



**Board Perspective**  
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# Board Perspective

- Growing importance – can't be ignored
- Business case essential + heart
- Risk → opportunity
- Reputation & Brand
- Ultimate competitiveness



# Governance – BT Trends

- Greater BT Group plc Board interest in CSR activities
- A convergence of Group & CSR risk analysis
- Closer relationships between financial and non-financial reporting
- Improved co-ordination of CSR implementation activities
- A consolidation of the CSR processes related to reporting, measures and targets
- A well defined business case for CSR
- Move of the central CR team from Group Communications to Group Secretary

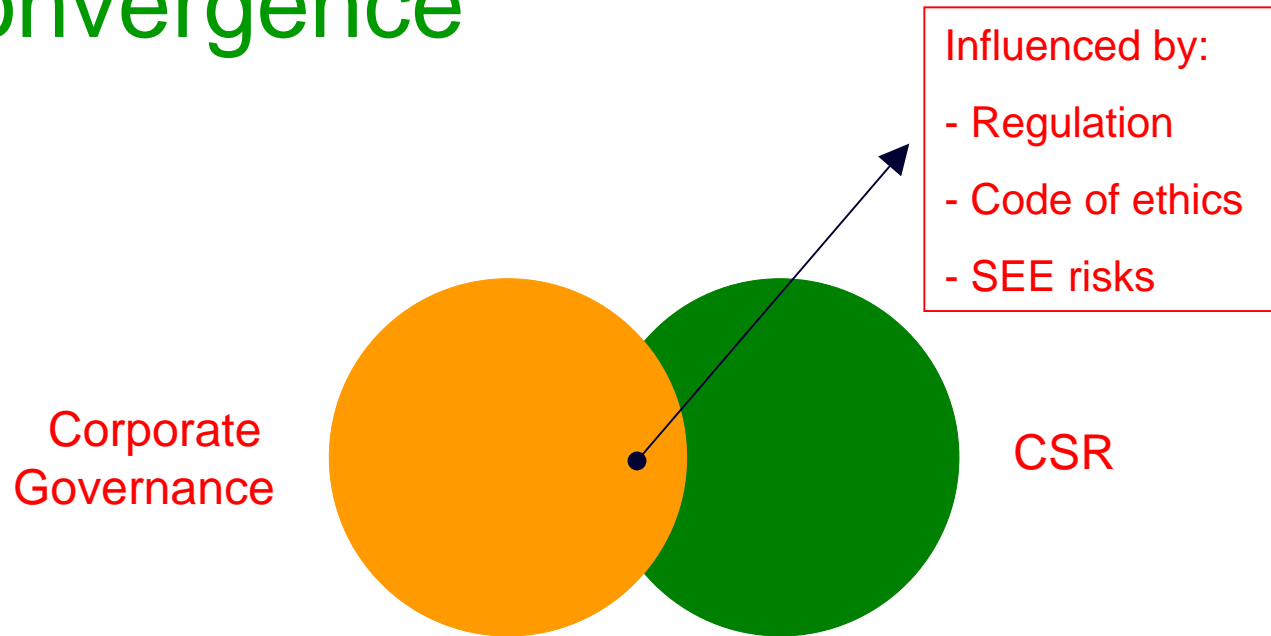




let's make a  
**better**  
world

**Thank you**

# “Convergence”



→ CSR is becoming increasingly embedded in traditional corporate governance – influenced by ethics, regulation & SEE risk management



# THANK YOU

- Interviewees:

Aviva, Vodafone, Centrica, British Airways, BG Group, British Telecom, Qinetiq, BP, Unilever, Diageo, GSK, Marks and Spencers, O2, Lloyds TSB

- Expert advice:

Tomorrow's Company, Henderson Global Investors, Sustainability, Insight Investment, Sharedview, F&C Asset Management



# Research methodology

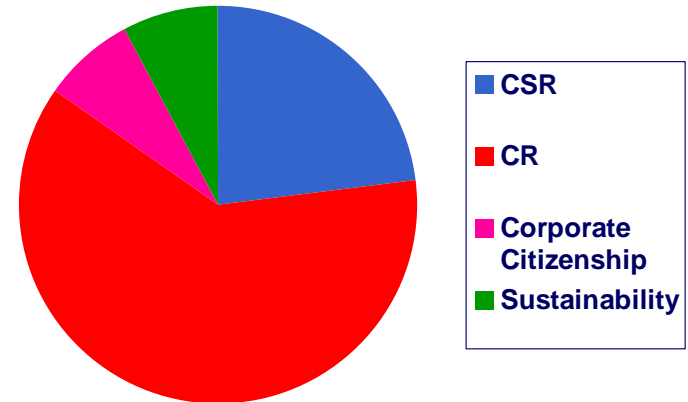
- Research question: how are UK FTSE 100 companies building CSR into traditional corporate governance?
- Why this topic?
  - - Contribute to debate
  - - In BT corporate governance and CSR under CoSec
  - - Corporate governance & CSR are “hot topics”
- UK FTSE 100 companies: in-depth (face to face) interviews with CSR and / or Corporate Governance managers
- Desk-based research of corporate websites, C(S)R reports, consultants’ reports and NGO publications
- Analysis of interviews, draw conclusions and make recommendations

→ Build theory and management recommendations from research data



# Definitions & drivers: CSR

- Definition is “semantic soup” of terminology – most interviewed companies are using ‘corporate responsibility’
- CR reflects broad definition on doing a company’s core business responsibly



*‘CR is about operating responsibly when you are trying to make a profit and deliver value for shareholders’*

- Drivers are reputation and trust – stakeholders as key audience

*‘Creating the right conditions for our employees optimises their performance. This helps raising levels of trust between the customers and our organisation – helps improve our reputation which in turn leads to improved shareholder returns’*



# Definition & drivers: corporate governance

- For corporate governance Cadbury definition less in favour with interviewees because too narrow – does not ‘give a purpose for governance’

*‘Corp gov is a framework of rules and behaviours which the employees of a company follow or use to meet the obligations and expectations of all stakeholders’*

- Driver is (long term) shareholder value – activities centred around compliance but ‘good governance’ seen as a broader concept

*“If you make it a matter of compliance only you end up devaluing the concept  
Good governance is a very broad and holistic concept”*



# Organisational structure

- In two-thirds of the interviewed companies the CSR function sits within the comms or corp affairs department. The rest reports directly or indirectly to CoSec

- For most companies it is not about 'where it sits' but about 'what it does'

*"I cannot get too hung up about where it is sitting provided there is a good engagement by the business and across the business"*

*"We do not believe in a specific CR department – it is part of everyone's job. If it is an add on it is worth nothing"*

- When part of CoSec area a number of respondents felt that it was the best place to carry out the CSR function ('neutrality' and 'credibility')



→ The ultimate goal is to get CSR embedded within functional units so that it becomes BAU



# CSR governance reporting

BT Partners

- Two-thirds of the CSR reports include a section on CSR governance – although most reports lack specifics on:
  - what SEE risks are and how the risks processes work
  - ToR for CSR board committee
  - what is discussed in CSR forum
  - level of visibility of CSR issues and risk register for board (other than annual sign off report and ad-hoc issue management)

→ Reporting on “CSR governance” lacks detail



# Risk management

- Manage risks in accordance with the guidance of the Turnbull Committee (1999)
- All the companies interviewed had CSR risk registers - discussed and updated at least every six months. The SEE risks are (pro-actively) discussed with SRI

*'For a lot of companies SEE risk management is more fire fighting than prevention'*

- SEE risk management channelled through the C(S)R committee / forum – but not always enough board visibility of the risk register
- Not sufficient clarity on what info on SEE risks & performance SRI analysts need

*"There is a danger that SRI analysts' focus on SEE issues is to the detriment of actual business performance"*



→ SEE risk management is well established



# Board engagement

- In all companies board approves C(S)R report and discusses ad-hoc issues on more frequent basis – but who decides what CSR issues will reach board level?
- All interviewed companies have a CSR forum (meets between 3 and 6 times p.a.) – terminology, composition and responsibilities differ
- 50% have set up a specific board committee (which forms part of the corporate governance framework) – two consisting entirely of independent NEDs – with following ToR:
  - - annual review of CSR strategy (incl sign off CR report)
  - - annual (or half yearly) review of code of conduct / ethics
  - - ad-hoc issue management
  - - regular review of SEE risks

*'Our board deals with the CSR agenda in the same way as it considers risk management and financial accounting issues  
This all falls within the way a business needs to be conducted'*

→ Over the past years more formal governance structures around CSR have been developed



# Conclusions & recommendations for debate

- There is greater alignment between governance & CSR reflected in focus on maximisation of 'long term' shareholder value (Company Law Review)
- It does not matter where the CSR function sits – it matters what the company does
- CSR reporting has increased but reporting on 'CSR governance' is insufficient
- More formal CSR governance structures have developed (e.g. board committees) but lack of benchmarking standards / guidelines
- Not sufficient clarity on what info on SEE risks & performance SRI analysts need

