

## **Corporate Social Responsibility: Differing definitions and Practices?**

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**Work in progress. Please do not cite.**

Paper prepared for the Business Strategy and the Environment Conference 2005, (Incorporating the Corporate Social Responsibility & Environmental Management Conference), 5-6 September 2005, University of Leeds, Yorkshire, UK

## ABSTRACT

In recent years, the corporate policies and actions of several of the largest, most well-known and respected business organisations in the world have come under the spotlight of critical attention. One of the criticisms levelled at them is an alleged failure to behave in a ‘socially responsible’ manner. Business managers have found that they disregard their corporate social responsibilities at their peril. This has become especially vital as key stakeholders including consumers, employees, national government bodies and international organisations such as the European Union (EU) increasingly demand that businesses behave in a (more) socially responsibly manner. Nevertheless, Corporate Social Responsibility (CSR) remains an elusive concept, as evidenced by the lack of consensus about what it is and why it might be a worthy objective. This paper contributes to the debate by exploring CSR (or CR) definitions and practices adopted by selected firms located within the Europe, namely pharmaceutical firms registered in the United Kingdom (UK), Germany and Switzerland. The paper presents preliminary findings from the study and makes proposals for further research.

## INTRODUCTION

Corporate social responsibility (CSR) or Corporate Responsibility (CR) is a contested concept. Interpretations and definitions have varied across time and geographical space. Although some authors adhere to a narrow conception of corporate responsibility that views the role of business in society as one confined to profit maximisation offset by philanthropic donations, over the course of time definitions of CSR/CR have evolved. During three decades or more, interpretations have developed from a relatively focused concern about compliance with environmental regulations and a search for eco-efficiency to a more broadly conceived notion that attempts to combine and balance economic, social and environmental commitments as part of a drive towards sustainable development or sustainability. Clearly, CSR/CR has developed in contrasting ways in different parts of the world (Welford 2004 and 2005). Traditions and practices appear to vary from continent to continent, differing in the Americas (in the US (Frederick 1995) and Mexico (Acutt *et al.* 2004)), Europe (Matten and Moon 2005), Africa (Acutt *et al.* 2004) and Asia (Fukukawa and Moon 2003). Clearly, therefore, although the debate about CSR/CR is long-standing it remains unresolved.

Crucially, for a variety of reasons there is a renewed interest in the subject among academics and practitioners. A number of high profile events such as the recent scandals concerning Enron, Parmalat and Shell (Ruggie 2003; O'Higgins 2005), combined with earlier episodes such as the Union Carbide incident in India in the 1980s and other long-running issues such as Nestlé's milk product policy (Ruggie 2003; Handy 2003) and Nike's employment practices in developing countries have provoked intense scrutiny of business activities and policies. Adverse media coverage combined with public censure, critical publicity campaigns mounted by non-governmental organisations (NGOs) (UN/Amnesty Report 2004; Clark 2000; Brammer and Pavelin 2004), consumer boycotts, and the censorious reaction of governmental bodies such as the national governments, European Union (EU) and other international bodies

such as the UN have shown business organisations that they would be ill-advised to neglect their ‘social’ responsibilities. In short, business organisations have come under increasing pressure from their stakeholders to act responsibly.

For the individual manager working within a given business organisation the task of making and acting upon socially responsible decisions is not straightforward. Part of the difficulty lies in the lack of clarity about the concept itself. Despite the wide range of bodies that offer guidance on CSR/CR, such as the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), the International Labour Organisation (ILO), the European Union (EU) and a myriad of national and sub-national governmental, quasi-governmental and NGOs, it is not clear how any individual manager can or should balance the competing demands of economic, social and environmental objectives that seem to be widely regarded as fundamental to ‘good’ CSR/CR policies and practices. Crucially, the dilemma faced by business managers partly derives from the different priorities demanded from firms in the name of CSR by different stakeholders (Stigson 2002; Woodward *et al* 2001; Maignan *et al.* 2002; Clark 2000; Epstein and Roy 2001; Maignan and Ferrell 2003; Daniels & Radebaugh 2001:561). In summary CSR is a concept that is contingent on cultural, geographical, and political factors (Maignan and Ferrell 2003; Welford 2005; Habisch and Jonker 2005).

Compounding the definitional miasma that surrounds the label ‘CSR’ is the additional complication that a variety of terms are employed to denote what might essentially amount to the same idea. In academic and other literature terms such as ‘responsible business practice’, ‘corporate citizenship’, ‘corporate philanthropy’, ‘corporate giving’, ‘corporate community involvement’, ‘community relations’, ‘community affairs’, ‘community development’,

‘corporate responsibility’, ‘global citizenship’, ‘corporate social marketing’ all provide alternative labels for CSR.

In the light of these background circumstances, this paper sets out to penetrate the fog and throw some light on the use of the term CSR/CR, both in terms of its definition and application. Based on some initial exploratory documentary analysis, this paper begins to delve into the different interpretations of CSR/CR employed amongst selected UK, German and Swiss pharmaceutical companies. Firms in this industrial sector have been chosen for particularly close examination because they could be said to encapsulate more dramatically than most the difficult dilemma of ‘choosing’ between (excessive) profit making and actions designed to save and/or enhance lives. Moreover, the firms registered in the UK and Germany have been selected because of the contrasting politico-economic circumstances found in the two countries. The UK is more often associated with a neo-liberal economic model and what might be labelled an Anglo-American model of corporate governance and business practice. In contrast, Germany and its industry are more traditionally coupled with the notion of the social market economic model and a pattern of corporate governance that formally elevates labour organisations in business decision-making. The exploratory research reported here provides the foundations for further empirical work. Accordingly, the paper proposes follow-up research activities.

The remainder of the paper unfolds as follows. Section 1 provides the background to the case study (that is, the pharmaceutical industry). Section 2 reviews the range of definitions in use and the types of CSR/CR business activity that may be observed. Section 3 explores the institutional, political, and cultural context for CSR/CR in the UK and Germany. Section 4 outlines the methodology and findings of the study. Section 5 offers some concluding thoughts and proposals for further research.

## BACKGROUND: THE PHARMACEUTICAL INDUSTRY

In stark terms, pharmaceutical companies such as Pfizer, GlaxoSmithKline, Merck & Co. and AstraZeneca plc could be said to face the dilemma of ‘choosing’ between making profits or saving/enhancing lives (McGeary 2001; Barton 2004; Baker 2003). In making that choice (in what has at times been considered by various stakeholders as unacceptable ways) the industry has been subject to a number of criticisms, revolving around several key, specific issues:

- Profits levels (whether they are excessive or justified);
- Pricing policies;
- The patent system;
- Levels of funding invested in new drug development;
- Patient access (in particular: poor patients) to life saving or life extending/enhancing drugs;
- Research methods and patient clinical trials;
- Animal testing;
- and environmental concerns.

The disquiet articulated about the pharmaceutical industry is vividly illustrated by the ongoing debate about patient access to pharmaceutical products in developing countries, which has been described as an ‘international controversy’ (Barton, 2004). Undeniably, the issue of access to antiretroviral (ARV) agents for HIV patients in sub-Saharan Africa could be considered one of the most important and bitter disputes during recent years between patients, NGOs and the pharmaceutical industry (McGeary 2001; Barton 2004; Zavis 2003; McKinnel 2001; Quist-Arcton 2001; [www.newsai.com](http://www.newsai.com); [www.mallenbaker.net\(a\)](http://www.mallenbaker.net(a))). For example, *The African Manager Magazine* (2005) reports that people in poorer countries die from preventable, curable diseases that can be remedied through affordable interventions and

engagement on the part of policymakers and scientists. The report highlights some troubling circumstances given that, for some time, it has been scientifically possible to prevent or cure a number of diseases. Some of the trends identified by the report are that:

- Over 70% of annual child deaths worldwide are attributable to pneumonia (17%), diarrhoea (18%), malaria (8%), neonatal sepsis/pneumonia (10%), preterm delivery (10%), and asphyxia at birth (8%);
- More money is spent on research and development (R& D) for animals than for human diseases in Africa;
- Pharmaceutical companies focus much of their efforts on eliminating non-life-threatening remedies and marketing activities for lifestyle dysfunctions including baldness, toenail fungus, obesity, face wrinkles, and impotence, aimed at increasing the quality of life in the USA and Western Europe rather than on matters of life and death in poorer countries. Evidence includes recent product launches and the fact that less than 0.4% (that is, 4 of the 1,223) medicines brought to the market between 1975 and 1997 were deliberately designed to treat diseases in tropical countries.

Against this background, it is interesting to consider that the media, the public and lobby groups often tend to forget the demonstrably beneficial activities undertaken by pharmaceutical companies, which began prior to the increased demand for socially responsible behaviour. Pharmaceutical companies have in the past repeatedly undertaken taking high levels of commercial risk by investing resources in research for new drugs which cure disease: the required R & D investment to bring one new drug to market is estimated to lie between US \$200-500 million depending on whether opportunity costs and preclinical activities in universities and government-funded research institutions are included (African Manager 2005). It is generally acknowledged that the collective effort of the pharmaceutical industry has largely banished diseases in the developed world that once devastated the human

race including tuberculosis, polio, small pox and many more (UN/Amnesty Report 2004). In short, the pharmaceutical industry has evidently saved and/or enhanced the quality of millions of lives.

Over the past decade, as activists have become more vocal in demanding improvements (UN/Amnesty Report 2004), and possibly in line with the general business trend towards more socially responsible activity (Handy 2003), the pharmaceutical industry's socially responsible behaviour has notably expanded (Baker 2003, [www.mallenbaker.net](http://www.mallenbaker.net), [www.pharma.bayer.com](http://www.pharma.bayer.com) 2005; [www.novartis.com](http://www.novartis.com) 2005) to include:

- Donations of medicines, vaccines and healthcare products to the poor;
- Discounts to low-income groups;
- Price-reductions for essential drugs in developing countries;
- Community investment;
- Charitable financial contributions;
- Partnerships on local programmes comprising hygiene, sanitation and education projects;
- Reductions in the use of animal testing in research;
- Adherence to the relevant and appropriate codes and conventions on human rights and employee diversity programmes;
- Enhanced environmental performance and emissions reductions;
- Observance of business ethics codes.

It has further been acknowledged that many pharmaceutical companies now recognise that they have certain moral responsibilities as global corporate citizens. Companies including Boehringer Ingelheim, Merck, and Novartis have taken the lead in deliberately being

proactive in helping to find scientific solutions to medical problems that mainly affect the poor. Novartis, for example, is considered to be prominent in this respect for investing millions of US Dollars for R&D in medicines to treat diseases in Africa and other developing countries (African Manager 2005). The corporate values demonstrated today emphasise welfare to the community and a broader responsibility towards society than the clear profit orientation focused narrowly on shareholder benefits of the past (Handy 2003).

## DEFINITIONS AND IMPLEMENTATION

The term CSR has a long history. The notion first emerged in one form or another in writings dating back to the 1950s, mainly emanating from the USA (Carroll 1999). During the decades that have followed there has been a significant growth in the attempt to formalise and conceptualise the idea. Early definitions emphasised the importance of relating business responsibility to power. Later, in the 1970s we saw the beginnings of a 'stakeholder approach' that highlights the importance of balancing the multiplicity of interests represented by internal and external constituent groups and individuals. During the 1980s the focus on CSR shifted from developing new and revised definitions to further research on CSR, resulting in a splintering of writings and the emergence of a range of alternative concepts and themes. Clearly the notion of CSR has not disappeared but its core concerns have been recast into alternative theories, concepts models, and themes (Welford 2004; Habisch and Jonker 2005).

Reviewing the various definitions on offer it is possible to discern a spectrum of interpretations. They range from the most narrowly conceived neo-classical economist definition that treats profit maximisation as the primary 'social role' of a business, arguing that social obligations can best be met through making profits for shareholders and the

discharge of additional social responsibilities by making philanthropic donations. In the words of one of the leading advocates of this perspective, the responsibility of a corporation is

“to conduct the business in accordance with [owners’ or shareholders] desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in local custom” (Friedman 1970).

At the other end of the spectrum is the view that the company is a ‘citizen’ whose ‘social’ goals are valuable in their own right and not sub-ordinate to economic goals. According to such a view, businesses are part of a community having duties similar to other ‘citizens’ (Ansoff 1979; Carroll 1989; Freeman and Gilbert 1988, and Sethi 1975). In some of its most recent manifestations, several definitions have highlighted the need to balance economic, social and environmental objectives in response to the needs and values of the various stakeholders that have an interest in the business organisation. For example, The World Business Council on Sustainable Development (WBCSD) defines CSR as

“the integration of social and environmental values within a company’s core business operations and to the engagement with stakeholders to improve the well-being of society (WBCSD 2002).

For a number of sources, a key element of CSR is its voluntary nature. In other words, CSR points to business activities that are not mandated by law. For example, the EU describes CSR as

“a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a *voluntary* basis” (European Commission 2001:4 and 2002:3, emphasis added).

Whilst many of the definitions available characterise the notion of CSR in the abstract, business managers face the difficult task of translating ideas and principles into action. In other words CSR can (and maybe should) encompass all stages and levels business operations and activities. For example, in the case of a manufacturing business such as a pharmaceuticals firm, CSR could be embedded within the processes of sourcing labour and other inputs such as energy and chemicals, through to production and waste management, and through to sales/marketing. In addition, regardless of size, CSR could be integrated into activities from the lowest operational level up to and including the most senior/corporate/board level.

In analysing business operations it may also be useful to think in terms of the internal and external dimensions (Daniels and Radebaugh 2001). Internally, decisions are taken that range across the various functional activities of the business including marketing (comprising decisions on products; pricing; promotion; and distribution), finance: (tax, reporting, transparency and other decisions), human resources: (employee rights; training; fairness/respect; health & safety and many other areas), manufacturing: (safety; environmental issues; community health and safety). Each of these could be conducted in a way that reflects ‘good practice’ in CSR terms. Additionally, externally, businesses could engage with local communities, government bodies, suppliers, customers, the media, and NGOs in a way that manifests CSR values.

In terms of applying the concept of CSR to specific business activities, a typology developed by Kotler and Lee (2005) may prove to be useful. Kotler and Lee (2005) propose six major

types of corporate social initiatives (CSIs) divided between two broad categories: namely, ‘marketing related social initiatives’ and ‘non-marketing related social initiatives’. See Table 1 for a summary.

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Within these different types of identified initiatives, Kotler and Lee (2005:3-4) then list various *causes* that business’s support in contributing beneficially to society, including (examples developed by the authors):

- Health e.g. AIDS prevention/treatment
- Safety e.g. child-proof caps on drug packaging
- Education e.g. training for doctors on prescription and use of medication
- Employment e.g. training
- The Environment e.g. reduction of harmful emissions; reduced packaging etc.
- Community and Economic Development e.g. supporting parks; local artists etc.
- Other basic Human Needs and Desires e.g. hunger, homelessness, animal rights etc.

Kotler and Lee (2005:146) also suggest a number of *methods of support* open to corporations when supporting the causes they choose, pointing out that corporations may sponsor these initiatives on their own or in partnership with others. These include:

- Cash Contributions or Grants
- In-kind Contributions e.g. product donations
- Transfer of technical and other Know-How and Expertise
- Paid Advertising, Publicity & Promotional Sponsorship
- Employee volunteering

- Access to distribution channels

Given the definitions outlined above, the principles they embody, and the ways in which they can be translated into specific business activities, we proceed by examining how CSR is defined within a selected group of European pharmaceutical firms. Before presenting our detailed findings we first outline the institutional, political and cultural contexts surrounding our surveyed firms.

### **INSTITUTIONAL, POLITICAL, AND CULTURAL CONTEXTS**

Whilst the UK and Germany share many common characteristics, as members of the EU and as western industrialised democracies, they also exhibit a number of significant differences in institutional, political and cultural terms that might lead to differences in the ways in which CSR is understood and implemented by firms based in the two countries. In Germany the modality of democracy and participation, based on proportional representation and a strong federal state, is very different from in the UK (Habisch and Wegner 2005). State-society relations have traditionally been characterised as corporatist or neo-corporatist (Eising 2003). By contrast, until very recently, the UK was characterised as a unitary state with a strong centralized and stable government in combination with a weak but well disciplined Parliament elected via a 'First Past the Post' system (Richardson 1993). This structure has remained largely unaltered until the devolution programme of the late 1990s, when, with the creation of devolved bodies in Wales, Scotland, Northern Ireland and the English regions, a greater degree of multi-tiered administration was created. This development has brought the UK closer to its European neighbours, including Germany, as a 'regionalised' (Hopkins 2002) or quasi-federal state. UK businesses (and other social and political actors) have been faced with an increasingly multi-level, pluralist arena, both within the domestic system and beyond it. The UK's public policy making arena has evolved from one dominated by a tripartite

relationship between the Government, the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) (Grant 2000) in the 1960s and early 1970s, labelled by some as ‘weak corporatism’ (Cowles 2001) into a pluralist (Eising 2003) or ‘elite pluralist’ system (Coen 1998) by the end of the last century. See Table 2 for a comparison between Germany and the UK.

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Recent evidence suggests that different approaches and interpretations of CSR can emerge from such contrasting regional, cultural, historical, political, and philosophical contexts. One study (Habisch and Wegner 2005) provides overviews of CSR within a number of European countries and suggests that countries differ significantly from each other in the sense that what is common practice in one country is hardly applied in another. The literature also suggests that the meaning of words and of certain notions vary from country to country.

Discussing Germany, Habisch and Wegner (2005:122) conclude that “rigid positions of the state and related corporatist associations prevail” and this means that “new roles and relationships between business and society are little understood”. They further claim that in Germany CSR is difficult to separate from sustainability and corporate citizenship with ‘pure’ CSR activities being, in most cases, embedded in or triggered by EU measures. Surveys and official statements of business associations indicate that companies defend themselves against potential regulation on CSR. Companies like to point out that they are already “doing something” for society, but there seems to be little openness towards a strategic approach. They claim that this may also be attributed to the fact that hardly any sanctions (neither public

nor political) are expected. They say that society, represented by consumers and NGOs do not drive CSR development in Germany since they rarely make clear demands on companies. While some government initiatives are orientated towards stakeholder dialogue and cross-sectoral and interdisciplinary co-operation as a step towards a civil society approach, CSR activities focus primarily on job creation and work quality issues. It remains to be demonstrated whether these initiatives, which often seem vague and generic, will lead to amore CSR and succeed in activating civil society.

So, Germany's political character linked with the institutionalised participation of labour interests in the governance of firms has created the setting for a very different, more plural form of corporate governance (Habisch and Jonker 2005) compared to the UK where organised labour interests have a more circumscribed role. The corporate governance model operating in Germany involves supervisory boards for companies that include labour interests directly in company strategy, whereas in the UK labour organisations are not generally granted (nor guaranteed) such a privileged role. For German firms, corporate community involvement is a principal part of their CSR agenda (Habisch and Wegner 2005). Labour and sustainability issues including environmental concerns have been highly codified in German law, as have consumer rights. By contrast, in common with the general approach in the UK, much of the 'regulation' or control in the area of CSR in the UK takes the form of 'soft law' (i.e. guidance documents, policy papers and briefings, and peer pressure in the form of published indexes). Many of these factors make it less significant for German companies to adopt an explicit or voluntary code because they comprise matters of long-standing established standard practice. Taking these issues into consideration, it might appear that CSR is less well developed in Germany because it is undertaken less explicitly than in other countries, however on closer examination genuine social behaviour has been ingrained into the agenda for decades among German firms.

In contrast, Habisch and Jonker (2005) argue that in the UK CSR can be regarded as increasingly explicit due to the emergence of its new institutional context that defines the ways in which CSR contributes to new societal governance and provides a basis for the maintenance and development of a CSR capability. The authors claim that the recent rapid transformation of business society relations from implicit to explicit CSR is based on new government and social regulation coupled with market drivers. It focuses on facilitators such as the institutionalisation of CSR through the appointment of company internal board level and senior management responsibilities, the appointment of reporting and organisational systems for dealing with CSR internally, about partnerships and increased external relationships, as well as CSR business coalitions, most significantly Business in the Community (BITC), and a wealth of vanguard organisations and the consulting industry which have all grown and developed to create the new CSR capability in the UK.

Given these putative differences between Germany and the UK in broad terms, the paper now considers to what extent the data from the pharmaceutical industry supports these generalisations.

## **PRELIMINARY EMPIRICAL DATA**

### *Methodology*

The data presented in this paper were collected through a process of unobtrusive, indirect observation entailing documentary and content analysis of seven selected European pharmaceutical companies. The firms were not selected randomly, but deliberately chosen on the basis of size and reputation as leading advocates and practitioners of CSR/CR principles. The firms selected are: one Swiss company (namely Novartis), three companies based in Germany (Bayer Healthcare, Boehringer Ingelheim, and Schwarz), and three UK registered

firms (AstraZeneca, GlaxoSmithKline, and Reckitt Beckiser). The documents analysed included company web sites, social responsibility reports, annual reports, and other relevant published literature pertaining to the attitudes, policies and activities of the selected companies towards CSR.

*Findings – German and Swiss firms*

Table 3 summarises the key findings for the documentary analysis comparison of the one Swiss company and the three German companies.

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In summary,

1. Novartis takes the most extensive strategy to CSR, based on comprehensive, long-term approach, amount and scope of activities, and directly visible positioning.
2. Choice of terminology varies: Bayer refers to *social* responsibility, Boehringer to *corporate* responsibility, and both Novartis and Schwarz prefer the term *corporate citizenship*. All companies additionally use various other CSR terms ranging from legal to voluntary responsive behaviour. The focus of topics was wide and fragmented.
3. One criterion for measuring public image and reputation is the number of awards won for responsible behaviour. In this regard, Boehringer Ingelheim declares on its web site that it is regarded as an excellent employer reflected in its second placing in an annual competition organised by the prestigious business magazine “Capital” in 2005; and Boehringer UK came 19th in "The Sunday Times' 100 Best Companies to Work for" competition (the biggest and most comprehensive survey of the British workplace undertaken in the UK). Similarly, in 2004, Novartis announces that it was voted one of

the top great companies to work for in Europe by both a Fortune and Financial Times survey.

4. All companies directly refer to a code of conduct with the exception of Schwarz. Bayer complies with a corporate governance code that came into effect in 2002. The code was prepared by an independent commission for the German government.
5. Bayer claims a business case for CSR, possibly to justify its activities to shareholders, claiming CSR contributions comprising increasing value regarding acceptance of investment portfolios and pension funds, reputation gains via positive ratings, attraction of highly-skilled workers and many more.

Specific statements on the various websites regarding CSR comprise Novartis using the term corporate citizenship, stating

“Corporate citizenship implies many things, but in a way describes a responsible behaviour of a company within *society*. In the end, *doing the right thing also makes business sense*” (Novartis 2005, emphasis added)

Under the heading commitment to patients, Novartis further claims to “endorse the *right to health*”. The site further lists topics such as business conduct, patients, people, health & safety, the environment, a GRI report, and foundations. The site portrays an extensive and long-term approach to CSR.

Boehringer Ingelheim uses the term “corporate responsibility” under which it addresses its triple bottom line philosophy and corporate code of conduct. The company refers to its

distinctive character claiming to stand out clearly from other companies on issues such as “serving humankind”, being the “employer of choice” and “socially responsible”. Under the latter it states:

“The well-being of our *employees* has always been at the centre of our attention – and will continue to be. We also pay special attention to our *social and natural environment*. We not only comply with, but fully embrace the intention and basic principles of CSR and corporate governance as proposed by leading international organisations” (Boehringer Ingelheim 2005, emphasis added).

Bayer, under the heading “Corporate Policy”, talks about “value based on values”, stating

“We seek to retain society’s confidence through performance, flexibility and open communication as we work in pursuit of our overriding corporate goals” (Bayer 2005).

Bayer stresses the importance of key stakeholders and management and oversight in accordance with German law and corporate governance, and claims

“... we believe our technical and business expertise involves a responsibility to work for the *benefit of mankind* and contribute to *sustained and environmentally friendly development*” (Bayer 2005, emphasis added).

Schwarz avoids directly referring to CSR on its main, and all of its national sites and annual report, with the exception of the USA where it explicitly features the term “corporate citizenship” on the front page of its website. Rather the company chooses to discuss “values”

speaking about “what we stand for”, covering the topics: entrepreneurship, customer orientation, integrity, fairness and respect. The company uses the analogy of an athlete to portray its value “spirit”, claiming

“...like a runner who strives for victories and records, we strive for extraordinary performance for our customers and investors...” (Schwarz 2005).

While the US website has a donation and foundation section, Schwarz generally limits its claims on CSR to statements such as

“...we take responsibility for our actions ...we admit our mistakes and learn from them ...we say what we mean and do what we say ...we are ethical in what we do ...all that we do could be explained to our families as well as to the public” (Schwarz 2005).

### *Findings – UK firms*

Using the same analytical framework as above (i.e. documentary analysis of website materials), it can be seen that all three UK firms are extensively and explicitly engaged with a CR agenda. Their own websites suggest a strong commitment to the concept, as do their rankings on externally published indexes of CR performance. Turning firstly to the firms’ own websites we find the following statements. (Table 4 summarises the results for the three UK registered firms).

On the AstraZeneca<sup>1</sup> website we find the following under the heading of Corporate Responsibility:

“Along with our commitment to competitiveness and performance, we will continue to be led by our core values to achieve sustainable success [...] We believe that good CR performance depends on achieving an acceptable balance between the *economic, environmental, and social* priorities of sustainable development...” (AstraZeneca 2005, emphasis added)

This page leads through to further details about AstraZeneca’s goals, commitments, progress, projects and partnerships, and CR reports. Similar statements appear on GlaxoSmith Kline’s (GSK’s) website. There we find the following statement under the heading of Corporate Responsibility. GSK states that:

“The mission of our business – to improve the quality of human life to enable people to do more, feel better and live longer – focuses on the needs of patients. We will achieve this mission through our products and activities while enhancing the contribution we make to *society, sustaining economic performance and operating in an environmentally* responsible manner.” (GSK 2005, emphasis added)

GSK elaborate this commitment to CR by spelling out their principles. These encompass employment practices, human rights, access to their products, leadership and advocacy, community investment, engagement with stakeholders, standards of ethical conduct, research and innovation, customers and caring for the environment.

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<sup>1</sup> AstraZeneca was formed in 1999 as a result of a merger of Astra AB of Sweden and the Zeneca Group PLC of the UK.

Finally turning to the smallest of the three UK registered firms, Reckitt Beckiser, we find the following statement as part of their “Visions and Values Statement”:

“Reckitt and Beckiser views corporate social responsibility (CSR) and sustainability as one and the same, and is committed to moving its business towards greater sustainability across the *economic, social and environmental* dimensions of its activities.

We believe that a more sustainable business will not only better fulfil our responsibilities to society but also contribute to delivering our vision of better consumer solutions and greater long-term shareholder value.” (Reckitt Beckiser 2005, emphasis added)

All three of the UK registered firms highlight their commitment to meeting economic, social and environmental objectives. None of them ignore or dismiss the demands of their shareholders and the need to offer a financial return. Each one also directly or indirectly acknowledges the requirements of customers.

-----insert Table 4 about here-----

It could be argued that such statements are merely part of the firms’ image building process with more appearance than substance. The firms say the ‘right things’, making commitments to objectives that they would be expected to identify as worthy. To test this out, we now turn to briefly examine some evidence about the actual implementation of these stated objectives. Using Business in the Community’s (BITC’s) Corporate Responsibility Index for 2004 (see Table 5) we find that although GSK is not listed, both AstraZeneca and Reckitt Beckiser are

among the top 100 ranked UK firms: the former being ranked at equal 50<sup>th</sup> and the latter at 22<sup>nd</sup>. AstraZeneca is regarded as having a strong performance in terms of “Corporate Strategy”. According to the definitions given in the index, this means that AstraZeneca understands what CR means for its business, communicates this well, has assigned responsibility at a senior level, has policies and has integrated social and environmental considerations into its risk management process. Under the same criterion, Reckitt Beckiser is estimated to out-perform its larger rival. By contrast, in terms of what the index labels “Integration”, Reckitt Beckiser performs less well than AstraZeneca.

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In summary, therefore, at least two of the three UK firms surveyed appear to have both a clear understanding of what CR/CSR means and to have acted on the concept by integrating it into their business operations. However, the limitations of such indexes, which are based on self-assessment, should be recognised here.

The task now is to gain a better understanding of what CSR/CR means to the firms, how and why the policy is being implemented by the UK and German pharmaceutical industry. This demands additional empirical research. Our proposals are set out in the section that follows.

**CONCLUDING THOUGHTS AND RESEARCH PROPOSALS**

In this paper we have presented a brief report of our initial findings concerning CSR as it is interpreted and implemented among some of the largest German and UK pharmaceutical firms and one Swiss firm. At a superficial level, in terms of the policy statements and progress reports that they have published there appears to be little difference between the firms. The intention is to follow up this preliminary analysis with further empirical research by

conducting in-depth interviews with CSR officers and senior management of these firms and their industry rivals. The intention is to discover whether, by probing deeper, there are more significant differences between the firms in terms of the definitions they adopt and the implementation they undertake. In particular, it will be of interest to find out about the motivations that lie behind the definitions adopted and the actions taken (or not taken) by the pharmaceutical firms, whether there are distinct national, cultural, political and/or institutional factors at play.

One of the key issues to emerge from this initial study is that of the idea of the transfer of norms and values. Questions arise about the ways in which beliefs are transmitted to and within the firms studied and what forces have given rise to the adoption of CSR principles (where they are held) by managers within the firms. Further, related questions also present themselves: To what extent have the managers within the surveyed firms been influenced by the various internal and external stakeholders in embracing/espousing CSR/CR principles and activities? Which stakeholders have been most influential? How important is the role played by the firm's senior managers in promoting CSR values and practices? Can 'good' CSR practices be imposed from on high? Is CSR an idea that needs to be 'bought' by the whole workforce of a firm? What is the role played by governmental bodies such as the Sustainable Development Commission and the Department of Trade and Industry in the UK and Directorate General Social Affairs/environment at the EU level? How influential are international level organisations such as the UN, OECD, and the ILO? What is the role of other actors such as the media and NGOs? How important are consumers/customers, suppliers and competitors in persuading firms to adopt and develop 'good' CSR practices?

Beyond these questions there are further issues to be resolved. For example, how can decision makers within the firms respond in an effective manner to the complex, cumulative and

sometimes contradictory CSR expectations of their various stakeholders given that business undertakings are, by definition, multifaceted and subject to secrecy. Moreover, given that the environment(s) in which businesses operate is/are sometimes underdeveloped, hazardous, politically unstable, culturally and legally different and unknown (Deresky, 2000; Daniels and Radebaugh, 2001) how do large multi-national firms adjust to these circumstances?

In terms of assessing corporate performance, whose perspective should be used to evaluate the impact of a company's activities on society and the environment in which it operates? Can we assume that 'society' knows what it wants from businesses or understands *the* "right" thing to do, given that the 'public' may be relatively ill-informed on many of the issues pertinent to CSR and opinion polls suggest that most people are generally prepared to take positions on issues that they do not fully understand (Greenfield, 2004). Clearly, different sets of stakeholders may have entirely different perspectives. Even stakeholders within the same 'group' may have contrasting viewpoints. In short, this means that managers are faced with the predicament of trying to identify and meet the goals of a diverse range of stakeholders. As a result targets may be elusive.

Finally, there is the issue that some companies have in the past abused CSR as a marketing or PR tool by paying 'lip service' to the idea or using it as 'window dressing' (Clark, 2000). These suspicions may lead to mistrust of the CSR messages disseminated by businesses. Ultimately, defining CSR/CR and implementing responsible business practices may well come down to the choices of individual managers and whether they seek to act/can act ethically (Greenfield, 2004).

In summary, this paper has provided an initial survey of small number of European pharmaceutical firms. The intention in the short-term is to find out more about the definitions

understood and implemented by other pharmaceutical firms in Germany and the UK. In the medium to longer-term we plan to extend the investigation to include businesses in other industries and in other countries.

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**Table 1: Corporate Social Initiatives**

<b>Marketing Related Social Initiatives</b>	<b>Non- Marketing Related Social Initiatives</b>
<ul style="list-style-type: none"><li>• Cause Promotions</li><li>• Cause-Related Marketing</li><li>• Corporate Social Marketing</li></ul>	<ul style="list-style-type: none"><li>• Corporate Philanthropy</li><li>• Employee Volunteering in the Community</li><li>• Socially Responsibly Business Practice</li></ul>

*Source: Kotler and Lee 2005*

**Table 2: Germany and the UK Compared: Business Context**

Context	Germany	UK
State-society relations (includes relations with business organisations)	Corporatism/neo-corporatism	Weak corporatism/tripartism developing into elite pluralist/pluralist
Capacity of civil society/interest groups/NGOs	Well developed but make few demands on businesses	Well developed – active campaigning groups and consumers
Role of businesses	Privileged (more powerful than other social groups)	Privileged (more powerful than other social groups)
Economic model	Social market	Neo-liberal
Formal role for stakeholders/nature of corporate governance structures	Employees granted formal position on Board	Employees – no formal role

*Source: Authors 2005*

**Table 3: PRELIMINARY RESEARCH - DOCUMENTARY ANALYSIS COMPARISON FOR GERMAN AND SWISS FIRMS**

Company / Criteria	Bayer Healthcare	Boehringer Ingelheim	Novartis	Schwarz Pharma
<b>KEY FACT OVERVIEW</b>				
Origin	German	German	Swiss**	German
Sales*	€29.8 b	€8.2b	€21b	€947 m
Net Income (after Tax)*	€603 m	€908m	€4b	€1.8m
Employees*	113,000	35,500	78,500	3,900
<b>COMPARISON OF CSR APPROACH</b>				
<b>Approach</b>	Extensive/Explicit	Implicit	Extensive/Explicit	Minimalist/Implicit
<b>CSR Visibility / Accessibility on Website e.g. Front Page Mention / Easy to Find?</b>	Not mentioned directly on front page but social campaigns advertised  Easy to find under "About Bayer" button	Not mentioned on front page Not so easy to find without sitemap search Mentioned in Annual Report in front section	Corporate Citizenship mentioned on front page as key heading	Not mentioned on front page of global or any country sites  US site features corporate citizenship and foundations on front page
<b>Choice of Terminology</b>	<b>Social Responsibility</b> Corporate Governance German Law Corporate Compliance Corporate Policy	<b>Corporate Responsibility</b> Corporate Governance CSR Corporate Citizenship	<b>Corporate Citizenship</b> Corporate Governance German Law Corporate Compliance Corporate Policy	<b>Corporate Citizenship</b> Commitment to Global Community Compliance with German Law
<b>Policy/Activity</b>	<ul style="list-style-type: none"> <li>Improving Quality of Life</li> <li>Respect &amp; value ethnic &amp; cultural diversity</li> <li>Rationale for Business Case for CSR Commitment</li> <li>Benefit to Company &amp; Society</li> <li>Transparency</li> </ul>	<ul style="list-style-type: none"> <li>Responsibility linked with Environmental Health &amp; Safety Issues</li> <li>Value through Innovation</li> <li>Triple Bottom Line &amp; compliance with WHO; OECD UN; Global</li> <li>Compact; WTO</li> </ul>	<ul style="list-style-type: none"> <li>Business Conduct</li> <li>Patients</li> <li>People</li> <li>Health &amp; Safety</li> <li>Foundations</li> <li>Commitment to Society &amp; Community Involvement</li> <li>Shareholder Dialogue</li> <li>UN &amp; other Key Principles</li> </ul>	What we stand for Meeting unmet medical needs Customer Orientation Innovation Value system Integrity Fairness & Respect USA: Donations; Community Volunteer work; Foundations
<b>Code of Conduct</b>	Founding member of UN Global Compact (GC) Initiative	Corporate Code of Conduct	Fundamental Policy internally & for suppliers etc.; GC	Not Found

\* 2004 Worldwide \*\*Exchange rate \$1.21=€1

Sources: <http://www.pharma.bayer.com/en/home.html>; <http://www.boehringer-ingenelheim.com/corporate/home/home.asp>; <http://www.novartis.com/>; <http://www.schwarzpharma.com/> (accessed June 2005)

**Table 4 - PRELIMINARY RESEARCH - DOCUMENTARY ANALYSIS COMPARISON FOR UK FIRMS**

Company / Criteria	AstraZeneca PLC	GlaxoSmithKline PLC	Reckitt Beckiser PLC
<b>KEY FACT OVERVIEW</b>			
Registered Office	UK	UK	UK
Sales* (year ending 31/12/04)	*€16.6b	*€29.5b	*€ 5.6b
Net Profit (after Tax)*	* €3.9b	*€8.9b	*€1.1b
Employees*	64,200	99,837	19,900
<b>COMPARISON OF CSR APPROACH</b>			
<b>Approach</b>	Extensive/Explicit	Extensive/Explicit	Extensive/Explicit
<b>CSR Visibility / Accessibility on Website e.g. Front Page Mention / Easy to Find?</b>	The word ‘Responsibility’ appears of the home page. This links to a page headed ‘Corporate Responsibility’. Easy to find links to CR pages.	A link called ‘Corporate Responsibility’ appears on the home page. Easy to find links to CR pages.	A link called ‘Corporate Responsibility’ appears on the home page. Easy to find links to CR pages.
<b>Choice of Terminology</b>	<b>Corporate Responsibility</b> <ul style="list-style-type: none"> <li>• CR policy</li> <li>• Compliance mandatory</li> <li>• Stakeholders</li> <li>• Commitment to competitiveness</li> <li>• Sustainable success</li> <li>• CR performance – acceptable balance between economic, social and environmental</li> </ul>	<b>Corporate Responsibility</b> <ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Commitment to Diversity</li> <li>• Sound ethical basis to business</li> <li>• Connecting business decisions to ethical, social end environmental concerns.</li> </ul>	<b>Corporate Responsibility</b> <ul style="list-style-type: none"> <li>• Corporate Responsibility Framework</li> <li>• Code of Business Conduct</li> <li>• Economic, social and environmental performance</li> <li>• Corporate social responsibility and sustainability</li> </ul>
<b>Policy/Activity</b>	<ul style="list-style-type: none"> <li>• Access to medicines</li> <li>• Animal research</li> <li>• Biotechnology</li> <li>• CFC’s</li> <li>• Clinical Trials</li> <li>• Endocrine Disruptors</li> <li>• Human Stem Cell research and human reproductive cloning</li> <li>• Human Tissue Research</li> <li>• Pharmaceuticals in the Environment</li> <li>• Precautionary Principle</li> <li>• Purchasing principles</li> <li>• REACH</li> <li>• Sales and Marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Employment Practices</li> <li>• Human Rights</li> <li>• Access to medicines</li> <li>• Leadership and Advocacy</li> <li>• Community Investment</li> <li>• Engagement with stakeholders</li> <li>• Standards of ethical conduct</li> <li>• Research and Innovation</li> <li>• Products and customers</li> <li>• Caring for the environment</li> <li>• Managing CR</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate responsibility</li> <li>• Vision and values</li> <li>• Environment</li> <li>• Social</li> <li>• Health and Safety</li> <li>• Product safety</li> <li>• Community Involvement</li> <li>• Global Manufacturing Standard</li> <li>• Animal Testing</li> </ul>

	<ul style="list-style-type: none"> <li>• Stakeholder dialogue</li> </ul>		
<b>Code of Conduct</b>	Uses the guidelines published by the Global Reporting Initiative (GRI) as the basis for selecting and organising the content of the CR section of the website.	GRI Guidelines used. UN Universal Declaration of Human Rights OECD Guidelines for MNEs ILO standards	Subscribes to a number of international standards and guidelines including: <ul style="list-style-type: none"> <li>• United Nations (UN) Declaration of Human Rights</li> <li>• United Nations (UN) Convention on the Rights of the Child</li> <li>• International Labour Organisation (ILO) eight Fundamental Conventions</li> <li>• Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises</li> </ul> The principles and requirements of these standards and guidelines are incorporated into the firm's Code of Business Conduct and other elements of our Corporate Responsibility Framework.

\* £1 = 1.45 €

Source: <http://www.astrazeneca.com/> ; <http://www.gsk.com/index.htm>; <http://www.reckittbenckiser.com/home.cfm> (accessed July 2005)

Table 5 – Extract from the BITC, Corporate Responsibility Index 2004



# Top 100

Rank 2004	Change	BITC	Status	Company	Sector	OUTSTANDING PERFORMANCE								Scope	Disclosure
						Strategy	Integration	Community	Environment	Marketplace	Workplace	SIA	EIA		
1	NEW		DJSI	Westpac Banking Corporation	Banks	★★★★	>>>>	★	★	★	★	★★	★★		Full
2	↘	=	100	National Grid Transco	Utilities	★★★★	>>>>	★	★	★	★	★★	★★		Full
3=	↗	=	100/ DJSI	BT Group	Telecommunication Services	★★★★	>>>>	★	★	★	★	★★	★★		Full
3=	↗	=		The Co-operative Bank	Banks	★★★★	>>>>	★	★	★	★	★★	★★		Full
5=	↗	=	100	BAA	Transport	★★★★	>>>>	★	★	★	★	★★	★★		Full
5=	↗	=	100	Boots Group	General Retailers	★★★★	>>>>	★		★	★	★★	★★		Full
5=	↗	=	100	J Sainsbury	Food & Drug Retailers	★★★★	>>>>	★		★	★	★★	★★		Full
5=	↗	=		PricewaterhouseCoopers	Accountants & Consultants	★★★★	>>>>			★	★	★★	★★	UK	Full
9=	↗	=	100	HBOS	Banks	★★★★	>>>>	★	★						Full
9=	↗	=		John Lewis Partnership	General Retailers	★★★★	>>>>	★		★	★	★★	★★		Full
9=	↗	=	100	Rolls-Royce Group	Aerospace & Defence	★★★★	>>>>		★	★	★	★★	★★		Full
9=	↗	=	100	United Utilities	Utilities	★★★★	>>>>	★	★		★	★★	★★		Full
9=	↘	=		Veolia Water UK	Utilities	★★★★	>>>>			★	★	★★	★★	UK	Full
14=	↗	=	100	BHP Billiton	Mining	★★★★	>>>>	★	★		★	★★	★★		Full
14=	↘	=	100	BP	Oil & Gas	★★★★	>>>>		★		★	★★	★★		Partial
14=	↘	=	100	Lloyds TSB Group	Banks	★★★★	>>>>		★	★		★★	★★		Full
14=	↗	=	100/ DJSI	Marks & Spencer	General Retailers	★★★★	>>>>	★		★	★	★★	★★		Partial
14=	↗	=		RWE npower	Electricity	★★★★	>>>>	★	★					UK	Full
14=	NEW		100	Scottish & Southern Energy	Utilities	★★★★	>>>>		★	★			★★		Full
14=	↗	=	100	ScottishPower	Electricity	★★★★	>>>>		★						Full
14=	↗	=	100/ DJSI	Severn Trent	Utilities	★★★★	>>>>		★						Full
22=	↘	=	100	Aviva	Life Assurance	★★★★	>>>>		★						Full
22=	NEW			CE Electric UK	Electricity	★★★★	>>>>	★	★	★	★			UK	Partial
22=	↗	=		Co-operative Insurance Society	Insurance	★★★★	>>>>	★	★	★	★				Full
22=	→	=	100	Friends Provident	Life Assurance	★★★★	>>>>			★	★				Full
22=	↗	=	100	Reckitt Benckiser PLC	Personal Care & Household Products	★★★★	>>>>			★	★	★			Full
22=	↘	=	100	Rio Tinto	Mining	★★★★	>>>>		★						Full
28=	↗	=		Camelot Group	Leisure & Hotels	★★★★	>>>>	★			★	★★	★★		Full
28=	↗	=		BNFL	Utilities	★★★★	>>>>		★			★★	★★		Full
28=	↗	=	250	Northumbrian Water	Utilities	★★★★	>>>>						★★		Full
28=	↘	=	100	Tesco Stores	Food & Drug Retailers	★★★★	>>>>	★		★			★★		Partial
32=	↗	=	100	Anglo American	Mining	★★★★	>>>>	★	★		★				Full
32=	↗	=	100	Barclays	Banks	★★★★	>>>>		★	★	★				Partial
32=	↗	=		British Broadcasting Corporation	Media & Entertainment	★★★★	>>>>	★		★	★				Full
32=	↗	=	250	Carillion	Construction & Building Materials	★★★★	>>>>		★	★	★				Full
32=	↗	=	100	Diageo	Beverages	★★★★	>>>>	★		★					Full
32=	↘	=	100	Reed Elsevier	Media & Entertainment	★★★★	>>>>	★	★	★	★				Partial
32=	↘	=	100/ DJSI	Unilever	Food Producers & Processors	★★★★	>>>>		★						Full
39=	↗	=	100	Allied Domecq	Beverages	★★★★	>>>>				★				Full
39=	↗	=	250	AWG	Utilities	★★★★	>>>>		★	★					Full
39=	↗	=	100	Cadbury Schweppes	Food Producers & Processors	★★★★	>>>>				★	★			Partial
39=	↘	=	100	The BOC Group	Chemicals	★★★★	>>>>			★	★				Full
43=	↗	=	250	Kelda Group	Utilities	★★★★	>>>>	★	★	★					Partial
43=	↘	=		Latarge Cement UK	Construction & Building Materials	★★★★	>>>>			★			★★	UK	Full
43=	↘	=	100	mmO2	Telecommunication Services	★★★★	>>>>	★	★	★	★				Full
46=	NEW		100	British American Tobacco	Tobacco	★★★★	>>>>		★				★★		Full
46=	NEW			EDF Energy	Utilities	★★★★	>>>>		★	★					Partial
48=	↗	=		Ford Motor Company	Automobiles & Parts	★★★★	>>>>			★	★	★			Full
48=	↗	=	250	International Power	Electricity	★★★★	>>>>		★	★	★				Partial
50=	↗	=	250/ DJSI	AMEC	Construction & Building Materials	★★★★	>>>>		★	★					Full
50=	↘	=	100	AstraZeneca	Pharmaceuticals & Biotechnology	★★★★	>>>>								Full

## Key

**Status** Participants were invited on the basis that they were FTSE350, BITC Members and DJSI Sector Industry Leaders

**Change** Upward or downward change in rank since last year

**Scope** Participants reported on 100% of their operations or on their UK operations only

**Disclosure** Companies were willing to fully disclose their feedback report and submission to designated audiences, some companies were willing to partially disclose this information

## Areas of Outstanding Performance

**Corporate Strategy and Integration**  
4 ICONS - For scores 95% or greater

**Management Practice and Social and Environmental Impact Areas**  
1 ICON for scores 95% or greater in the following areas

- Management Practice in Community, Environment, Marketplace & Workplace [★]
  - SIA Social Impact Areas [👤👤👤]
  - EIA Environmental Impact Areas [🌳]
- Further description of outstanding performance is provided on the back cover.

## Description of Areas of Outstanding Performance

### Corporate Strategy

Outstanding performance in this area represented by 🧠🧠🧠🧠 means the company understands what corporate responsibility means for its business, communicates this well, has assigned responsibility at a senior level, has policies and has incorporated social and environmental considerations into the risk management process. Where no 🧠 are awarded, the company has achieved a base level of performance in this area. 🧠 to 🧠🧠🧠 demonstrates increasing high level corporate strategy.

### Integration

Outstanding performance awarded by >>>> means a company has effectively built corporate responsibility into the mainstream of its management systems, which in turn affects business decisions, the behaviour of its staff and is reflected in a transparent business culture. Again where no > are awarded, the company has achieved a base level of performance in this area and > to >>> demonstrate increasing levels of integration within the business.

### Management Practice

A ★ demonstrates that the company has robust systems to identify what its key Community, Environment, Marketplace and Workplace issues are and has a well established and audited management system in place to manage them.

### Social [👤👤👤] and Environmental Impact Areas [🌳]

Outstanding performance indicates that the company demonstrate it has taken action to reduce negative impacts and is able to show performance improvement over a number of years.

*Source: BITC, 2005*