
view from the field**ADRIAN HENRIQUES REVIEWS 2006...**

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For card-carrying members of the CSR fraternity, the biggest event of 2006 was surely the ratification of China's 11th five year plan by the National People's Congress in June...wasn't it? OK, it may not have been the only talking point, but the largest nation in the world began to talk about balance and the need to avoid growth for its own sake. This includes 'constantly striving to meet the growing ethical needs of the people' and putting 'the scientific concept of development and the goal of building a harmonious society' at the centre of its effort to reconcile itself to capitalism. In October the Central Committee also underlined the importance of worker rights, but not quite to the extent of endorsing freedom of association.

China is moving centre stage not only through its harmonious aspirations but also as a result of the size of its economy, which in 2005 overtook the UK and in 2006 will be closing on Germany. The effort to host the Olympic Games also thrust its human rights record into the spotlight. Google, Microsoft and Yahoo were challenged on their complicity with human rights abuses over their work in China. As the demands of economic growth brought it closer to mineral-rich regions, the Chinese forged a special

relationship with Africa; it will be easier for Chinese companies to operate in countries with very poor human rights records as a result.

The second largest nation in the world, India, is also getting behind CSR as its economy booms. In 2006 India passed further laws against Child Labour, although there is skepticism that much will be changed as a result. Unfortunately both India and China were in 2006 year found top of Transparency International's index of countries whose companies are most prepared to pay bribes.

Not to be outdone, 2006 saw America straining at the leash of the neo-cons. While the US Republicans got their thumping, California was trying to get on with reducing its carbon footprint. And Warren Buffett showed us all how to do philanthropy the American way. Further south, Latin America drifted to the left, country by democratic country.

Meanwhile, back at the leading edge of CSR in the UK, eight years of consultation, drafting and campaigning have given birth to the 1,250 clauses and 870 pages of the Companies Act 2006. The government towards the end of 2005 removed the

requirement to produce an OFR but was forced by Friends of the Earth in February of 2006 to re-consult on this. In the end one of the main new requirements of the Act is that company directors will have to 'have regard to stakeholders' and to report on all material issues. It remains to be seen how much difference all this will make in practice.

The new Act also removes the troublesome need for companies to declare what they are actually *for* (the objects clause of their Memorandum). However Tesco has little doubt about this, reporting record profits for another year – despite the irritation of yet another investigation by the Competition Commission into the power of supermarkets.

2006 was a busy year for standards. In April the UN effort to develop Principles for Responsible Investment bore fruit. In May ISO held another meeting on the long march towards responsibility. Although ISO 26000 will probably not emerge for another 3 years, the ISO process is one of the few in the standards scene which involves such a wide range of participants from the developing as well as the developed world. In June, some of the larger NGOs announced their Accountability Charter. And in July the Voluntary Principles on Security and Human Rights were opened to a wider array of participants. Also in July the Equator Principles were revised. This included a reduction in the qualifying threshold from \$50m down to \$10m for capital projects subject to the principles. In October, the third generation GRI Guidelines were released, at the same time tying up slightly more closely with the

United Nations Global Compact reporting element. On its part the Global Compact began the process of tightening up on its requirements for reporting.

For BP, 2006 was a difficult year, plagued by serious accidents at its US operations. Coca Cola was dogged by campaigns and legal action in Columbia, Nigeria, India and elsewhere. The world's biggest brand has been having to respond to accusations of labour and human rights abuse, pollution and over-abstraction of water.

Against a background of corporate concern over the Draft UN Norms on Human Rights, John Ruggie produced his Interim Report on Human Rights for the UN Commission on Human Rights. This kicked the UN Draft Norms, which tried to spell out what Human Rights mean for companies, into the long grass. It remains to be seen whether his final report will bring anything out again, but looks set to focus on pragmatism over new regulations.

For the official CSR community, 2006 has seen a growth rate of 50% – at least as measured by the number of conferences hosted by Ethical Corporation worldwide. Company CSR Reporting also continued apace. In 2005 there were about 2,100 CSR reports globally and CorporateRegister.com reckons that that total will easily be surpassed for 2006. But there are intimations of change on the horizon. BT has adopted a radical re-think of its approach to reporting, making it more focused and accessible. And Shell, having been one of the earliest to have solicited external assessments of its reports, has taken the step of *not* assuring

its 2006 CSR report – or rather of trying to build credibility by seeking direct NGO feedback, instead of having Big 4 accountants crawl over its figures. Is this the beginning of the trend, or is it still safer for less experienced hands to stick to 40 pages and an audit?

For the year as a whole two topics dominated: climate change and war. Climate change quite rightly climbed up the public agenda, as Al Gore's film 'An Inconvenient Truth' made the environment a topic of general conversation. But 2006 ended as it began – with global uncertainty and conflict in the Middle East. The private sector, through arms trading, security services and construction is heavily involved in war – but the responsibility of companies in a time of war remains to be defined.

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