

The logo for the Major Projects Association features the text "Major Projects Association" in a bold, black, sans-serif font. The text is centered and flanked by four blue arrows pointing outwards, two on each side. The arrows are arranged in a staggered, overlapping fashion, with the top two pointing right and the bottom two pointing left.

# Major Projects Association

## Corporate Responsibility

Seminar 120 held at The Royal College of Pathologists, London  
6th July 2005

## Summary

### Key Points

- Good corporate responsibility will be central to the future success of all businesses
- There is no substitute for leadership from the top
- A business strategy is not complete without reference to corporate responsibility
- Corporate responsibility can add value to a business and not simply be the right thing to do
- Value to business is gained from enhanced reputation, alignment with customers and the support of employees
- Corporate responsibility plans have to keep pace with the rapid change in industry
- Corporate responsibility can be measured and improvement tracked
- Alignment of corporate responsibility should exist throughout the entire supply chain
- Project managers require training in corporate responsibility matters
- The Equator Principles for evaluating the worthiness of a major project prior to funding are being adopted as the industry 'gold standard'

## Introduction

The seminar revealed both how far corporate responsibility (CR) has come in the last 25 years and why it is still gathering momentum. It began, in the aftermath of the huge run-down of the steel, shipbuilding and mining industries, as a drive to persuade companies that the viability of local communities could not be left to government.

The argument was based on the concept that CR was ultimately in the interests of shareholders because, if communities prospered, it would be easier to sell goods and services. This in turn led to an understanding that the central nature of all businesses involved maintaining good customer relations and the commitment of their employees. All recent research shows that young people prefer to join and stay with companies that have positive reputations for fair dealing and involve staff in their outreach programmes.

## The Equator Principles

The development and aims of the Equator Principles were described in some depth. The Equator Principles are voluntary guidelines for banks, set up in 2003. Whilst not all banks wish to sign up to them, the Principles have been adopted by over 30 financial institutions. They commit these banks (Equator banks) to develop policies, practices and procedures which ensure that projects are assessed according to specific social and environmental considerations.

The Principles provide a framework for decision-making on lending for major projects costing over \$50 million, and have become the industry standard in dealing with social and environmental issues related to project finance lending.

The range of issues includes:

### Scope of Review

- Baseline environmental and social survey
- Requirements of local laws
- Sustainable development and use of natural resources
- Health impacts, cultural property
- Biodiversity
- Dangerous substances
- Major hazards
- Pollution prevention
- Waste minimisation
- Socio-economic impacts
- Indigenous peoples
- Land acquisition and land use
- Involuntary resettlement
- Health and safety
- Cumulative impacts

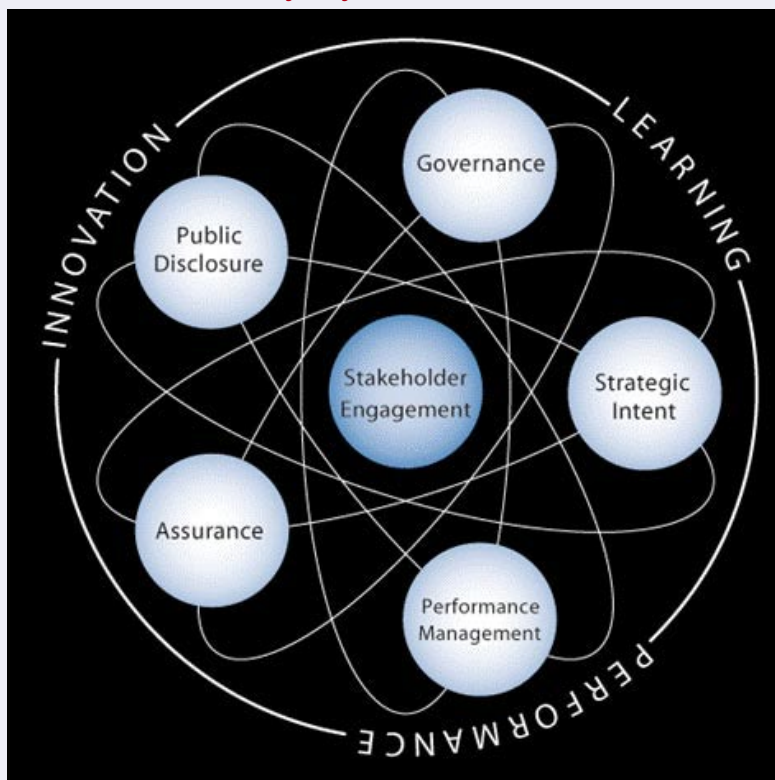
## Effective measurement of corporate performance

Major projects provide the infrastructure upon which society depends and are one of the biggest drivers for economic prosperity. If they are not managed properly they can cause enormous harm to the environment, local communities, employees and even to shareholders. Recent corporate scandals have led to a reaction in the form of the [Sarbanes-Oxley rules](#) and the [Higgs report](#) on corporate governance which demonstrate clearly that CR is at the very heart of managing successful world class companies. The UK's Operating and Financial Review (OFR) regulations require all quoted companies to report on key social and environmental issues each financial year, with similar legislation being developed in other parts of the world, for instance in South Africa.

Effective measurement of corporate performance is now a major growth area and public assessment and league tables are supplementing best practice in corporate reporting. A number of different tools for measuring and comparing responsible business practice have emerged in the last few years, for instance Business in the Community's (BITC) Corporate Responsibility Index and the Dow Jones Sustainability Index.

The corporate social responsibility consultancy **csrnetwork** launched its Accountability Rating® assessment in 2004 with AccountAbility, the not-for-profit think tank. The performance of FORTUNE Magazine's Global 100 (G-100) index of companies is measured across six areas, analysing company information in the public domain:

### The Accountability Cycle



...continued

Results show a marked disconnection between the accountability of many service providers in the major projects sector and that of potential clients in the G-100, particularly in the areas of performance management, public disclosure and assurance. Part of the discrepancy is because people are simply not talking enough in public about what they do; disclosure of standards, targets, strengths and weaknesses takes a conscious commitment from top management.

## Building corporate responsibility into the business strategy

BP is a company which attaches great importance to CR across the whole of its activities. The seminar heard about some of the issues involved in the development of its CR framework and its internal code of conduct:



Well organised businesses manage to develop programmes that combine their own commercial imperative with the needs of broader society. For example, BP remains at the centre of the climate debate, investing in technology to reduce the negative impact of its products and minimise carbon dioxide emissions. The company also provides micro-financing for small enterprises, helping to create sustainable jobs in the communities in which it operates.

## Risks and opportunities

Implementing a CR strategy can present companies with the need to make decisions about short and long term business risks and opportunities, such as those identified by EDF Energy:

### Business risks and opportunities

	Risks	Opportunities
<b>Short term</b>	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Inaccessible products or services</li> <li>• Environmental damage / non-compliance</li> <li>• Inability to differentiate in marketplace</li> <li>• Gap between values and actions</li> <li>• Narrow risk identification / management•</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced customer debt</li> <li>• More efficient use of resources</li> <li>• OFR - competitor information</li> <li>• Better serve customers</li> <li>• Better staff &amp; customer loyalty</li> <li>• Effective stakeholder relationships</li> <li>• Point of reference</li> <li>• Investors value good governance</li> </ul>
<b>Long term</b>	<ul style="list-style-type: none"> <li>• Impetus to innovate</li> <li>• Skills shortage</li> <li>• Climate change</li> <li>• Costly regulation / legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Widen pool of employee talent</li> <li>• Access to new market niches</li> <li>• Partner / supplier of choice</li> <li>• Lead and shape key debates</li> <li>• More effective lobbying</li> </ul>

## Employee involvement

The importance of communicating the CR message internally was emphasised by several speakers. Commitment needs to start at the top, with issues such as key performance indicators (KPIs) cascading through the company to its employees: it is crucial that employees at all levels 'buy-in' to a company's vision, values and principles.

For example, EDF Energy seeks to empower staff by giving them a voice and an opportunity to share in the way the business operates. Various means are employed, including a 'one in ten' scheme whereby every one in ten working days a manager spends the day with employees getting to know them and their jobs.

## Safety culture

Safety is fundamental to corporate responsibility, and is the primary business driver for service providers such as Morrison Utilities Services. Major contracts tend not to be awarded unless a contractor or service provider has a proper safety track record, both in terms of providing employees with a safe working environment and acting in a responsible way when working in the field.

Constant reinforcement of the safety message is a key issue; keeping this message fresh, simple and direct is essential, with appropriate tools to deliver it.

## Conclusion

Corporate responsibility is not just a 'nice thing to do': it has to benefit the company and its shareholders, and be sustainable. A successful CR strategy impacts on the day to day work of a company's business, enhances reputation and adds value.

President Putin of Russia was reported as saying to the Chief Executive of BP that his company was welcome because it was a 'good corporate citizen.' This illustrates both the global reach of CR and how governments all over the world expect companies to become involved in the wider community rather than operate on the basis of profit alone.

Issues such as human rights, climate change and sustainability will ensure that CR reaches the top of the agenda: no aspect of business can now escape being drawn into a modern definition of CR. Corporations engaged in major projects are highly visible, and will be in the vanguard as the pace quickens.

## Participating organisations

Arup Major Projects  
Balfour Beatty Civil Engineering Ltd  
Bartlett School of Graduate Studies  
Bechtel Ltd  
Bovis Lend Lease Pharmaceutical Ltd  
BP plc  
British Energy  
CMS Cameron McKenna LLP  
Cross London Rail Links Ltd  
CSE International Ltd  
**csr**network  
EDF Energy  
Freshfields Bruckhaus Deringer  
Halcrow  
Harris Management Services  
Highways Agency  
KPMG LLP  
London First  
Major Projects Association  
Morrison Utility Services Ltd  
Mott MacDonald  
Mouchel Parkman  
NATS  
Network Rail  
Rolls-Royce  
Scott Wilson  
Sir Robert McAlpine Ltd  
Thames Water  
The Nichols Group  
Transport for London  
WSP Group