

**CORPORATE SOCIAL RESPONSIBILITY:
A METHODOLOGY FOR PERFORMANCE EVALUATION**

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ABSTRACT

According to Strategic Management Theory; managers can add value to an enterprise by taking into account the social and economic effects of an enterprises operation when making decisions. This has led to the concept of 'Corporate Social Responsibility'. The Stakeholders such as investors and financial institutions, business partners, consumers, employees, surrounding community, civil society organizations and governments and their institutions, must be provided the information about how and to what extent they fulfil their responsibilities. The Selection of the indicators for judging the performance of enterprise in fulfilling its social responsibilities, may be based on the following criteria (1) Comparability (2) Relevance and materiality (3) Understandability and (4) Reliability and verifiability. The guiding principles for selection of indicators may be (1) Universality to maximize comparability (2) Incremental approach (3) Capability of consistent measurement (4) Performance orientation rotes than process orientation and (5) National reporting and positive corporate contributions to development. The constraints are costs and benefits, confidentiality and trendiness. Various indicators such as values of imports Vs. exports, total new investments, local purchasing, employment creation and labour practices, expenditure on research and development, average hours of training per year now employee, payments to government voluntary contributions to civil society etc. and some eco-efficiency indicators are suggested and distasted in the tears of their background compilations, and presentations and disclosure.

Keywords: Corporate Social Responsibility, Methodology, Eco-efficiency indicators

Note: Paper is compiled from 'Guidance on Corporate Responsibility Indicators in Annual Reports' prepared by United Nations based on United Nations conference on trade and development took place at New York and Geneva during 2008

I. INTRODUCTION

The concept of corporate responsibility draws upon the strategic management theory that says managers can add value to an enterprise by taking into account

the social and economic effects of an enterprise's operations when making decisions.

In order to provide shareholders and other stakeholders (as well as managers themselves) an account of an enterprise's impact on society, a report on the performance of an enterprise is imperative. Thus, an enterprise through such transparency becomes, more accountable to its principal stakeholders.

Enterprises have an obligation to inform their stake holders how and to what extent they fulfil their responsibilities. These responsibilities are often, though not exhaustively, described and defined in existing regulations, codes, laws and international agreements.

Here any group of persons that are affected by and/or can influence an enterprise, without necessarily holding an equity share of the enterprise, may be consider as stakeholders. Their actions can affect an enterprise's brand and reputation, its financial performance, and even its license to operate.

Thus, communication with stakeholders and consideration of their views is very important for enabling enterprises to provide relevant information. However, perception and use of such reporting are highly target group specific. The enterprise can identify relevant issues through community panels, staff surveys, industrial relations, consumer surveys, opinion polls, workshops with combined stakeholder dialogues on specific issues, and meetings with external experts. Alternatively, stakeholders may be provided with contact details and/or comment or feedback forms in published reports or by employing company websites to encourage stakeholders to give input about the information they are interested in and about their opinions on the company's behavior.

The key stakeholder groups may be identified as follows:

1. Investors and financial institutions;
2. Business partners;
3. Consumers;
4. Employees;
5. Surrounding community;
6. Civil society organizations; and
7. Governments and their institutions.

These groups are users of financial reports, it is expected that the inclusion of corporate responsibility information into annual reports would not only provide

existing users with additional useful information, but would also broaden the scope of users to include additional stakeholder groups with a particular interest in the impact of the enterprise on society.

A. Investors and financial institutions:

The financial markets consist of various stakeholders, including shareholders, lenders, banks, rating agencies and analysts. For this group, apart from the financial information, non-financial information (which includes CSR information) also becomes important for the evaluation of the long term performance of the enterprise. The short-term investors may not take much interest in corporate responsibility reporting, long-term investors, such as pension funds, are increasingly interested in such reporting in order to better judge future opportunities, risks, legal liabilities, and the general quality of management.

Corporate responsibility information required by the financial sector includes the financial consequences of such issues, the overall strategy of an enterprise, its risk and reputation management, compliance with laws and regulations, the consequences of plant additions or closures and similar decisions.

B. Business partners:

Business partners include potential or existing joint venture partners, suppliers and customers. They need information that enables them to assess risks that might impact the enterprise's operations. They would like to know how the enterprise addresses corporate responsibility issues, including labour practices, human rights, legal compliance and fair business practices.

C. Consumers:

Consumers (present, past and future) would like to have information on quality, liability and warranty of product and also on product safety measures, effect on health and manufacturing process.

D. Employees:

The employees (both present and future) are interested in remuneration, plans and intentions of the business, job prospects, working conditions, health and safety, industrial relations, the management of risks, and personnel development opportunities, are also interested in the enterprise's present and future financial condition. Trade unions would like to have access to employee-related information.

E. Surrounding community:

Surrounding community is basically interested in the issues related to economic development such as jobs, contributions to the tax base, and the secondary impact of an enterprise (through local business linkages and the multiplier effect of the local payroll).

Equally among a community's primary interests are issues related to the management of local health, safety and security risks and information on community complaints about corporate activities and how these are dealt with. The local community may also have concerns about the impact of an enterprise's operations on local culture, due to introduction of new products or services, or from the generation of internal migration.

F. Civil society organizations:

The activists and relief-oriented NGOs, use the information in corporate responsibility reports, among other things, as a basis for dialogue with the reporting enterprise. Their sphere of interest covers a wide range of corporate responsibility issues, including labour practice, human rights, anti-corruption, economic development and environmental protection. They would also be interested in obtaining information on CSR policy and implementation.

G. Governments and their institutions:

How the enterprises assume responsibilities toward society, in the voluntary initiatives of enterprises in this field and in the impact of enterprise's social engagement, will be the primary concern of the Government. Government needs such information to help them formulate social and economic policies, as well as to help identify gaps in regulation and enforcement.

II. CRITERIA FOR THE SELECTION OF CORE INDICATORS

A. Quality characteristics

The selection of indicators should be based on certain criteria, some of which are outlined below:

- a. **Comparability:** Users should be able to compare the indicators over time and between enterprises to enable them to identify and analyse the outcome of changes in policy and management. For purposes of comparison over time, it is important to disclose corresponding information for the preceding periods. If changes are made in the

- measurement, presentation or classification of information, comparative figures should be adjusted, unless it is not practical to do so.
- b. **Relevance and materiality:** To be useful, information should be relevant in meeting the needs of users in forming an opinion or decision. Information has the quality of relevance when it influences the opinion or decision of users by helping them to evaluate past, present or future events, or confirming or correcting their past evaluations. The relevance of information is affected by its nature and materiality. In some cases, the nature of the information alone is sufficient to determine its relevance. In other cases, both the nature and materiality, as expressed in the relative quantitative variables, is important. Relevance, moreover, often depends on the circumstances relating to topics and recent events. Therefore, it could be relevant to provide more details such as a breakdown by a specific category or other details in relation to some of the indicators.
 - c. **Understandability:** The information on corporate responsibility must be understandable to the reader. This means that it should include the following: (a) a good design; (b) systematic classification of topics and indicators; (c) concise use of language; and (d) an explanation of unknown terms in the text, or the inclusion of a glossary to enhance understandability. Relevance takes priority over understandability, but the two concepts should not be seen as mutually exclusive.
 - d. **Reliability and verifiability:** Reliable information is free from material error and bias, and it gives a true, complete and balanced view of the actual situation. The information should be faithful and representative of the actual situation in the business, well balanced on both positive and negative events, presented in the right context, and free of material misstatement. It should be neutral (free from bias), i.e. it should not influence the making of a decision or judgment in order to achieve a predetermined result or outcome.

B. Guiding principles

Selection of indicators on corporate social responsibility reporting should be based on the following five principles.

- a. **Universality to maximize comparability:** The indicators would in principle apply to all enterprises, regardless of sector, size or location, the intention being to maximize the comparability of reported information.

- b. Incremental approach: This means that selected indicators should first address issues that an enterprise has control over and for which it already gathers, or has access to, relevant information.
- c. Capability of consistent measurement: The selected indicators should be able to be recognized, measured and presented in a consistent way. This enables comparison over time and across entities.
- d. Performance orientation rather than process orientation: The selected indicators should assist users of corporate reports to identify areas of corporate responsibility that require attention, and to measure the performance of the organization in addressing these areas. The social impact of business operations cannot be assessed solely on the basis of the management processes and policies adopted by enterprises in the context of corporate responsibility.
- e. National reporting and positive corporate contributions to development: Indicators should help to analyse positive corporate contributions to the economic and social development of the country in which it operates. For this reason, indicators should be reported on a nationally consolidated basis, so that they are useful to stakeholders within a specific country, and so that the indicators can be understood within the context of a specific country.

C. Constraints

The following may be considered as constraints in selecting core topics and indicators on corporate responsibility reporting:

Costs and benefits: The measurement of indicators and the provision of additional information in relation to indicators should not impose an unreasonable burden on enterprises, particularly those in developing countries and in the small and medium-sized enterprise sector. So such indicators may be used that can be derived from data that enterprises already gather or have access to in their regular course of business, without incurring significant additional costs.

Confidentiality: The selection of indicators should respect the confidentiality of commercial data, as well as the confidentiality of any enterprise data that relates to the right to privacy of natural persons (e.g. employee data). However materiality could take precedence over commercial confidentiality, where this does not conflict with legal requirements to keep the information confidential.

Timeliness: If there is undue delay in the reporting of information, it may lose its relevance. Conversely, if the reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. For the timeliness (and hence frequency) of reporting, the enterprise has to find a balance between relevance and reliability. The overriding consideration in this respect is how the information needs of users can best be met.

A. Overview of selected indicators

Please refer Table 1. For overview of selected indicators.

B. Review of measurement Methodology

To ensure consistent reporting of the selected indicators presented in table 1, a measurement methodology is described for each of the indicators in the sections below. The methodology includes three parts: (a) background on the selected indicator; (b) compilation guidance; and (c) presentation guidance.

Trade, investment and linkages

1. Total revenues

Background

The total revenues of an enterprise allows for an approximate calculation of the enterprise's overall economic relevance to the economy in which it operates.

Presentation and disclosure

The figure for total revenues should correspond to the same data as reported elsewhere in the company's (audited) financial statements, or its internally (audited) management accounts.

- (a) In addition, value added information may be provided. Value added in enterprises is measured by the difference between the revenue from the goods and services produced and the cost of goods and services bought in. The value added model can assist the user of information to form an opinion concerning the scale and composition of the production factors used by the enterprise to produce the goods and services it provides, the macroeconomic significance of the enterprise and the distribution of the value-added of the different stakeholders deriving income from the enterprise.

2. Value of imports vs. exports

Background

The value of an enterprise's exports in relation to its imports is an indicator of the contribution of an enterprise to the balance of payments of the country in which it operates. This issue is of particular relevance for developing countries which must manage their "hard currency" reserves.

Compilation

Data maintained for meeting generally accepted financial reporting requirements can be useful for calculating this indicator. (a) Identify all cross-border transactions of the reporting company concerning its current, capital and financial account.

(b) Identify whether these transactions are exports or imports from the perspective of the reporting company. (c) Calculate the contribution of the reporting company to the host country's balance of payments (CCBP) using the following formula:

$$\text{CCBP} = \text{Total Exports} - \text{Total Imports}$$

(d) Transactions refer to:

- (i) Current account: goods; services; income; current transfers;
- (ii) Capital and financial account:
 - a. Capital transfers: acquisition or disposal of non-produced, non-financial assets; and
 - b. Financial assets and liabilities.

Presentation and disclosure

In the disclosure, the data on import and export should be shown separately. The use of transfer pricing, where applicable, should be explained, especially how prices were derived. The reasons for any significant year-on-year changes in the contribution of the enterprise to the balance of payments of the country should also be explained. The enterprise may provide additional information on the type of goods and/or services making the most significant contributions to imports and or exports.

3. Total new investments

Background

Generally it is believed that positive economic and social impact is expected through new investment. Especially when this new investments are made in buildings, machinery, equipments etc. such investment enhances the productive capacity of the economy and may lead to reduction of poverty in developing countries.

Compilation

The detailed information on the new investment as described earlier are calculated through the definitions based on invoices.

Presentation and disclosure

Data on different types of new investment such as (a) direct investment into another entity and foreign direct investment and (b) investment by the reporting enterprise to create a new productive capacity or a new technology should be presented. If there are significant year-to-year changes the reasons thereof should be explained. Moreover, information on expected amortization period should also be provided.

4. Local purchasing

Background

Forging supplier linkages with domestic companies is an important channel for increasing local value added and creating employment. Costs of local purchasing are a general indicator of the extent of an enterprise's linkages with the local economy.

Compilation

- (a) Identify the items of local purchasing included in the reporting period.
- (b) Calculate the costs of local purchasing during the reporting period (i.e. accruals accounting).

Presentation and disclosure

(a) The relevant figures should be presented in both absolute as well as percentage of total purchasing forms (b) Apart from this information on the number of local enterprises from which goods and services were purchased, the nature of the goods or services, or the identity of any major suppliers of goods or services should be provided. Further information may be provided on major commitments made during the reporting period.

Employment creation and labour practices

5. Total workforce with breakdown by employment type, employment contract and gender

Background

Creation of jobs is one of the most important positive economic and social impact that an enterprise makes. Also an enterprise may make efforts towards removing discrimination which is again a positive social impact. For this the management's ability to recruit and retain employees on the basis of pure merit may be considered as a measurement of contribution of the enterprise towards reducing discrimination. All the selected indicators should include breakdown by gender.

Compilation

- (a) Identify the total workforce (employees and supervised workers) working for the reporting entity at the end of the reporting period. Outsourced activities are not included in this compilation. Supply chain workers are not included in this indicator.
- (b) Identify the contract type and full-time and part-time status of employees based on the definitions described above.
- (c) Calculate the full-time equivalents of employees. This is the number of employees reflected in full time status, e.g. two employees working each 50 per cent equal one full-time equivalent.

Presentation and disclosure

(a) The following figures should be presented: (i) Total workforce broken down by employees and supervised workers; (ii) Total number of employees broken down by type of employment contract (permanent or temporary); (iii) Total number of employees broken down by employment type (full-time or part-time); (iv) Items i, ii and iii, above, broken down by gender; and (v) Full-time equivalents broken down by gender. (b) Additional information that may be reported: (i) Companies may also want to provide additional information related to issues of discrimination, including information on minorities or historically disadvantaged groups, based on the circumstances of the country in which the reporting enterprise is located. Additionally, enterprises may choose to report information on the age of their workers, in which case it is recommended that the total number of employees be broken down by the following age groups:

<30; 30-50; >50. (ii) If a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, it is recommended to include this information. (iii) Sometimes an average number of employees in the reporting period may provide more insight. In this case, it is recommended to include an overview of average number per quarter. (iv) Information on seasonal or temporary contract workers, agency workers and self-employed workers may be presented in the explanatory notes to the table. (v) Reasons for any significant variation between the indicators reported and those relating to previous periods may be explained.

6. Employee wages and benefits with breakdown by employment type and gender

Background

Another significant positive economic contribution an enterprise can make to the community in which it operates comes through the payment of wages and other benefits to employees. The total payroll of an enterprise, through the multiplier effect, supports the economic activity and economic development of the community in which the employees live. This indicator should reflect the total costs of the employee workforce.

Compilation

(a) Identify the types of benefits provided to employees. (b) Identify the cost of benefits provided to employee as reported elsewhere in the company's (audited) financial statements, or its internally (audited) management accounts.

Presentation and disclosure

(a) The data on total benefits should be presented providing a breakdown by: (i) Payroll and other types of benefits; (ii) Major groups of employees as defined by the International Labour Organization's (ILO's) guidance International Standard Classification of Occupations; (iii) Type of employment contract (part-time/fulltime/ other); and (iv) Gender. (b) Additional information may be provided on the type of benefits provided to full-time employees of the organization (e.g. insurance, housing, education, pensions, etc.). (c) Reasons for any significant variation between the indicators reported and those relating to previous periods should be explained.

7. Total number and rate of employee turnover broken down by gender

Background

The job security of employees and the employment practices of an enterprise are reflected in workforce turnover. The enterprises turnover statistics should be comparing to the industry average or the best practice within the industry or sometimes with that of industries.

Compilation

(a) Identify total number of employees leaving employment during the reporting period. (b) Identify the reason of departure (e.g. individual dismissal, retirement, death, restructuring, etc.). (c) Calculate the absolute number and rate of employees leaving employment during the reporting period. Rates should be calculated using the total employee numbers at the end of the reporting period.

Presentation and disclosure

(a) The following figures should be presented: (i) Total turnover of employees; (ii) Total turnover of employees broken down by reason of departure; and (iii) Total turnover of employees broken down by gender. (b) Additional information may be provided on the reasons for retrenchments and dismissals or exceptional levels of employee turnover. Enterprises may also choose to report the total turnover of employees broken down by the following age groups: <30; 30-50; >50.

8. Percentage of employees covered by collective agreements

Background

The right of workers to join or form their own organizations and to bargain collectively with their employer over the conditions of their work is internationally recognized. Whether or not employees exercise these rights in practice varies by location, industry and enterprise. Collective bargaining is recognized as an effective private means for increasing the positive social impact of business activity. For those stakeholders who are trying to assess the relationship between management and workers, it is helpful to know how many employees are covered by collective bargaining agreements.

Compilation

(a) Use data from indicator number 1 above (total workforce) as the basis for calculating percentages for this indicator. (b) Identify the number of employees covered by collective bargaining agreements. (c) State the combined number of employees covered as a percentage of the total number of employees.

Presentation and disclosure

Reasons for any significant variation between the indicators reported and those relating to previous periods should be explained.

Technology and human resource development

9. Expenditure on research and development

Background

Process and product technologies are often the drivers behind an enterprise's competitive advantage, and such technologies are also acknowledged as a key ingredient in the economic development of host countries.

Compilation

(a) Research or development costs that: (i) Relate to an in-process research or development project acquired separately or in a business combination and recognized as an intangible asset; and (b) To assess whether an internally intangible generated asset meets the criteria for recognition, an entity classifies the generation of the asset into a research phase and a development phase. (c) No intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Cost of research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred. (d) An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following: (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) Its intention to complete the intangible asset and use or sell it; (iii) Its ability to use or sell the intangible asset; (iv) How the intangible asset will generate future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Presentation and disclosure

(a) Total expenditure on research and development for the reporting entity should be presented as per the definitions and compilation formula above. (b) Intangible assets arising from development should be disclosed. (c) Additional information may be included in the presentation, such as an explanation of the reporting enterprise's principal research and development projects, expected

results and the expected timeframe of the projects. Further details on significant differences in year-on-year expenditure could also be provided.

10. Average hours of training per year per employee broken down by employee category

Background

Enabling their employees to develop their skills is a mean by which a company can contribute in enhancing the capacity for innovation of the local communities. This may also leads to enhancement in the quality of their employment position. Through training the management makes an effort to invest in its human resources. Moreover by enhancing employee's knowledge the enterprise fuels its own development. Employee training can be measured in two ways: by average hours of training per employee and by expenditure on training per employee.

Compilation

(a) Identify the number of employees for each major group of employment category across the organization's operations at the end of the reporting year. The organization should use the definition of "major group" of employment category set out in ILO's guidance International Standard Classification of Occupations. (b) Identify total hours devoted to training personnel within each major group of employment category. (c) State the number of hours of training per year per employee by category of employee using the following formula:

Average number of hours of training per employee per year per category = Total hours of training per year per category / Total employees per category

Presentation and disclosure

The reasons for any significant variation between the indicators reported and those relating to previous periods should be explained. A distinction may be considered between general training focusing on personal development and specific training on knowledge development, e.g. leadership, information technology skills, communication skills, language, teamwork, knowledge, personal growth, etc. In addition, the disclosure of a reference to the employee's own time investment due to following training and preparing for training in their own time may also be considered. Also, information concerning on-the-job training can be disclosed when applicable.

11. Expenditure on employee training per year per employee broken down by employee category

Background

Expenditure on employee training is another indicator reflecting an enterprise's positive contribution towards the development of human resources.

Compilation

(a) Identify the training costs from the sources, which are known in the enterprise (accounts, data files, minutes, etc.). (b) Identify estimates of the training costs only if these data were not available. (c) Calculate the cost using the following formula and provide the data broken down by each major group of employment category across the organization's operations at the end of the reporting year. The organization should use the definition of "major group" of employment category set out in ILO's guidance International Standard Classification of Occupations.

Cost of employee training = Direct costs of training + Indirect costs of training

(d) Direct costs: involves Fees and payments made to the external trainers, their travel expenses, labour cost of internal trainers, cost of premises etc. From this receipts like rebates, grants, other concessions and assistance received should be deducted to arrive at the net Direct cost.

Presentation and disclosure

Reasons for any significant variation between the indicators reported and those relating to previous periods should be explained. It should be noted that this indicator can be distorted by the costs of expensive training courses that are provided for a few employees. Additional information may be provided on the type of training, such as general training focusing on personal development and specific training on knowledge development. Additional reference can also be made to employees' own time investment, as well as reference to training on the job.

Health and Safety

12. Cost of employee health and safety

Background

Employee health and safety represent one of the most important corporate responsibility issues confronting organizations. This is particularly true for

companies operating in an environment with weak regulatory infrastructure in an inherently hazardous industry. Occupational accidents lower employee productivity, undermines human capital development, diverts management attention, and could be symptomatic of poor management quality and lack of adequate internal management systems.

Compilation

(a) Identify the company's cost of occupational safety and health-related insurance programmes (when such programmes exist). Do not include in these figure expenditures on employee health insurance programmes, as this should be included in employee benefits (indicator 6). Include a distinction between operating costs and investments. (b) Identify the company's cost of health care activities financed directly by the company as such, either through self-insurance or in operating the company's own health care facilities. (c) Identify the company's cost incurred on working environment issues related to occupational safety and health. (d) Calculate the company's total cost of employee health and safety by adding up the figures obtained in identification steps (a) through (c)

Presentation and disclosure

The disclosure should include the details of compilation items (a), (b), and (c)

13. Work days lost due to occupational accidents, injuries and illness

Background

Work days lost due to occupational accidents, injuries and illness can reflect the degree to which the enterprise contributes to creating a healthy, safe and productive work environment.

Compilation

(a) This indicator should provide a breakdown according to: (i) The total workforce (i.e. total employees, plus supervised contract workers); and (ii) Independent contractors working on site towards whom the reporting organization owes liability for the general safety of the working environment. (b) Data on "lost days" should be based on the definitions under the national law of the country in which the lost days took place. In calculation of lost days, it should be noted: (i) whether "days" means "calendar days" or "scheduled work days"; and (ii) at what point the "lost days" count begins (e.g. the day after the accident or three days after the accident).

(c) State lost day rate (LDR) by calculating as follows:

$$\text{LDR per 100 employees} = \text{No. of lost days} / \text{Hours worked} * 200,000$$

Note: The factor 200,000 is derived from 50 working weeks at 40 hours per 100 employees. By using this factor, the resulting rate is related to the number of employees and not the number of hours.

Presentation and disclosure

(a) Present the data used in compiling the lost day rate. The breakdown of data on total workforce and independent contractors may be presented in a table. (b) Reasons for any significant variation between the indicators reported and those relating to previous periods should be explained. (c) Report fatalities in the reporting period using an absolute number, not a rate.

Government and community contributions

14. Payments to Government

Background

Enterprises make a significant economic contribution to government finances in the form of taxes, royalties and other fees paid to Governments. This is particularly important for some industries which do not have large payrolls or strong business linkages, and whose principal contribution to economic development is in the form of taxes and other payments to Governments.

Presentation and disclosure

(a) Present the total amount related to reporting year with a distinction between amounts paid to the Government and amounts payable to the Government. (b) Present the information, in conjunction with a breakdown of the major categories of payments (e.g. income taxes, customs duties, royalties, etc.).

15. Voluntary contributions to civil society

Background

Many enterprises support the communities in which they operate through the voluntary donation of cash, goods and services. These direct contributions can result in significant positive contributions, for example, to the development of local infrastructure such as schools and hospitals, as well as the provision of

emergency relief in times of natural disaster. This indicator reflects an enterprise's voluntary contributions to the community.

Compilation

(a) Voluntary contributions are recognized as an expense when they are paid and are not deductible for tax purposes. (b) For infrastructure investments, the calculation of the total investment should include costs for ancillary, related or incidental goods and labour, in addition to capital costs. For support of ongoing facilities or programmes (e.g. an organization funds the daily operations of a public facility), the reported investment should include operating costs. (c) The infrastructure investment excludes legal and commercial activities. Any infrastructure investment which is primarily driven by core business needs (e.g. building a road to a mine or factory) or to facilitate the business operations of the organization, should not be included. The calculation of investment may include infrastructure built outside the main business activities of the reporting organization, such as a school or hospital for employees and their families.

Presentation and disclosure

The total amount should be presented for the reporting period, together with an itemization of major contributions or categories of contributions (e.g. education, health arts, and community development).

Corruption

16. Number of convictions for violations of corruption related laws or regulations and amount of fines paid/payable

Background

Corruption is internationally recognized as an obstacle to economic development and a hindrance to international trade and investment. Corporations can make a positive contribution to respect for anti-corruption laws and international norms by ensuring that they are not involved in corruption. A basic measurable performance indicator in this regard is the number of legal infractions a company incurs as a result of corrupt practices. This indicator can provide useful information to stakeholders about legal liabilities and areas of the enterprise's internal control that require attention.

Compilation

- (a) Identify all convictions for violations of corruption related laws or regulations.

- (b) Identify the amount of fines paid/payable.

Presentation and disclosure

(a) The total number of convictions should be presented together with the total amount of fines paid and or payable. (b) Additional information would be an itemization of individual fines or penalties, along with an indication of the particular regulation or law violated. (c) The enterprise may also provide information about any actions taken in response to incidents of corruption, for example new or revised enterprise policies to prevent such incidents.

III. ECO-EFFICIENCY INDICATORS

In 1989 Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting [ISAR] took up the topic of corporate environmental accounting. The Group soon discovered in its first survey that there were no national accounting standards specific to environmental information disclosure. Furthermore, some CEOs believed that environmental information was not necessary for a true and fair view of the enterprise's performance or that it was too difficult to obtain. To meet this obvious need for guidance, ISAR issued its first recommendations for environmental disclosure in financial statements in 1991.

This guidance was soon followed by intense study and analysis by national standard-setters. In 1998 ISAR revisited the issue of environmental disclosure and expanded its recommendations based on emerging best practices. Its objective in issuing a new guideline

– Accounting and Financial Reporting for Environmental Costs and Liabilities – was to ensure that different standard-setters did not adopt different solutions for the same problems.

However, it is clear that the conventional accounting model is not able to assess an enterprise's environmental performance and its impact on financial performance to the degree desired by all stakeholders. This is because the conventional model was developed to provide information only on financial position and performance. However, it is obvious that in the post-Enron era, stakeholders want non-financial information covering the enterprise's environmental and social performance, as well as information on its corporate governance structures and procedures. The environmental world summits in Rio (1992) and Johannesburg (2002) have shown that the business community has

become committed to the concept of sustainable development and to improving its environmental performance.

On the other hand, various stakeholders are demanding that enterprises report on these improvements. In particular, the financial community is concerned about how environmental performance affects the financial results of an enterprise.

This concern about sustainable development is now complemented in the post-Enron era by corporate concern about "sustainable value" or "sustainable business". To achieve sustainable development, sustainable value or sustainable business, enterprise management must take into account the impact of their performance on their employees, their customers, their suppliers and the community, including its environment.

The broad indicators of eco-efficiency of an enterprise may be briefly outlined as below:

- (a) Water consumption per net value added;
- (b) Global warming contribution per unit of net value added;
- (c) Energy requirement per unit of net value added;
- (d) Dependency on ozone-depleting substances per unit of net value added;
- and
- (e) Waste generated per unit of net value added.

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FIGURES AND TABLES

Table 1. Overview of Selected Indicators

| Group | Indicator |
|---|---|
| Trade Investment and Linkages | 1. Total revenues 2. Value of imports vs. exports 3. Total new investments 4. Local purchasing |
| Employment Creation and Labour Practices | 5. Total workforce with breakdown by employment type employment contract and gender 6. Employee wages and benefits with breakdown by employment type and gender 7. Total number and rate of employee turnover broken down by gender 8. Percentage of employees covered by collective agreements |
| Technology and Human Resource Development | 9. Expenditure on research and development 10. Average hours of training per year per employee broken down by employee category 11. Expenditure on employee training per year per employee broken down by employee category |
| Health and Safety | 12. Cost of employee health and safety 13. Work days lost due to occupational accidents, injuries and illness |
| Government and Community Contributions | 14. Payments to Government 15. Voluntary contributions to civil society |
| Corruption | 16. Number of convictions for violations of corruption related laws or regulations and amount of fines paid/payable |

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