UK corporate citizenship in the 21st century

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Summary of key points

What is the private sector’s role in society? Does it extend beyond creating employment, providing goods and services, and generating profit for shareholders?

This briefing paper outlines the history of its wider role, referred to here as corporate citizenship, and, bringing together a new analysis of corporate giving data, focuses specifically on the ways in which UK-listed companies currently support the communities in which they operate. The key findings are:

- Corporate donations to UK charities are estimated at around £1.6 billion annually.
- Cash donations make up around 70% of the top companies’ community support portfolios to good causes and charities in the UK, with the rest being in-kind: eg donations of goods and services, specialist pro bono contributions and employee time.
- Donations to good causes and charities in the UK from the top 300 UK-listed companies are estimated to make up around 70% of their overall worldwide community investment portfolio (excluding major product donations\(^1\)) with the remaining 30% going to causes around the world.
- Corporate donations by the top givers to UK charities fell by 4.3% in real terms between 2007/08 and 2008/09.
- Donations to communities around the world fell by 1.4% over the same period (excluding major product donations\(^2\)), and picked up slightly by 0.7% in 2009/10.

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\(^1\) Including major product donations in the calculations means that cash makes up around 40% of the overall contribution.

\(^2\) Including major product donations in the calculations means that worldwide community contributions grew by a real-terms 13.1% over the same period.
One trend which seems to have been accelerated by the ongoing recession is a shift away from cash donations to in-kind giving.

Healthcare and pharmaceutical companies are the top corporate givers; when the large product donations of these companies are taken out of the equation, however, the financial and mining sectors dominate.

Reporting of corporate giving is highly variable, with relatively low take-up of any one standard measure, making accurate assessment of the complete picture difficult.

Research evidence suggests that companies with a more social focus do better business in the long run and could help in recession-proofing those good corporate citizens.

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What is corporate citizenship?

There are those both inside and outside the private sector who believe that companies have a wider role to play in society, and that a good corporate citizen has the same fiscal, environmental and social responsibilities to the communities in which they operate as individuals do. In the UK, legislation has been introduced in recent years requiring companies to report on social and environmental issues, but this paper is mainly concerned with the less-well regulated area of corporate social responsibility (CSR) – which generally manifests itself in relationships between companies and
charities and community groups – and with the support which companies provide to them in the form of corporate community investment (CCI), both cash and in-kind gifts.

Corporate social responsibility (CSR)

‘Today CSR has developed into a new paradigm for business. Companies are moving away from simply mitigating potentially negative social and environmental impacts. They are now thinking about how they actually do business and how they can change their business models to better understand their interaction with wider society. For a growing number of companies, CSR is fundamentally changing the way they operate.’

N Amos (2009) ‘Growing a Socially Responsible Business’

CSR is one of the more common terms used to describe this wider role that businesses can play in society. Other related terms include: ‘corporate social performance’, ‘sustainable responsible business’, ‘corporate social profitability’ and ‘corporate philanthropy’. The existence of so many different ways of expressing the relationship between business and social welfare, and the lack of a single and comprehensive definition of corporate citizenship, can present an extra obstacle in all sides’ understanding and expectations when dealing with companies investing in charities and community groups to benefit wider society.

The Guide to UK Company Giving (DSC, 2009 and 2011) suggests that the ideal CSR model should allow a company to assess its impact on society, with measurable targets where possible. It should facilitate the monitoring and review of its ethical, environmental, health and safety procedures, employees’ welfare and the effect that carrying out its business has on customers, suppliers, stakeholders and communities.

Corporate community investment (CCI)

Corporate community investment (CCI) is a term often used by the voluntary and community sector to describe the contributions (both cash and in kind) they receive from companies to make a difference in their communities. CCI is the more easily measurable part of CSR and is often therefore used as a proxy for it. CCI has seen an incremental growth in the UK over the last two decades. It has also, in many cases, moved from a marginalized philanthropic function to a more central business activity.

The challenges of measuring corporate contributions

Given the lack of consensus in definitions of CSR and CCI, it is not surprising to find similar difficulties and differences in measuring these concepts.

The main types of CCI are:

- **Cash donations** Monetary gifts, with or without strings.
- **Payroll giving** A fundraising mechanism which enables employees to donate to charities through the payroll from their pre-tax earnings, thereby gaining a tax-break.
- **Matched giving** Corporate matching of employees’ donations of time or money to charity.

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3 See Appendix 1 for a brief history of corporate citizenship and CSR.
In-kind support  A variety of non-cash contributions of goods or services (eg computers, meeting space, tax advice).

Partnerships  More long-term arrangements where charities share their strategic objectives with a corporate and gain general support, not just for specific projects.

Employee fundraising  Informal or formal ‘adopted charity’ fundraising projects led by employees.

Cause-related marketing  A commercial partnership between charity and corporate to market an image, product or service for mutual benefit.

Secondments/placements  Opportunities for staff of either corporate or charity to live in each other’s shoes for a period and ‘give and learn’.

Employee volunteering  One-off team-building events and ongoing volunteering arrangements for staff to give their expertise as services which charities might otherwise have to pay for, such as legal advice, web design or marketing.

Mentoring  Wisdom and experience of corporate staff passed down to charities.

Despite the existence of a number of schemes and guidelines encouraging better reporting, data in this area is still poor and difficult to collect. This is partly down to the plethora of non-cash contributions, which appear to be on the increase. Contributions such as employee time, expertise, facilities, mentoring, equipment and products are difficult to value accurately. Additionally, companies may devote resources to identifying needs, responding effectively, assessing impact and developing partnerships, and the cost and value of such extra programme management activities are hard to measure.

Companies increasingly report a combined cash and in-kind giving figure, and their figures sometimes also include forms of giving which are arguably not company giving at all, for example fundraising by employees, payroll giving by employees and collections from customers. In addition to this, there is an increasing tendency, particularly for pharmaceutical companies, to make large product donations. Large product donations pose a number of difficulties, not least of which is that it is hard to put a value on products which may or may not have the same value in the communities to which they are donated, and which may be valued at cost or market price.

These difficulties in measurement make it problematic to estimate company giving (CCI). There are two main ways of approaching estimates: measuring donations at source or at their destination. The National Council for Voluntary Organisations (NCVO), for example, uses figures from a sample of UK charities’ annual returns to estimate the total value of CCI, and publishes this in their biennial *Almanac* (NCVO, 2012). This sample-based methodology cannot hope to capture every corporate gift, and there are obvious drawbacks to it. On the other side of the coin, making comprehensive estimates by gleaning the data from companies’ own reports can be just as tricky, although this does allow a listing of the top corporate givers for annual comparison purposes.
The top UK corporate giving lists

The most inclusive analytical listings of the top few hundred corporate donors are currently supplied by the Directory of Social Change (DSC, 2009 & 2011) and by CaritasData (CGAP/CaritasData, 2010 & 2011), in conjunction with the Centre for Charitable Giving and Philanthropy (CGAP). Between them, these two sources probably capture around 80% of the total value of the UK-based and worldwide community investment (WCI) of all UK-listed companies. Both lists rank companies by the value of their giving rather than by the size of the company or its profits.

For over 20 years DSC has been gathering information from corporate annual reports specifically about giving to UK causes, and publishing this in The Guide to UK Company Giving and on a subscription website: www.companygiving.org.uk. The Guide to UK Company Giving captures information on the top 600 corporate donors, publishing companies' cash giving separately, where it is stated, so that fundraisers are more aware of the nature of the support they might be likely to receive from these companies. However, some of what is quoted as UK giving contains an element of giving around the world, and the lack of availability, and poor reporting, of exact figures often mean that it is possible to make only a best estimate of 'cash giving'. DSC excludes management costs and cause-related marketing figures from its giving figures, where these are stated separately.

The information on Worldwide Community Investment (WCI) used in this paper is drawn from an analysis of corporate giving published in the annual Charity Market Monitor, a report produced by CaritasData in conjunction with CGAP since 2008. (Between 2002 and 2007, CaritasData published data and analyses of company giving in partnership with the Charities Aid Foundation (CAF), covering information on the top 500 corporate donors (Charity Trends).) Data is drawn from companies listed on the UK stock market, so that companies that are only partially listed there or that have a parent company based outside the UK (such as Royal Dutch Shell) are not listed in the Monitor, though making corporate donations in the UK and around the world.

Where direct comparisons are made in this paper between the two sets of data, accounts from 2008/09, the latest year for which complete and comparable datasets currently exist, are used.

Estimates of corporate giving in the UK

The total value of corporate support from firms to communities in the UK is estimated at around £1.6 billion annually (NCVO, 2012). This represents less than 5% of UK charities' total income, and around 3% of private cash giving in the UK (DSC, 2011; NCVO, 2012; CGAP/CaritasData, 2011).

Giving to communities around the world by companies listed on the UK stock market, however, is bigger business. In 2009/10, for example, the top 300 UK-listed corporate donors alone gave £2.6 billion to support worldwide development (including major product donations) (CGAP/CaritasData, 2011). Comparing DSC data for the top 300 corporate donors to the UK charitable sector with the top worldwide corporate donors, it can be estimated that the top UK-listed companies give something in the region of 70%
of their CCI budget to UK charities and community groups (if major product donations are excluded; with these, the figure is 40%\(^4\)).

Figure 1 The top 300 corporate donors’ worldwide contributions compared with UK contributions, with and without major product donations (£m)\(^5\)

Looking at the top 600 corporate givers (DSC, 2011), we can estimate that cash giving currently forms around two-thirds (67%) of total corporate support to UK charities, with the rest being made up of in-kind giving of one form or another. The top 600 corporate donors gave £762 million to charities in 2008/09, £512 million of which is estimated to be cash donations.

\(^4\) In order to make direct comparisons of like-for-like figures, data from 2008/09 accounts have been selected from both Charity Market Monitor and the UK Guide to Company Giving. Comparisons in this paper are based on these figures. More up-to-date estimates for 2009/10 figures have been quoted where no direct comparison between samples is being made.

\(^5\) Note that this is not a direct matched-sample comparison and that the lack of available exact figures means that some of the quoted UK giving contains an element of worldwide giving.
The top corporate givers

Table 1 shows the top 10 UK-listed corporate givers in 2008/09, the most recent year for which complete data is available. It is clear that the top two corporate donors give nearly four times as much as their nearest competitor; it should, however, be pointed out that there is a growing trend for the large pharmaceutical companies AstraZeneca and GlaxoSmithKline to include the value of major product donations in their corporate contribution figures, which distorts comparisons on this basis (in AstraZeneca’s case, for example, major product donations make up nearly 90% of their stated WCI).

Table 1  Top 10 UK-listed corporate donors by worldwide community investment (WCI), 2008/09

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>WCI (£m)</th>
<th>Proportion of pre-tax profits (PTP) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AstraZeneca plc</td>
<td>481.0</td>
<td>7.2</td>
</tr>
<tr>
<td>2</td>
<td>GlaxoSmithKline plc</td>
<td>467.0</td>
<td>5.9</td>
</tr>
<tr>
<td>3</td>
<td>BHP Billiton plc</td>
<td>119.0</td>
<td>1.7</td>
</tr>
<tr>
<td>4</td>
<td>Tesco plc</td>
<td>85.4</td>
<td>3.9</td>
</tr>
<tr>
<td>5</td>
<td>Rio Tinto plc</td>
<td>73.3</td>
<td>1.5</td>
</tr>
<tr>
<td>6</td>
<td>BP plc</td>
<td>65.8</td>
<td>0.4</td>
</tr>
<tr>
<td>7</td>
<td>Royal Bank of Scotland Group plc</td>
<td>63.9</td>
<td>*</td>
</tr>
<tr>
<td>8</td>
<td>HSBC Holdings plc</td>
<td>61.6</td>
<td>1.4</td>
</tr>
<tr>
<td>9</td>
<td>Barclays plc</td>
<td>54.9</td>
<td>1.2</td>
</tr>
<tr>
<td>10</td>
<td>Anglo American plc</td>
<td>50.8</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Charity Market Monitor (2010).

* Royal Bank of Scotland plc made a loss in this year.

Corporate giving is often expressed as a percentage of pre-tax profits (PTP) in order to create a more level playing field for comparisons across widely varying sizes and types of company. In 2008/09 Charity Market Monitor recorded that worldwide community investment reached a record high of 2.1% of PTP for the top 300 corporate donors.

Note that ‘total contributions’ excludes management costs and cause-related marketing figures where these are stated separately, and that ‘cash’ figures are as stated or best estimates based on reported figures.
This fell to 1.9% in 2009/10 as PTP levels rose (or 0.9% if major product donations are excluded).

Table 2  **Top 10 corporate donors by contributions to UK charities/communities, 2008/09**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>UK contribution 2008/09 (£m)</th>
<th>WCI (£m)</th>
<th>UK contribution as proportion of total WCI (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Royal Bank of Scotland Group plc*</td>
<td>63.3</td>
<td>63.9</td>
<td>99</td>
</tr>
<tr>
<td>2</td>
<td>BHP Billiton plc*</td>
<td>39.0</td>
<td>119.0</td>
<td>33</td>
</tr>
<tr>
<td>3</td>
<td>Lloyds Banking Group plc</td>
<td>33.5</td>
<td>33.5</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Barclays plc</td>
<td>27.4</td>
<td>54.9</td>
<td>50</td>
</tr>
<tr>
<td>5</td>
<td>Shell (Royal Dutch Shell plc)</td>
<td>15.5</td>
<td>84.6</td>
<td>18</td>
</tr>
<tr>
<td>6</td>
<td>Northern Rock plc</td>
<td>15.0</td>
<td>15.0</td>
<td>100</td>
</tr>
<tr>
<td>7</td>
<td>Marks and Spencer Group plc*</td>
<td>12.7</td>
<td>12.7</td>
<td>100</td>
</tr>
<tr>
<td>8</td>
<td>The Co-operative Group*</td>
<td>11.3</td>
<td>11.3</td>
<td>100</td>
</tr>
<tr>
<td>9</td>
<td>Diageo plc</td>
<td>11.2</td>
<td>23.4</td>
<td>48</td>
</tr>
<tr>
<td>10</td>
<td>Ecclesiastical Insurance Group plc*</td>
<td>9.8</td>
<td>9.8</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>British Sky Broadcasting Group plc</td>
<td>7.1</td>
<td>7.1</td>
<td>100</td>
</tr>
</tbody>
</table>


Table 2 shows the top 10 corporate donors ranked by their support for UK communities, also expressed as a percentage of their overall CCI spend, which ranges from 18% to 100% for these top givers, reflecting the amount of the business which is directed at the UK.

Table 3 ranks the top corporate donors by cash giving (where figures were available), showing the proportion of their total CCI spend in this form, which ranges from 18% to 100%. Both *The Guide to UK Company Giving* and *Charity Market Monitor* have noted a trend towards more in-kind and less cash giving over the last few years (DSC, 2009; CGAP/CaritasData, 2010).

Note that figures marked * may include an element of non-UK giving, since the total UK giving figure was not stated by the company; however, in many cases it is possible to deduce an approximate UK-giving figure from the annual report. For example, RBS states that it gave $1 million to US projects (which has been deducted from their total) and an unstated amount to projects in Ireland and India; Ecclesiastical Insurance Group plc has unquantified charitable projects in Australia, New Zealand and Canada but the bulk of their giving appears to be in the UK; Marks & Spencer plc has international branches – it might be a reasonable assumption to suppose that some of its giving is international, but no proportion can be deduced; in a similar vein, international companies such as Tesco plc undoubtedly give a large amount in the UK but, since they have such a large international element to their business and do not state a specific UK-giving total, they are not included.
Table 3  Top 10 UK corporate donors by cash donation only, 2008/09

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Cash donations (£m)</th>
<th>Cash as proportion of total contributions (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BHP Billiton plc</td>
<td>39.0</td>
<td>33</td>
</tr>
<tr>
<td>2</td>
<td>Royal Bank of Scotland Group plc</td>
<td>34.7</td>
<td>54</td>
</tr>
<tr>
<td>3</td>
<td>Lloyds Banking Group plc</td>
<td>33.5</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Tesco plc</td>
<td>28.3</td>
<td>33</td>
</tr>
<tr>
<td>5</td>
<td>Barclays plc</td>
<td>19.3</td>
<td>35</td>
</tr>
<tr>
<td>6</td>
<td>Shell</td>
<td>15.5</td>
<td>18</td>
</tr>
<tr>
<td>7</td>
<td>Northern Rock plc</td>
<td>15.0</td>
<td>100</td>
</tr>
<tr>
<td>8</td>
<td>Diageo plc</td>
<td>11.2</td>
<td>48</td>
</tr>
<tr>
<td>9</td>
<td>Ecclesiastical Insurance Group plc</td>
<td>9.8</td>
<td>100</td>
</tr>
<tr>
<td>10</td>
<td>The Co-operative Group plc</td>
<td>8.7</td>
<td>77</td>
</tr>
</tbody>
</table>


Giving, more or less: trends data

The growth of 11.6% in the international giving of top corporate donors between 2007/08 and 2008/09 initially might suggest robustness in the face of recession, but this growth was largely due to an increase in major product donations, without which there was a 1.4% fall in real terms. In fact, by 2009/10, despite a 42% upturn in PTP levels among the top givers, worldwide corporate investment grew by only 0.7% (excluding major product donations). In 2008/09, DSC estimates that corporate giving to UK charities fell by nearly 4.3% in real terms. At a time of financial crisis, when UK charities and community groups need more resources, a reduction like this is a significant issue.

There are a number of possible explanations for the difference between UK and worldwide giving figures and growth rates. We know that pharmaceutical major product donations, particularly in the USA, have increased in recent years, distorting corporate giving trends. The big pharmaceutical companies top the corporate giving lists, and healthcare-related companies make up 41% of total giving by the top 300, as estimated in Charity Market Monitor 2009 (see Figure 3). However, even taking major product donations out of the equation, there is still a disparity in the relative growth rates of giving in the UK and internationally.

One possible explanation for this is the recent financial crisis hitting some of the top corporate givers (such as Man Group and National Grid plc) and the mergers and failures of British banks and financial institutions (eg the HBOS takeover by Lloyds), which has led some institutions to give less. It is, however, also gratifying to see that some of those worst hit (eg the Royal Bank of Scotland plc) have maintained their commitments to giving.

With product donations, WCI in 2009/10 grew by a massive 26.5%, highlighting the difficulty of obtaining meaningful and comparable data in this area.

Note this is an indication only, as the result of a slight difference in measurement between years (2008/09 figures include a slightly larger proportion of WCI).
The recent recession has made the last few years hard for some businesses and some charities and community groups alike. There is not only less money to go around, but there is increased uncertainty and volatility in the markets, combined with increased need among individuals suffering economic hardship. With government spending cutbacks this has made for a ‘perfect storm’ in the funding environment for charities and community groups, some of whom are beginning to experience reductions in income from their main sources, including government, charitable trusts, individual donors and companies. Competition among voluntary sector organizations for funding has been exacerbated with increasing competition for public services contracts from private sector companies. Now, more than ever it seems, partnership working between companies and charities, and responsible CCI, is important to charities’ survival and recovery.

How are corporates reacting to the recession? An online survey by CAF in January 2009 found that two-fifths of charities receiving corporate funding said they had received less support than they had budgeted for (Lake, 2009). With the FTSE see-sawing, and the faltering and failure of some financial institutions, there were and still are huge challenges for those planning their CSR policies and programmes. How far can or should community budgets be maintained in the face of lower profit margins, corporate cutbacks or staff losses? How far can or should forward planning be based on emerging but fragile ‘green shoots’ of recovery?

Those at the top of the corporate giving ladder had some of the biggest falls. Charity Market Monitor reports that almost all of the 15 FTSE 100 companies that experienced the largest drops in value in 2008/09 were also top corporate donors, including the Royal Bank of Scotland, Lloyds Banking Group, Man Group and National Grid plc.

The recent turmoil and reconfiguration among UK banks has also changed the face of corporate giving in some ways. For example, HBOS plc, which gave £22.24 million in total contributions to UK charities in 2007/08, was taken over by Lloyds Banking Group plc, who themselves gave £37.5 million to UK charities in 2007/08.

In 2009, the now combined Lloyds and HBOS transitioned key elements of the HBOS Foundation to either the Lloyds TSB Foundations or the newly formed Group and gave a total of £33.5 million in total contributions to UK charities – ensuring a continued funding stream, although at a lower level initially.

In 2010, a new Deed of Covenant was put in place for all but one of the four Lloyds TSB Foundations (Scotland), while Lloyds Banking Group started funding the Bank of Scotland Foundation which was launched in the same year. As we go to print there is ongoing legal action between the Lloyds TSB Foundation for Scotland and the Lloyds Banking Group over the interpretation of its covenant.

While Lloyds Banking Group became the biggest corporate investor in local communities in 2010, investing a total of £76 million in 2010 (£85 million in 2011), the transition period is likely to have been difficult for many charities and community groups relying on sustainable and consistent funding from these sources to continue their work.

There is some evidence to suggest that one way in which companies respond to a recession is to give more in-kind contributions and less cash. The knock-on effect remains to be fully understood but it could involve less flexibility to choose how to spend a cash donation. This could lead to better and more effective partnership working. Better understanding between companies and charities about each other’s aims and needs, particularly in these straitened times, could ensure better partnership working. Good corporate citizenship could have a role to play in the UK’s recovery from the current financial crises, leading to greater and better social change.
Who gives what to whom?

Figure 3  Comparison of worldwide corporate giving by industry type (£m)

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>712</td>
<td></td>
</tr>
<tr>
<td>Financials</td>
<td>342</td>
<td>227</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>163</td>
<td>85</td>
</tr>
<tr>
<td>Consumer Services</td>
<td>88</td>
<td>69</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>Oil and Gas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td>21</td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td>20</td>
</tr>
</tbody>
</table>


It should be noted that the top position the healthcare companies occupy in the league of givers (see Figure 3) is in large part due to their major product donations; without these, Charity Market Monitor 2009 estimated that the financial sector was the dominant donor. It is clear, however, that the composition of the largest corporate donors is changing in the wake of the recent financial crisis; figures for 2009/10 show that the domination of the financial services sector is now under pressure from natural resources and consumer services. Banks alone still account for over one-sixth of the total corporate giving of the top 300, but the changes in industries’ relative dominance have significant implications for causes whose corporate fundraising tends to be targeted at particular industries. Education and young people’s issues, for example, tend to be supported more by the financial sector, which has been hit hard by the recent crisis.

Many companies prefer to give to causes or communities with which they have some sort of link – geographical, business activity-oriented, or employee-led. It is generally true that companies give to a relatively narrow set of causes, which do not change much over time (ICCSR/CAF, 2006). This has implications for new, emerging or unpopular issues which do not fit into any particular industry’s remit.

Attempts at standardizing measurement of CCI in the UK

Since there are few legal obligations in the area of CSR, standards of reporting can vary enormously. This variation makes comparison and accurate trend-tracking increasingly difficult, as previously noted. For this reason, the voluntary and community sector has developed some reporting standards, in partnership with a
number of cooperating companies, with various degrees of success. The main such standards are:

**Business in the Community (BitC) Percent Standard**

In 1986 BitC founded the Percent Club for companies giving at least half a per cent of their profits to charity, in the hope that it would encourage them to increase this to 1%. For 20 years the Percent Standard was the principal way of measuring and celebrating CCI. In the 1980s, only a handful of companies aspired to 1%. By the time the Per Cent Standard folded, 20 years later, in 2006, 179 companies reported against it. The average giving of the top 300 corporate donors is currently 0.9% (*Charity Market Monitor*, 2011), having fallen from the previous year’s 1.2%, which suggests that this initiative might have been relatively successful, though affected by recent falls and losses in PTP.

**Business in the Community (BitC) – Community Mark**

The Community Mark was developed in 2007 in response to the growing understanding of the need to develop a new standard to recognize whether companies took a more holistic approach to CCI. The Community Mark, aligned to the London Benchmarking Group model, asked companies to demonstrate how they quantitatively and qualitatively measure their community investment. Since its inception, 41 companies with a mandatory level of revenue over £250 million have achieved the Community Mark, although it should be noted that the Community Mark does not require any minimum level of giving, as the Percent Club did.

**The Corporate Responsibility Index (BitC)**

The Corporate Responsibility (CR) Index was first launched in 2002 after consultation with more than 80 organizations and stakeholders. It is recognized throughout the UK and abroad as one of the leading benchmarks for responsible business. The CR Index’s purpose is to challenge companies by providing a tool that focuses on integrating responsible business practices into the core of the business, and promoting improvement in the impact of business in society and the environment. Over 350 companies have used the CR Index since it began.

**London Benchmarking Group (LBG)**

Established in 1994 by Corporate Citizenship, the LBG model allows CCI professionals to measure their company’s overall contribution to the community, taking account of cash, time and in-kind donations, as well as management costs. The model also records the outputs and longer-term community and business impacts of CCI projects. All the main CSR indices – such as the Dow Jones Sustainability Index, the BITC CR Index and the Global Reporting Initiative (GRI) – have embedded LBG methodology, with LBG groups operating in Australia, Canada, the Czech Republic, Romania and Spain, and in several other emerging markets in the LBG International network. Over 300 companies now use the LBG model and participate in LBG benchmarking groups to share and promote best practice in CCI.
Corporate foundations

Corporate foundations are separate legal charitable entities which act as grantmaking bodies; as such, they should be considered independently from corporate giving per se. A large number of companies report the amount that they gift to their corporate foundation as part of their annual CCI giving figure, which can muddy the waters if also included in figures for trust and foundation giving. But corporate foundations form an important part of the overall funding landscape and act as a signal of companies’ attitudes towards their corporate social responsibilities.

Corporate foundations are generally registered charities which derive the majority of their income from a profit-making company. In the UK there are currently over 100 corporate foundations – BitC puts the number at 101 (BitC, 2003), while research for CAF suggests 126 (CAF, 2006) – compared with around 2,500 in the US (Foundation Center, 2010). This means that around 0.01% of all UK-registered companies have a corporate foundation, compared with 0.04% of all US-registered companies. Charity Market Monitor estimates that giving by corporate foundations could be worth in the region of £425 million in 2009/10, with only some of that total being additional to corporate giving reported here, as a result, as explained above, of differences in corporate reporting. In the US, estimates suggest that corporate foundations account for 32% of total corporate giving (Foundation Center, 2010).

Most corporate foundations are viewed as separate entities with their own discrete objectives, even if in some cases corporate foundations are part of the CSR programme and share staff resources. It has been claimed that, as separate entities from their parent company, corporate foundations provide a more transparent structure for CCI, supported by the credibility of meeting the legislative and reporting requirements of the Charity Commission. In addition, they can also help to ringfence and manage a budget effectively. Companies, unlike grantmaking charities, are clearly not primarily established to support good causes and may have neither the same practices nor policies in place as grantmaking charities; but corporate foundations registered as grantmaking charities are bound by the strictures of charity law.

Corporate foundations are governed by deeds which state their purpose, and must produce annual reports on their activities. This makes it easier for organizations seeking support to identify whether their activities fall within the remit of a particular foundation, while their status as registered charities and part of the voluntary sector ‘helps them to forge links with other voluntary organizations, sharing learning, and expertise’ (SMART Company/CAF, 2007).

On the other hand, research suggests that the increased demands for information on CSR activity are not applied to the activities of corporate foundations. Corporate foundations provide companies with annual or biannual updates, but longer-term impacts of the investments made by the corporate foundation are not necessarily cross-examined. Some corporate foundations do need to include information on level of income and spending in annual reports and LBG returns, but in some cases the ‘separateness’ of the corporate foundation may mean this information is not asked for.

Corporate foundations are funded in many different ways: by investment income on assets originally given by a company, regular donations from a company, an endowment linked to a company’s profile, money raised by a company’s or employees’ fundraising efforts, or by gifts and support in kind. By law, corporate foundations must be independent from their corporate founders. In practice, the level of independence varies quite significantly: the activities of some corporate foundations are intricately
linked with the founder company’s CSR strategy, while others are completely independent (Lake, 2009).

**Shareholders as opposed to stakeholders**

It is recognized today that a company’s activities, products or services affect, and can be affected by, an array of stakeholders as well as shareholders: for example, employees, communities, consumers, investors and government. Some of these stakeholders have direct, and others indirect, power in this relationship as far as CSR is concerned. Employees are generally the most engaged of all stakeholders, followed by charities and communities, while companies are relatively unlikely to engage customers directly in their CSR (CAF, 2009a).

Consumers and communities increasingly have direct power and are driving developments in products that are ethically produced and endorsed by organizations such as the Soil Association and the Fairtrade Foundation. Additionally, public opinion matters more in the new moral marketplace, where the company’s intangible assets of trustworthiness and reputation are weighed.

Government can have direct and indirect power. For example, the extent to which government is viewed as responsible for social provision has an effect on other potential providers. In the US there is a stronger norm for corporate provision, as the state provides less. In the UK the decline of the welfare state and the increase in the power of business are increasing expectations on CSR. Government also has a direct role to play in compliance, although there is a minimal level of statutory obligations on corporate responsibility (see Appendix 1). The UK government has wavered in its attitude towards CSR. Under the last Labour government various projects were initiated – such as the introduction of a minister with responsibility for CSR, a cross-government working group, and a CSR Academy – and business engaged in issues-led debate on areas such as responsible drinking and childhood obesity, but few schemes have survived.

As a result of increased stakeholder engagement, many companies now actively seek to engage these different groups within their CSR and/or main business practices.

**The benefits of CSR and CCI for companies, charities and society**

If employed astutely, CSR agendas, particularly those including CCI strategies, can improve brand and marketing efforts, and increase sales and market share through association with a charitable organization or cause. This competitive advantage has been proven in a number of research studies (BitC, 2008; Lev et al, 2008; Klein, 2011). In addition, a good CSR strategy can have positive benefits on employee morale, skills and on their relationships with suppliers. Since global issues such as poverty, energy conservation and climate change increasingly affect business, corporate citizenship is at the very least in a company’s enlightened self-interest.

The benefits for charities and communities include cash and in-kind support, skills and knowledge. With a bit of imagination and skill, a variety of in-kind contributions can provide invaluable and unique help to charities. Some charities benefit from long-term partnership support, enjoying the passion which businesses of a like-minded ethos share for their cause.
The challenges of CCI for companies, charities and society

For businesses, a major challenge of CSR can be the lack of senior management buy-in, which is associated with a fixation on business functions (CAF, 2009a). For some, lack of employee interest and involvement in CSR initiatives is an issue. In some organizations the differences in organizational cultures and languages mean that stakeholder engagement – in particular between profit, non-profit and public sector organizations – is discouraged.

For some charities, the challenge is in the perceived discrepancy between the corporate support offered and their own needs. For example, while many charities find the offer of unrestricted funding the most attractive (as it can be used for core funding and wider project spending), some companies are becoming more reluctant to give cash. Unskilled volunteering time, in particular, is seen by some charities as without great value and can, in reality, entail further costs. Charities often do not see partnerships as a purely transactional relationship: they would like corporate partners to know and understand what they do. It is also often frustrating for charities and corporates alike when their timelines for achieving project results do not match up (CAF, 2009b).

Small charities and small and medium enterprises (SMEs)

A weighty issue facing CSR is that small charities often do not have access to large companies. One of the challenges to companies adopting a more long-term partnership approach with a smaller number of charities is that the few charities selected are already likely to possess a large enough profile to fulfil the companies’ ambitions in advertising, prestige and associated benefits. This means that smaller charities will increasingly find it hard to get a look in, despite the fact that charities with annual income of less than £10,000 make up over 80% of registered charities in the UK. One scheme which perhaps bucks this trend is the Waitrose ‘green token/Community Matters’ scheme, which donates £1,000 a month to three, usually small, local charities by proportion according to the number of green tokens customers deposit in a box for each charity. More schemes like this would help.

Much less is known about the challenges SMEs face in looking to build charitable partnerships, because most research focuses on large companies’ giving to large charities, despite the fact that more than 99% of UK enterprises are SMEs. Undoubtedly much of the giving by SMEs, which happens on a more local level, goes unrecorded.

Where next for CSR and CCI?

‘Businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the pressing issues we face. The purpose of the corporation must be redefined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy. It will also reshape capitalism and its relationship to society.’


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10 Information from Department for Business Innovation and Skills
In an uncertain economic climate, with corporate strategy changing to keep up with the market, it may be anticipated that CSR will also undergo changes that may affect what resources and how much time charities receive. In the current recession, charities may anticipate less support generally; less financial support (particularly unrestricted finance); an increase in in-kind donations, volunteering or employee engagement rather than financial support; and companies favouring larger charities over smaller ones.

The NCVO Funding Commission (NCVO, 2010) stated that effective CSR programmes are those that not only bring mutual benefit to companies and charities, but also have an impact on the ground on the individuals and communities these both work with. It claims that the current financial climate may act as a catalyst in highlighting the importance of establishing the right ways to share information, open up dialogue and establish the means to create mutual benefit between charities and companies (as opposed to fundraisers out of necessity merely moving towards greater corporate funding, regardless of the risks).

Changing the way companies think about their responsibilities could alter this. Shared value recognizes that social needs, not just economic needs, define markets. Furthermore, social harms frequently create internal costs for firms, in the form of, for instance, wasted energy or raw materials, accidents, and the need for remedial training to compensate for inadequacies in education. Additionally, addressing social harms does not automatically raise costs for firms, because they can innovate by using new technologies, operating methods, and management approaches – and as a result, increase productivity and expand their markets.

**Conclusions and recommendations**

In some ways the UK is considered a world leader in CSR and corporate citizenship. It certainly has a long history; yet, in more recent years it seems that a certain reticence has crept over the industry when compared with other countries. Corporate cash giving in the US is around 14 times that in the UK (CGAP/CaritasData, 2011), and in many emerging economies corporates are beginning to take a stronger lead as philanthropic donors. Does the UK need to reassert its strengths in this area?

Legal obligations for companies reporting in the area of CSR are light and there is little standardization in the way that it is done by companies. It seems self-evident that better reporting, transparency and standardization of measurement is crucial, and that policies towards corporate citizenship should be up to date and crystal clear to provide a better picture of what support there is, where to find it and for what purposes it is available. This information will make it easier for companies and charities alike both in times of upheaval and also in the longer term.

While some companies may be wondering whether CSR and corporate community investment are a luxury they could do without in tough times, the evidence suggests that maintaining social responsibility at the core of the company actually makes for better business, and gives companies more resilience to withstand the storms of an economic downturn (BitC, 2003; SMART Company/CAF, 2006; Foundation Center, 2010).
Recommendation for future research

The challenges for, and data on, corporate giving relationships between SMEs and small charities have been overlooked. Further research aimed at giving a much fuller picture of CSR and community investment in the UK would be helpful, and may be something which some of the charity sector’s advice and umbrella bodies could undertake.

With the ethical considerations of big businesses, especially financial institutions, under intense scrutiny, it is perhaps time for a new dynamic corporate citizenship: one where companies value community support as much as the profits they make; where all companies address fiscal, environmental and social obligations and where the corporate sector increasingly takes responsibility for helping to address the social impact of the current economic downturn, alongside the voluntary and community sector.

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A brief history of corporate citizenship

The history of corporate philanthropy in the UK is closely related to the timing of industrialization, since the impact of business on society and the environment took on a very different character at this point. The corporate leaders of the late-19th and early-20th century (e.g. Cadbury, Rowntree and Carnegie) used much of their wealth to support philanthropic ventures, promoting the development of living conditions and the education of the working classes. By the 1920s, discussions about the social responsibilities of business had evolved into what we can recognize as the beginnings of the ‘modern’ CSR movement.

With the growth of the welfare state, social provision began to be undertaken by government agencies; industrial paternalism declined and wider philanthropic partnerships became the preferred method of corporate social help.

By the 1960s and 1970s – with the environmental movement emerging in response to concerns over resource depletion and pollution – businesses were subject to increasing regulation. By the 1980s, some large companies had developed strategic environmental reporting and management systems. This practice of corporate environmental reporting opened the doors for wider voluntary reporting on social and environmental issues. Environmental disasters such as Chernobyl in 1986 and the Exxon Valdez oil spill in 1989, however, severely damaged public confidence in the ability of big business to act responsibly, leading to changes in legislation which surpassed enforcing technical environmental standards and started to address companies’ ethical procedures.

Legal obligations are still very light, however. In 2006, the UK government repealed the statutory obligation for all large companies to produce an operating and financial review (OFR) containing social responsibility reporting, replacing it with the Accounting

Useful links

Arts and Business www.artsandbusiness.org.uk

Business in the Community (BitC) www.BitC.org.uk

Corporate Citizenship www.corporate-citizenship.com

Institute of Fundraising Free download of ‘Charities Working with Business Code of Fundraising Practice’, which contains a good overview of the issues involved in undertaking a relationship with a company: www.institute-of-fundraising.org.uk

London Benchmarking Group www.lbg-online.net

UKCompanyGiving http://companygiving.org.uk
Standards Board’s reporting statement of best practice. There are similar best practice guidelines internationally: the UN Global Compact, introduced in 2000, aims to encourage businesses across the world to adopt sustainable and socially responsible policies; ISO 26000 governing social responsibility, introduced in November 2010, similarly offers guidance without introducing new requirements. Corporate Register (www.corporateregister.com) shows that all of the FTSE 100 report in some way on their CSR activities, whether through stand-alone reports, their annual reports or on websites, although there is no one recognized standard for doing so.

There is a growing consensus that CSR has become a permanent part of the UK business agenda. Almost all of the largest FTSE companies (with market capitalization of £6 billion or more) are among the top 300 corporate donors. The influence of the government, consumers, investors, media and campaigning organizations means that social, ethical, and environmental responsibilities are becoming ‘part of the DNA of business’ (Porter and Kramer, 2011). Additionally, the literature suggests that, while the vestiges of corporate paternalism meant that business philanthropy used to be largely the personal domain of the CEO, this is now changing to allow more stakeholders inside and outside the company to participate.

More recent approaches argue for the corporate–charity relationship to be viewed as one of having ‘shared value, which involves creating economic value in a way that also creates value for society, by addressing its needs and challenges. Businesses must reconnect company success with social progress’ (Porter and Kramer, 2011) rather than remaining stuck in a mindset of social responsibility in which societal issues are at the periphery, not the core. Porter and Kramer, the chief protagonists of the concept, claim that corporate social profitability (CSP) is the next stage of CSR (Porter and Kramer, 2011). To give an example of CSP, Danone yoghurt teams up with Grameen Bank in Bangladesh to develop a low-cost yogurt that provides 30% of a Bangladeshi child’s recommended daily nutrients. This creates economic value by creating value for society, and provides a model for a shared responsibility approach in today’s changing economy.
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About CGAP

The ESRC Centre for Charitable Giving and Philanthropy (CGAP) is the first academic centre in the UK dedicated to research on charitable giving and philanthropy. Three main research strands focus on individual and business giving, social redistribution and charitable activity, and the institutions of giving CGAP is a consortium comprising Cass Business School, University of Edinburgh Business School, University of Kent, University of Southampton, University of Strathclyde Business School and NCVO. CGAP’s coordinating ‘hub’ is based at Cass Business School. CGAP is funded by the ESRC, the Office for Civil Society, the Scottish Government and Carnegie UK Trust.

For further information on CGAP, visit www.cgap.org.uk

CGAP publishes *Charity Market Monitor* (a CGAP/CaritasData publication).

About DSC

Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. Through its publications, courses and conferences, it serves mainly small to medium-sized charities. Its public commentary and campaigning and the policy positions it takes are based on clear principles, and informed by the contact it has with these organizations and its independent research. DSC is not a membership body. It views its role as that of a ‘concerned citizen’, acting as a champion on behalf of the voluntary sector in its widest sense. It asks critical questions, challenges the prevailing view, and tries to promote debate on issues it considers to be important.

For further information on DSC, visit www.dsc.org.uk

DSC publishes *The Guide to UK Company Giving* and www.companygiving.org.uk