

## Focus



# Complying with the ABI guidelines on social responsibility

With increasing numbers of companies embarking on social reporting, there has been a growing interest in how companies are viewing the UK Association of British Insurers guidelines on corporate responsibility. **Chris Moon** investigates

**T**he Association of British Insurers (ABI) guidelines ask listed companies to include information in their annual report on significant social, environmental and ethi-

cal risks and opportunities and their possible impact on the business. They are also asked to report on the policies and procedures for managing these risks and the extent to

which they comply with their own policies and procedures. Finally the report should describe any procedures for verification of social, environmental and ethical disclosures.

### Complying with the ABI guidelines – at a glance:

Boardroom challenge	Possible solution
Board takes regular account of the significance of social, environmental and ethical issues Board identifies significant risks and opportunities arising from social, environmental and ethical issues	This should be built into an annual risk management process. This can be tailor-made for the company or adapted from an off-the-shelf system like the GoodCorporation charter and verification.
Board has adequate information and directors are trained in social, environmental and ethical issues	Training in social, environmental and ethical issues is underdeveloped at present. The Institute of Business Ethics has recently launched a training programme covering some of the issues.
Board should ensure effective systems in place to manage significant social, environmental and ethical risks	In addition to the over-arching approaches, there are a number of tools that can be used to manage different social, environmental and ethical (SEE) risks. For example, Investors in People helps manage employee relationships, SA8000 manages risks of poor labour conditions in the supply-chain, ISO9001 manages aspects of customer relationships, EMAS/EMAP and ISO14001 manage environmental risks. The GRI framework covers the complete data set that a company might use, if it is looking to report on specific SEE issues.
Performance management systems and appropriate remuneration incentives in place	Companies can adapt existing remuneration systems to reward social, environmental and ethical risk management.
Annual reporting issue	Possible solution
Include information on social, environmental and ethical related risks and opportunities	The two main approaches to reporting on social, environmental and ethical risks are to produce a social report and publish verified data from it or to use a system like GoodCorporation and report on compliance with different sections of its charter.
Describe social, environmental and ethical risk management procedures	There are a number of ways to report on risk management procedures. The most common approach is to report on company-specific systems. Alternatively the company can report using an off-the-shelf system.
Extent to which company has complied with its own policies on managing social, environmental and ethical risks	Own codes allow a company to measure themselves against their own social, environmental and ethical policies and can allow a report on compliance. Social reports allow a company to report on policies or principles and to assess effectiveness (usually by looking at data), although they do not normally look at what percentage of policies are being met. External codes can also be used as a benchmark. How many parts of the external code is the company meeting?
Procedures for verification of social, environmental and ethical disclosures	Own social reports can be combined with either external or internal verification. This is usually against social, environmental and ethical related data, but can also look at policies. GoodCorporation provides a ready-made external verification (of social, environmental and ethical policies) that can also be shadowed by internal audit.

There are various ways that companies can comply with the guidelines, although as the table below shows, there is no single solution that meets all the requirements.

The ABI guidelines include case studies showing approaches taken by different companies, some of which have developed their own social and environmental reports. The AA1000 framework is mentioned as a tool that helps a company to assess its stakeholders' demands and to put systems in place to meet those demands.

The ABI's report also discusses the GoodCorporation framework developed by the Institute of Business Ethics. The GoodCorporation approach provides a ready-made and cost-effective system to help companies demonstrate responsible business practices and to comply with a significant part of the ABI guidelines. Already a number of companies have signed up to the charter and been verified (see the [goodcorporation.com](http://goodcorporation.com) website).

This still leaves some issues to address. The first of these is board level training in social, environmental and ethical issues. The Institute of Business Ethics has recently developed a training course of this type and it will be interesting to see if this is picked up and used by

boards. The second issue is appropriate remuneration for managing social, environmental and ethical risks. Many businesses have developed multiple criteria for determining pay and rewards, often linked to 'soft' criteria like good team working. These systems should be able to be adapted towards social, environmental and ethical issues with little difficulty.

There are many other initiatives, codes and frameworks that can be used to help manage social, environmental and ethical risks. To take some examples:

- SA8000 can be used to manage labour conditions in the supply-chain
- The Ethical Trading Initiative base code can also form the basis of an ethical procurement screening exercise
- The UN Global Compact can be used to form some statements of over-arching principles
- The responsible care charter can be used in the chemicals sector as a statement of principles
- ISO quality and environmental standards can be used to manage these specific issues
- UK Investors in People can be used to ensure that training and development of people is taking place and supports the company's strategy

These types of initiatives are very useful either for managing specific risks, dealing with a specific set of functional issues, or establishing a set of global or sector based principles. The best starting point is either to develop a company-specific and verified social and environmental report or to use an off-the-shelf verified system. At present the reporting framework for corporate responsibility is ill-defined and leads to problems of interpretation and lack of comparability. Reports can also be hugely expensive. Many companies are therefore looking for more cost-effective approaches such as that of GoodCorporation.

In terms of timescale, the ABI has not set any deadline for companies to meet the disclosure requirements. However, they are expecting a number of listed companies to report on social, environmental and ethical issues in their annual reports in this reporting season and a considerable number of companies to report in 2003. ■

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