the question of assurance and a number of tests were proposed, also reflecting the thinking of the Corporate Responsibility Index.

Prior to publishing impact data it was recommended that a senior manager should be able to confirm that there is a:

- Clear reporting requirement for business units to generate acceptable data for each of the indicators
- Method or system in place for reporting back information on the indicators
- Competent and authorised person has checked and signed-off that the indicator information is correct
- Review process is in place so that the assurance process and its effectiveness is tested by an independent internal group audit or third party.
Early on in the work of the Group, companies concluded that different data sets met different reporting requirements for different audiences. There are internal audiences – management and staff – and a whole array of external audiences who have different interests in the company. Centralised aggregated data was often useful for reporting to senior management who wanted complex issues distilled into a small number of indicators that could show improvement overtime; and this kind of information was also useful for published reports. But equally valid was data at a business unit or strategic business unit level which is more useful for local audiences (e.g., within a location) and is more actionable.

Discussion about the usefulness of aggregated data versus disaggregated data highlighted the distinction between reporting for internal performance management purposes and reporting for the purpose of external communication.

For the majority of the Group, the data reported was predominantly for their UK operations only, although a few were able to include indicators which covered their overseas operations as well. It was recognised early on in the work of the Group that globally applicable indicators would remain an outstanding challenge in most cases, given the many local differences that exist across international organisations. For example, in the practice of collecting workforce diversity data, the business case in the UK is well established but different conditions apply internationally.

The difficulty of getting like-for-like information was identified, making it difficult to compare across sectors and even within sectors. This re-affirmed the importance of putting data into context with additional narrative to help people understand what the figures represent. This was especially true for social impact areas.

In terms of the indicators themselves, the Group were asked to determine usefulness and measurability through a survey process. Those found useful and straightforward to measure by the majority are presented in the next section as ‘Core’ and those where there was less consensus are presented as ‘Specific’.

A few indicators were dropped from the set after initial review. The absence of a health and safety indicator was noted and the group added under:

- **Workplace**: Number of recordable health and safety incidents (fatal and non-fatal) including sub-contractors

The indicators dropped were:

- **Marketplace**: Perception of the company as a desirable commercial partner
- **Extra sales gained attributable to social policy/cause related marketing**

- **Environment**: Positive and negative media comment about environmental activities

- **Community**: Positive and negative media comment on community activities

GUS has used many of the indicators to help standardise CSR reporting across its divisions, and has appreciated the chance to work with other leading companies in CSR reporting.

The community indicator below was dropped because it duplicated another.

The following indicators were dropped after the evaluation process:

- **Marketplace**: Customer retention
- **Community**: Estimated combined value of staff company time, gifts in kind and management costs
- **Human rights**: Upheld non-compliances with domestic human rights legislation
- **Wage rates**
- **Progress measures against adherence to stated business principles on human rights as stated by UK law and international human rights standards**
Involvement in the initiative has been very useful in the development of our use of appropriate sustainability indicators across the areas upon which we report.(

**POWERGEN**
www.powergenplc.com

The original Winning with Integrity framework presented the indicators under the five impact areas of workforce, marketplace, environment, community and human rights, with the indicators arranged in three levels:

- **Level 1** – companies just beginning to measure progress
- **Level 2** – companies wishing to move beyond a basic commitment
- **Level 3** – companies aiming at further improvement of their performance

  - The consensus emerged that there was no added value to reporters in having the indicators presented under levels and that in many instances it was more straightforward to report on the perception measure indicators in level 3 than the quantified indicators in level one.
  - The decision was taken to report human rights indicators under the impact area headings of workplace and environment, instead of a separate heading, in keeping with the Corporate Responsibility Index structure.

A key conclusion of the Group is that the management and reporting of corporate responsibility is enhanced by focusing on the most important topics for the business in question rather than simply aiming for breadth across all indicators. Critical to the debate on significance and materiality are therefore the process that a company uses to make such judgements and, of course, to whom the item is being judged to be significant or material.

The starting position for the process is the revised set of indicators set out in this report. From this list, each company should determine what items are likely to be of sufficient significance to its operations to be worth measuring. In doing so it should have regard to (a) its vision, values and objectives, (b) the risks and opportunities to the business associated with its environmental and social footprint and (c) the views of shareholders and other key stakeholders.

The list of significant items will differ between companies and between industry sectors. Critical to this differentiation is not only the nature of the business but also the nature and influence of the various stakeholders of the business. Engaging with key stakeholders is thus a critical part of the feedback loop between one report and the next. It will, for example, help determine what indicators should be added and which should be removed from the reporting set. This process is illustrated in the following model.

To illustrate how this might work in practice, different approaches used by three members of the Group are as follows:

- One company determined significance primarily by considering the extent to which an indicator influenced employee advocacy (measured by reference to employee surveys and focus groups)
- Another company based its approach on stakeholder mapping which comes from the model developed by the World Business Council for Sustainable Development
- Finally, a third company adopted a sustainability model which maps the key performance indicators (KPIs) against core business activities and business objectives. The most significant of these indicators form part of the senior management team’s incentive arrangements.
The framework identified gaps in our own suite of performance measures relating to workplace and inspired development of group-wide workplace measures. This work helped bring the issue of workforce diversity and potential Human Rights aspects of the supply chain onto the Board agenda.

Sainsbury’s has used the learning from the Group to help pull together its CSR activity and to widen its social reporting across the following stakeholder groups: Shareholders, Colleagues, Suppliers, Environment, Community, and Consumers.

The model above encourages companies to report using all of the indicators from the ‘core’ set of indicators where possible and if appropriate to draw from the indicators listed under ‘specific’. See revised indicator set.

The indicators determined by the company to be significant would, ordinarily, form the set of indicators used for internal management reporting and for external reports. Importantly, external reporting must also answer the question ‘to whom is an indicator significant or material?’. In this context, ‘Corporate Responsibility’ reports will tend to have a broad audience and hence will lend themselves to more extensive reporting. In contrast, the future requirements of the Operating and Financial Review are likely to be narrowly focused on the materiality of an indicator to shareholders directly, or indirectly as a result of the significance of the indicator to an influential stakeholder (e.g. employees, customers, local community, etc).

An observation drawn from the Group’s work is that at present stakeholders are, in general terms, no better informed as to which indicators might be significant or material than the company itself. This simply serves to heighten the importance of a regular dialogue between companies and their key stakeholders.
## Revised Indicator Set

### BASIC

#### Marketplace
- Customer complaints about products and services
- Advertising complaints upheld
- Upheld cases of anti-competitive behaviour
- Customer satisfaction levels
- Provision for customers with special needs

#### Environment
- Overall energy consumption
- Water usage
- Solid waste produced by weight
- Upheld cases of prosecution for environmental offences
- CO2/greenhouse gas emissions
- Other emissions (e.g., Ozone, Radiation, SOX, NOX etc.)
- Net CO2/greenhouse gas measures and offsetting effect

#### Workplace
- Workforce profile by Gender
- Workforce profile by Race
- Workforce profile by Disability
- Workforce profile by Age
- Staff absenteeism
- Number of legal non-compliances on health and safety and equal opportunities legislation
- Number of staff grievances
- Upheld cases of corrupt or unprofessional behaviour
- Number of recordable incidents (fatal and non-fatal) including sub-contractors
- Staff turnover
- Value of training and development provided to staff
- Perception measures of the company by its employees
- Existence of confidential grievance procedures for workers

#### Community
- Cash value of company support as % of pre-tax profit
- Individual value of staff time, gifts in kind and management costs

### SPECIFIC

#### Marketplace
- Complaints about late payments of bills
- Average time to pay bills to suppliers
- Proportion of suppliers and partners screened for human rights compliance
- Proportion of suppliers and partners meeting expected standards on human rights
- Perception of the company’s performance on human rights by its customers
- Proportion of company’s managers meeting the company’s standards on human rights within their area of operation
- Perception of the company’s performance on human rights by its employees

#### Environment
- Use of recycled material
- Percentage of waste recycled

#### Workplace
- Pay and conditions compared against local equivalent averages
- Workforce profile compared to community profile for travel to work area for gender, race, disability and age
- Perception of the company’s performance on human rights by its employees

#### Community
- Perception of the company’s performance on human rights by the local community

### ADVANCED

#### Marketplace
- Social impact, cost or benefits, of the company’s core products and services

#### Environment
- Environmental impact over the supply chain
- Environmental impact, costs or benefits of companies core products and services

#### Workplace
- Impact evaluations of the effects of downsizing, restructuring etc.

#### Community
- Impact evaluations carried out on community programmes
- Perception measures of the company as a good neighbour

### ADVANCED

#### Marketplace
- Customer loyalty measures
- Recognising and catering for diversity in advertising and product labelling

#### Community
- Project progress and achievement measures
- Leverage of other resources
The table below shows overlap with the Global Reporting Initiative (GRI) and the Corporate Responsibility Index.

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<thead>
<tr>
<th>BUSINESS IN THE COMMUNITY CORE INDICATORS</th>
<th>GRI</th>
<th>CR INDEX</th>
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| **ADVANCED**                               |       |          |
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| Social impact, cost or benefits, of the company’s core products and services | ✔     |          |
| **Environment**                            |       |          |
| Environmental impact over the supply chain | ✔     | ✔        |
| Environmental impact, benefits or costs, of companies core products and services | ✔     | ✔        |
| **Workplace**                              |       |          |
| Impact evaluations of the effects of downsizing, restructuring etc | ✔     | ✔        |
| **Community**                              |       |          |
| Impact evaluations carried out on community programmes | ✔     | ✔        |
| Perception measures of the company as a good neighbour | ✔     | ✔        |
next steps

Zurich UK adopted the Winning With Integrity framework structure (marketplace, workplace, community and environment) to define its CSR priorities, and now regularly communicates targets and progress both internally and externally.

ZURICH
www.zurich.co.uk

A major factor in helping us bring about continuous improvement in our reporting has been the influence of Business in the Community’s Winning with Integrity reporting framework. Our CSR initiative has also won us a number of awards, including being shortlisted in the Business in the Community’s Award for Excellence 2003.

CARILLION
www.carillionplc.com

As an SME in the initiative we found the process straightforward. It also helped us highlight useful statistics, such as an excellent client retention rate, that help us to sell our services. Secondly, the data was useful in the preparation of our own CSR report and entry for Business in the Community’s Awards for Excellence. We’re delighted that we have been awarded a Big Tick for the second year running.

FLAG
www.flag.co.uk

Being a founder member of the Group was very useful for us on our path to being a good Corporate citizen. As a B2B services organisation our challenges are different from other members yet BIRG allowed us to be part of a learning experience that we may not have had otherwise.

CAP GEMINI ERNST & YOUNG
www.cgey.com

This report marks the conclusion of the work of the Business Impact Review Group and provides a springboard for wider engagement with business. Business in the Community members commit to integrating responsible business practice throughout their business and will find much to learn from the experience of this Group. The learning is highly pertinent to companies aiming to prepare an Operating and Financial Review which is likely to be mandatory for the 1000 most economically significant companies in the UK.

Building on the past two year’s work, Business in the Community will:

- **Recommend the revised set of indicators** to members and will encourage them to adopt them as part of their reporting process and progress towards achieving their membership commitment. As part of this, this report will be disseminated to all 700+ members.

- **Establish a Reporting Development Group** from existing Group members and other member companies. The group will support Business in the Community staff to deliver and steer our work on reporting as we move forward.

- **Take the detailed learning that underpins this report as the basis for establishing a Learning Network** for our members. The Learning Network will enable Business in the Community to move from depth to breadth – to shift our focus from detailed work with just 20 companies to a wider engagement with all our members. The Network will support Business in the Community members with technical and communication aspects of social and environmental reporting. It will provide learning events, briefings, peer group networking to address specific reporting topics.

- **Expand use of the members pages and other facilities on the Business in the Community website** to inform and engage companies in making reporting progress. A key step will be to place renewed focus on case study profiles on the web and to provide regular statistical updates on members reporting activity.

- **Maintain the reporting website at www.bitc.org.uk/corporate-impact as a learning resource for companies showing how the Business Impact Review Group members have measured and reported using the recommended indicators.**
Business Impact Review Group members

Business in the Community is a unique movement in the UK of 700 member companies. Our purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.

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