BUSINESS *in the* COMMUNITY

EP's

Corporate Responsibility Index 2002

The first authoritative voluntary benchmark of responsible business practice

strategy

integration

management

impact

contents

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex

Business in the Community is a unique movement in the UK of 700 member companies. Our purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society. Together our member companies employ over 15.7 million people across 200 countries. In the UK, our members employ over 1 in 5 of the private sector workforce.

Membership of Business in the Community is a commitment to action and to the continual improvement of their company's impact on society. Our members commit to:

- Integrate responsible business practice throughout their business
- Impact through collaborative action to tackle disadvantage
- Inspire, innovate and lead by sharing learning and experience

Companies join Business in the Community because they recognise the value of integrating policy and practice and the internal dialogue this prompts. In addition membership provides a unique platform for collaborative action and dialogue to identify and address key challenges facing business and society, to develop and share best practice.

Business in the Community works globally to support its members through its partnership with the International Business Leaders Forum. In Europe we are the national partner of CSR Europe and chair the network of national partners across the EU.

Nationally we co-ordinate the All Party Group on Corporate Social Responsibility which has 131 members across both the Houses of Parliament.

Further information about Business in the Community can be found at **www.bitc.org.uk**

foreword

It has taken Business in the Community over two years to develop, implement and publish the Corporate Responsibility Index. Within that time span we have witnessed some great successes, but also some extraordinary failures by a small number of global businesses to manage reputational risks – the failure to align business operations with corporate values and beliefs. A Corporate Responsibility Index could not have been more needed, for it offers business a relatively straightforward tool to test how corporate values and beliefs are lived in the business.

As Business in the Community thought through what purpose an Index might have, back in May 2001 we conducted a City survey 'Investing in the Future' – when we identified the need for "reliable, standardised information that would enable a company's performance to be compared with that of its peers". I believe the Index has begun to address this fundamental need – comparing performance helps drive internal improvement and also provides valuable information for external stakeholders to gauge whether a business has successfully looked beyond narrow commercial goals and integrated a broader societal perspective.

The Index process has not been a "soft touch" - the Index has caused many of the participating companies to rethink how well they have integrated commitments into practice. The reaction of some of those who did not find themselves in the upper echelons bears testament to the challenging nature of the Index, as well as the seriousness with which it was approached. When I look back at the Index process, the one thing I am sure of is that it is not a tick box exercise. I know from my own company's experience that it challenged our perceptions and created a cross-functional debate within the company – it made mm02 really consider our position on a number of issues. I know that the Index process was not easy for mm02 and others to work through and I have asked Business in the Community to reflect on what it has learnt in year one so that next year's Index will be equally challenging but easier to manage.

I know we all get caught up with numbers and relative positions – it comes with the territory when you start to benchmark companies - but I want to focus on just one number, 122. This is the number of pioneering companies that completed the first Index and who clearly care about performance because they made the commitment to measure and report on their responsible business practice. And in true pioneering spirit, on one or two occasions we have had to draw the wagons into a circle and defend against unhelpful pot-shots. I believe the 122 pioneers have survived intact and they deserve our admiration and congratulations for blazing a trail for others to follow.

David Varney
Chairman, Business in the Community

executive summary

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex

Business in the Community is very pleased to present the results and analysis of the 1st Corporate Responsibility Index, the initial findings for which were first announced on the 11 March 2003.

Founding participants in the Corporate Responsibility Index have demonstrated that business is prepared to take the lead in promoting responsible business practice. The Index methodology has been developed in consultation with over 80 companies, and a number of other stakeholders, and has proven to be both challenging and stretching in its scope. Notwithstanding any improvements still to be made, it is a significant response to those who believe - left to its own devices - business will adopt the mantle of 'corporate responsibility' purely as a public relations exercise.

Participation in the Index has been a challenging exercise - as it needs to be. This is particularly the case for companies who are at an earlier stage in measuring and reporting their performance across the corporate responsibility agenda. It is no easy thing to opt for open disclosure in full knowledge that there are areas needing improvement - particularly when those who have less commitment or evidence of progress may seek invisibility through non-participation. All the companies that have taken part have indicated their intent to improve their performance, and should be seen as being in the vanguard of UK listed and UK based companies.

As well as being a public exercise in transparency, Business in the Community developed the Index as a means of helping companies to improve their social and environmental performance. As such, the Index provides a systematic approach to managing, measuring and reporting upon the various impacts that companies have upon society and the environment.

Top line results

Companies from all industry sectors were invited to take part in the Index and 122 took up the challenge in this first year. Of those, 94 were drawn from the FTSE 350, including 53 from the FTSE 100. The remaining participants were either members of Business in the Community or Dow Jones Sector Leaders.

- The top five performing sectors in the Index were: Food & Drug Retailers, combined sector of Life Assurance & Insurance, Water, Accountants, Automobiles and Mining (joint sector performance).
- The most 'engaged' sectors in terms of participation were: Media & Photography (10 companies), General Retailers (9), Support Services (8), Transport (8), and Banks (8). These sectors deserve particular congratulations for their commitment to the Index in its first year.

The average scores for each component of the Index reveal a lot about the ways in which companies are implementing their corporate responsibility programmes - and the stages that they have reached in that process.

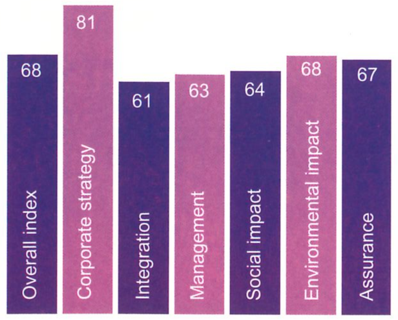
- Corporate Strategy came out as the highest scoring component, with an average of 80.8%. This suggests that companies have made considerable progress in identifying issues that may constitute business risks or opportunities. It remains early days, however, in establishing the mechanisms to drive strategic responses to the social and environmental agenda through the business. Accordingly, the average mark for the Integration component dips to 61.3%.
- With an average score of 85.1% companies demonstrated that they are tying corporate responsibility issues into their risk evaluation process. Key issues include the need to uphold reputation and the potential for negative publicity if there was a failure to act as a responsible employer.
- Management practice - how companies actually create policies and procedures set objectives and targets and achieve outcomes - achieved an average score of 63.3%, but this hides a wide range of scores in its four constituent parts of Community, Environment, Marketplace and Workplace.
- Although companies were able to identify the five key community issues for their business such as local issues arising from their direct presence or the benefit to staff development from participating in community programmes, what clearly emerges is the rudimentary stage that companies have reached in setting targets and objectives to manage these issues effectively.
- The Marketplace section - focusing on customers, suppliers and other partners - is the area where the relevant factors are most company-specific, and where the patterns of best practice are the least open to generalisation. Accordingly, it is an area that resists easy measurement, and this is reflected in the relatively low scores. Due to the nature of the issues, they are often dealt with most thoroughly at the level of strategic business units, which may lead to different approaches being taken within a single group.
- Workplace issues saw some consensus, with businesses across all sectors identifying issues such as: health and safety; diversity; recruitment and retention of quality staff; motivation; and training and development. But few companies, apart from those in the financial sector, focused on remuneration. Some of these areas are well advanced, particularly those that have been covered by legislation. Businesses still have considerable progress to make on how they develop the relationship with employees as key stakeholders of the business.
- Performance in the impact section reflected the greater experience at measuring and managing environmental impacts, with an overall average of 67.7% compared to 64.4% for social impacts.
- Impact measurement and performance were generally stronger in regulated areas. That trend saw Product Safety responses achieve an average score of 90% compared to just 48% for Supply Chain impacts.

"I very much congratulate all those companies who have come forward to take part this year. It's the first year and it was a courageous thing for companies to do, to subject themselves to a pretty rigorous scrutiny that they've been through in this Index."

Stephen Timms MP
Minister for E-Commerce and Competitiveness DTI

Top 10 performing sectors - overall average score (%)

Average score for each component of the Index (%)



Components of Index model

Engagement of sectors in the First Corporate Responsibility Index

	Number of participants by sector 2002
Accountants	3
Aerospace & Defence	3
Automobiles	3
Banks	8
Beverages	3
Chemicals	3
Construction & Building Materials	7
Diversified Industrials	1
Electricity	6
Electronic & Electrical Equipment	1
Engineering & Machinery	2
Food & Drug Retailers	3
Food Producers & Processors	4
Gas Distribution	1
General Retailers	9
Health	2
Information Hardware Technology	1
Insurance	4
Investment Companies	1
Leisure, Entertainment & Hotels	3
Life Assurance	1
Media & Photography	10
Mining	4
Oil & Gas	4
Personal Care & Household Products	2
Pharmaceuticals	2
Real Estate	4
Speciality & Other Finance	2
Support Services	8
Telecommunication Services	4
Transport	8
Water	5

"Intuitively I don't think that one can be troubled by the notion that there is a relationship between successful management and reputational risk, successful management of your employees and successful enhancement of your relationship with your customers, with your clients, through successful corporate responsibility actions."

James Leigh-Pemberton
Managing Director
CSFB

executive summary continued

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex

Company performance

The top line results of the Index show that there is wide variation in participating companies' levels of managing, measuring and reporting on corporate responsibility. Some companies have reached an advanced stage and become adept at tying in their corporate strategy to the ways they manage relevant issues. Others are at an earlier stage in the process of understanding and managing the issues of concern for their business.

Companies in the first quintile are further forward than their peers in integrating responsible business practice throughout the business and making it part of the company culture. They have also been able to demonstrate that their management practices have been translated into impact measurement, reporting and improvement. However, the Index also highlighted that many of those taking part, and positioned throughout the quintiles, were able to demonstrate pockets of excellence in their approach to corporate responsibility issues.

The Index measures those aspects of responsible business practice that can be identified and managed. It cannot predict changing social attitudes or individual decisions that may cause damage to the reputation of a company.
The results of the Index therefore need to be considered alongside performance reporting (social and environmental or CSR reports) to give a fuller picture.

The first year's results are intended to act as a benchmark so the fact that the average score across the Index was 67.8% will be of little independent value until the publication of next year's Index. It does, however, help to highlight the best performing sectors and the differences between the various components of the Index.

Future challenges

Many of the companies who participated in the Index this year have indicated that it has provided them with a powerful management tool to help engage Board members and raise awareness of the range of corporate responsibility issues that have meaning for their company. Completion of the Index has also encouraged dialogue between different functions within companies, provided a framework for continuous improvement, and even provided an opportunity to learn about many of the initiatives that the company is undertaking across the business, reinforcing the good work that is already being done. It has also provided an internal challenge process for companies to identify if they are conducting activity across the agenda in a systematic and integrated manner. However, Business in the Community faces a number of key challenges over the coming year.

- **Index refinement.** Review and refinement of the Corporate Responsibility Index prior to relaunch in September 2003, to ensure it better meets the needs of business, and takes into account the concerns expressed in the first year. This will be through an intensive business consultation process, in which we will also seek the views of other external stakeholders.
- **Data consolidation.** We asked companies if they would be willing to share the results of their surveys with other organisations – as part of the process to 'reduce questionnaire overload'. Around 50% of respondents were happy for us to investigate such a possibility and we will be moving ahead with discussions relating to data consolidation during the coming year.
- **Key focus areas.** Marketplace and Community impact have been highlighted as two key areas on which companies need further support. In Marketplace we will be looking at what this means for companies – particularly those which are not consumer facing. In Community we will be looking at how we can further support companies in the measurement of impact.
- **Learning network.** We will feed back the learning that we have gained through the Index process to showcase the excellent practices of some of our members and provide learning opportunities for others.
- **Participation rate of companies.** The Index offers participating companies a structured means of understanding, measuring and reporting on their activities. The challenge is to build from the solid base of 122 companies who participated in the first year, to increase the number of participants, to raise their scores, and consequently to improve their performance across the corporate responsibility agenda.
- **Communication.** We will look at additional ways to work with the media and participating companies so that those who take part in the public Index are acknowledged as leaders – as 'olympic finalists' and given the full recognition of their proactive stance on business transparency. The integration of responsible business practice through an organisation is a journey and companies need to be recognised for their efforts.

"I don't think there is a conflict between profit and behaving responsibly. Actually I think one of the advantages of this Index is that it does relate very much to the way businesses operate. In fact if you do it well and you do it right, then your profits actually are going to be more sustainable and investors like that."

Peter Montagnon
Head of Investment Affairs
ABI

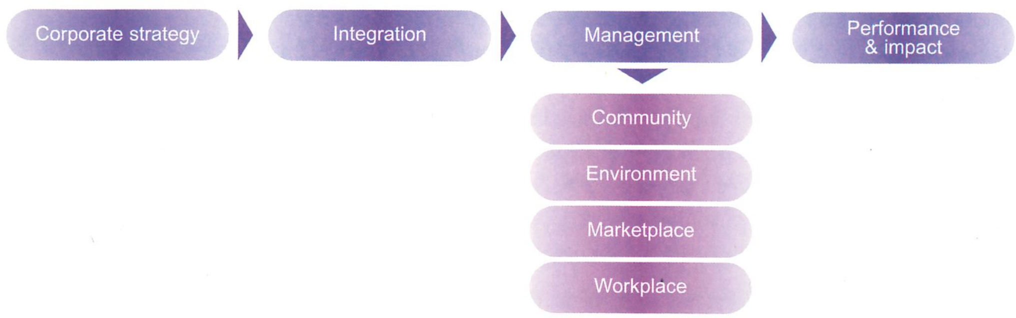
"The attraction of the CR Index is that it is a business led voluntary Index, which hopefully will become the principal indicator of engagement in society, broadly, for companies in the UK. If it does, I think it will offer a lot in capital markets."

Derek Higgs
UBS Warburg

index model

The Index is based on a model of four components - Corporate Strategy, Integration, Management, and Performance & Impact. Each of the four main components is equally weighted (22.5% each) and a further mark was awarded depending on the level of Assurance provided by participants (10% maximum). In addition, each management section of Community, Environment, Marketplace and Workplace were equally weighted, and each social and environmental impact area was also equally weighted. As there are fewer questions in the initial components of the Index, this means that there is a higher weighting for questions in the early part of the Index.

performance and to introduce a level of competition between participants. Companies have been placed in a quintile based on the overall score achieved for Strategy, Integration, Management Practice on Community, Environment, Marketplace and Workplace, and Performance in the seven impact areas (three social and four environmental) and finally on the level of Assurance provided. Topline results were presented separately for FTSE listed participants and for BITC members who are not FTSE listed.



The Index enables companies to assess the extent to which Corporate Strategy is 'integrated' within their organisation. In the Corporate Strategy section, we wanted to know how much the companies understood about the main corporate responsibility risks to their businesses and how these risks were addressed through policies, and responsibilities held at a senior level in the company.

The Integration component looked at how the companies organised, managed and integrated corporate responsibility throughout their operations. Is it part and parcel of the company culture? Is it integrated into the strategic decision making processes of the company and linked though into internal governance and risk management systems? We assessed this integration by using the Management section to review four impact areas - Community, Environment, Marketplace, and Workplace.

Finally, we looked at the companies' performance in a range of social and environmental impacts. Participants were given the opportunity to choose those impacts that are most relevant to their businesses.

The results are presented in quintiles with companies listed alphabetically in each of the sections (see page 18). The 'quintile' approach was taken after much debate, and is intended to help differentiate between different levels of

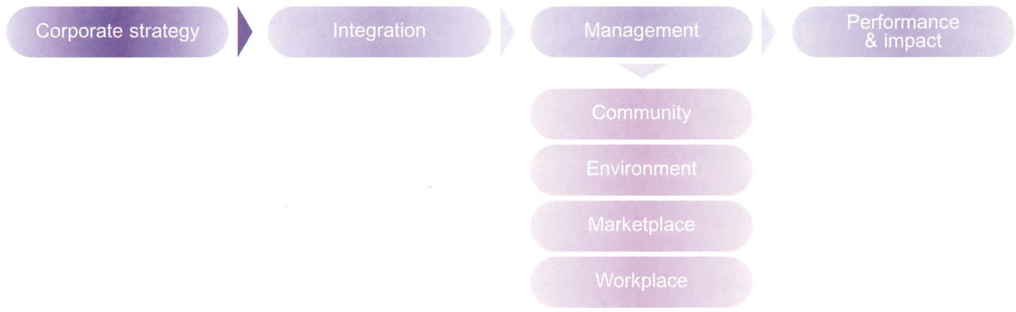
We use A, B, C profiles to indicate how well companies are managing their corporate responsibility. The profiles do not cover company performance in the seven impact areas or assurance section. However, we have indicated what impact areas companies completed in the summary table. Where companies in different quintiles have similar profiles, the difference in positioning within the Index is typically associated with companies higher up the Index having better measurement systems in place to measure their impact, and more robust assurance systems compared with those lower in the Index.

In addition to the public presentation of the results, participants receive detailed confidential feedback on their performance with a focus on sector analysis. This gap analysis helps companies to identify strengths and weaknesses, allowing them to take stock of progress and also to help them focus where improvements can best be achieved depending on the company's impacts and strategic business needs. This has provided companies with a useful tool to present information at board level.

Some companies have already shared their survey responses or the confidential feedback with various stakeholders, posted it on their website or provided information in public reports.

Companies took part by completing a survey issued online, supplemented by a series of guidance notes to aid in understanding the questions.

corporate strategy



The first component of the Index looked at Corporate Strategy. This part of the survey explores: how the nature of a business's activities influence a company's values; how it understands the key corporate responsibility risks to the business; how this is translated into strategy; addressed through the development of policies and stakeholder engagement; and how the company demonstrates leadership both internally and externally. The section was split into a total of nine questions, of which two were non-scoring.

Generally companies performed well in this area with the highest overall average score (80.8%) of all four main components of the Index. This is a reflection of the fact that many companies have begun the process of developing strategies to deal with corporate responsibility activities. Participants found that their existing vision, values and policies encompassed many of the activities that were being assessed by the Index. The previous development of policies to cover the more regulated areas, such as environmental management and health & safety, also aided companies' scores.

Despite this, there was evidence that a gap remains between such high-level ideals and translating those thoughts into mainstream business practice. The companies that performed best throughout the Index were those able to bridge the gap between Strategy and Integration. But, looking at the five best performing sectors across the whole Index, the gap is clearly demonstrated in each case. The Water sector, for example, attained 87.5% in Corporate Strategy but only 74.1% in Integration.

The sector with the highest score in Corporate Strategy was Food & Drug Retailers with 100%. It was the only sector to gain full marks but was closely followed by Accountants, Telecommunications, Insurance and Mining, which all gained scores around the 90% mark.

Sectors that performed less well in this section were General Retailers (66.2%), Aerospace & Defence (66.7%), and Media & Photography (69.3%). It should be noted that the participation of a company near to the start of measuring and reporting on its performance can significantly deflate the average for that sector.

"Piecemeal reporting is no longer an option. Reported information needs to be complete, credible and communicated effectively with key issues and impacts pertinent to both the sector and individual company being central to the report."

Rachel Jackson
Head of Social and Environmental Issues
ACCA

General Retailers, for example, included Corporate Strategy scores ranging from 31.7% to 100%. Aerospace & Defence had a similar story (36.9% - 77.9%), as did Media & Photography (40.5% - 87.1%).

Although Corporate Strategy produced the best overall average for the whole of the Index, some of its focus points proved much easier than others. The question with the highest score (89.7%) related to whether or not companies had appointed a main board member with responsibility for the various components of corporate responsibility. The main area where there was no board responsibility related to Human Rights. UK-based companies tend not to see the relevance of covering this at board level, nor does it appear very often as a distinct function at a lower level. Business in the Community will provide further guidance on how this area can be relevant for UK-based companies in time for next year's Index.

The two questions on risk management asked whether participants had built corporate responsibility issues into their overall risk management process and then asked them to outline their key risks and opportunities over the next five years. These questions were designed to see how companies tied corporate responsibility risks into the overall corporate governance process. Encouragingly, participants gained a high average score of 85.1% for this section, suggesting that companies are tying corporate responsibility issues into their risk evaluation process.

- **Key opportunities** identified by the risk evaluation process included increasing dialogue with suppliers and supporting local entrepreneurs.
- **Key risks included** the need to uphold reputation and the potential for negative publicity if there was a failure to act as a responsible employer.

The lowest scoring question in the Corporate Strategy component asked participants whether they advocated leadership in corporate responsibility to external stakeholders and partners. It achieved an average of 69.7%. The question specifically asked: Does your company demonstrate leadership in corporate responsibility? Just under half of respondents were able to respond positively to all the areas covered in the question. This included active membership of a sectoral or business-led forum that considers corporate responsibility as one of the key issues that it covers; executive board members making internal and external speeches on the issue; and an executive board member promoting corporate responsibility issues through the media.

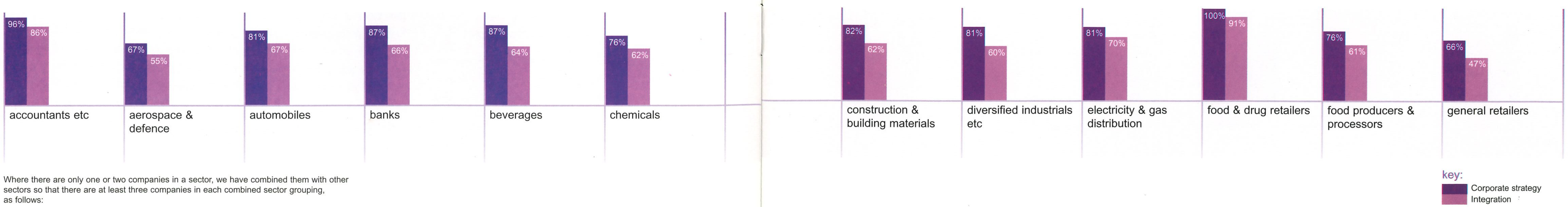
Over a fifth of participants could satisfy all of the above criteria except for the quote in the media, and a further 13% claimed membership of a business forum and an internal speech on corporate responsibility. Only 13% of respondents could lay claim to membership of a business forum and just 9% could not respond positively to any of the demonstrations of leadership.

"Training is an essential element for updating the human resources required at all levels in modern corporate management structures. The ABI Guidelines on Social Responsibility recognise that Board members require adequate information and the training to allow them to use it effectively. FTSE All Share companies are specifically requested to note in their annual report whether Directors' training extends to social, ethical and environmental matters."

John Hale
Manager Investment Affairs
ABI

corporate strategy & integration

The charts below show the average percentage scores for each sector for the corporate strategy and integration components of the Index.

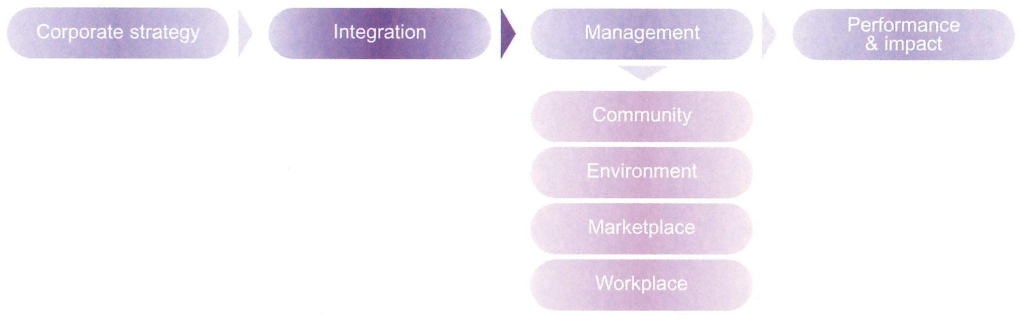


Where there are only one or two companies in a sector, we have combined them with other sectors so that there are at least three companies in each combined sector grouping, as follows:

Combined Sector of Accountants & Information Hardware Technology
Combined Sector of Diversified Industrials, Electronic & Electrical Equipment, Engineering & Machinery
Combined Sector of Electricity & Gas Distribution

integration

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex



The second component of the Index focused on the integration of corporate responsibility strategy into the business process. Through ten scoring questions participants were asked about the integration of corporate values, business conduct, performance management, strategic decision-making, training & development, stakeholder engagement and reporting.

This was the lowest scoring section in the whole Index and provided evidence of the challenges facing companies in drilling their corporate thinking down through the business. The results indicated that many were at a relatively early stage in the development of their corporate responsibility practices, and that it takes time to translate strategy into mainstream practice.

The best performing sectors in this section were: Food & Drug Retailers, Accountants, Oil & Gas, Insurance and Water.

The sectors with the most ground to make up were: Media & Photography, Real Estate, General Retailers, and Leisure, Entertainment & Hotels. Average scores have been deflated by the participation of companies within the sectors that are just beginning to implement their corporate responsibility programmes. Media & Photography, for example, had scores in this component ranging from 13.2% to 63.8%. Real Estate ranged between 39.6% - 53.0%, General Retailers 10.8% - 82.9% and Leisure, Entertainment & Hotels 20.9% - 61.9%.

The sector averages also hide the fact that two questions in this section gained considerably better marks than any of the others. Question 11 asked whether the companies had implemented procedures to ensure that their employees lived up to expectations in terms of business ethics. It led to an impressive 71.7% average. The question on performance management just managed to beat that with an average of 73%. The question 'Is corporate responsibility linked to performance management throughout your company's overall operations?' asked companies to break down their answers into the four impact areas of Community, Environment, Marketplace, and Workplace and to define the link to objectives and targets at different levels within the company.

The inclusion of objectives and targets in performance appraisal is becoming an increasingly common way of promoting the integration of corporate responsibility throughout an organisation. It can help ensure that corporate responsibility tasks are not relegated below other requirements by which employees are judged and rewarded. Over two-thirds of respondents were able to claim that those of their staff with direct functional responsibility had formal objectives and targets in all of the impact areas. Just over half of respondents could say that senior managers had such goals; and 39% of companies had extended those targets to board members.

The questions with the lowest average score in this section related to staff remuneration (52.8%) and reporting (52.9%). A more in-depth review of the reporting question reveals some interesting trends. While 98% of participants report on corporate responsibility issues only 57% report on more than three-quarters of their global operations. Seven out of ten companies produced stand-alone reports on corporate responsibility issues but just under two-fifths created comprehensive and credible reports. A fifth of the Index participants believed that they produced comprehensive reports but did not have those reports verified.

Splitting down the reporting trends into the main impact areas makes for even more interesting reading. Once again, Marketplace issues suffer most: only 52% of participants cover the link between their products and their customers, suppliers and other partners within their reports. Sixty-three per cent of respondents cover Community and Workplace issues but, not surprisingly, it is Environment that comes out top. Over three-quarters of those questioned reported on environmental issues in the last year.

The question on training & development fared slightly better than reporting with a 60% average mark. Only 8% of companies said that there was no training available in any of the impact areas but few companies could lay claim to training at all levels within the company and on all impacts. There was a trend towards training senior managers but not necessarily at board level - most training at this level was in the form of a quick briefing. This could be a dangerous route to take. As pointed out in the guidance notes for the online survey, 'Training for board members is essential as they are ultimately responsible for the risk management process and how corporate responsibility issues may impact upon this process.'

Of those companies that did provide senior management training, 50% trained on all four of the key impact areas. When it came to board membership training, however, 38% of companies that extended their training to this level could claim to cover all of the four impact areas.

The question on strategic decision-making provided an average score of 61.3%. The majority of companies could point to taking at least one of the impact areas into account when making strategic decisions but that dropped markedly if asked whether all four impacts were considered. The selection of suppliers and procurement issues provides the starkest example of the lack of consistency. More than nine out of ten respondents said that they would take at least one of the impacts into account when making decisions about suppliers but only 34% of them would consider Community, Environment, Marketplace, and Workplace issues.

Drilling further down into the results shows that only 26% of respondents would take all four impacts into account when selecting pension fund managers. That compares to 56% of respondents considering all four impacts when looking at sustainable development within future business plans. However, this is in part likely to be due to some companies not being involved directly in pension funds for employees.

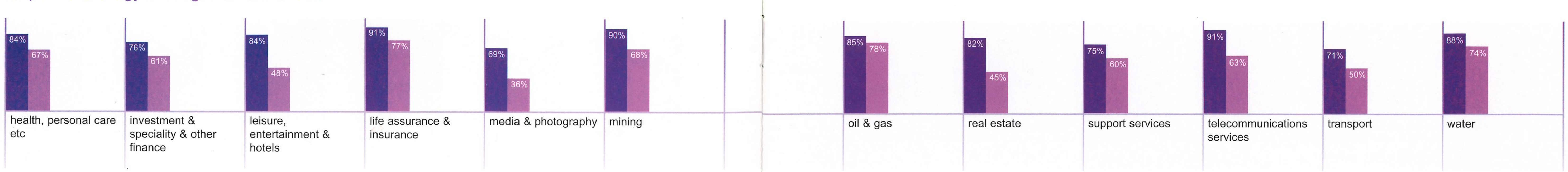
Out of the four impact areas, it is Community issues that are least likely to be taken into account when strategic decisions are being made. For example, 48% of companies would think about Community issues when researching and developing new products and services. That compares to 76% for Environmental issues, 72% for the Workplace, and 58% for Marketplace impacts.

Turning to the way in which corporate values are integrated throughout companies, the survey asked whether there was a process in place to ensure that those values are integrated and upheld throughout the organisation.

Just over a quarter of respondents - 27% - could confidently state that their corporate values had been communicated to over 75% of the business, in local languages, and that staff had received some form of training in how those values should be applied. This elite group of companies had also reviewed their values at a business level, asked stakeholders whether they lived up to their values, and taken steps to address areas of concern.

Feedback from key stakeholders on how companies are perceived to live up to their corporate values proved the most difficult to satisfy in this question - 39% of participants had lived up to all of the other requirements. Lower down the response chain, 7% had communicated their values in local language and instituted training, while another 7% had taken on the communication challenge but failed to add in a training programme to back up that communication. Eleven per cent of participants were in the process of communicating their corporate values to staff. Only 10% of companies did not have any corporate values process in place.

corporate strategy & integration continued



key:
Corporate strategy
Integration

Where there are only one or two companies in a sector, we have combined them with other sectors so that there are at least three companies in each combined sector grouping, as follows:

Combined Health, Personal Care & Household Products & Pharmaceuticals Sector
Combined Sector of Life Assurance & Insurance
Combined Sector of Investment Companies & Speciality & Other Finance

management

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex

This aspect of the Index looks at the ways in which companies manage the four key impact areas - Community, Environment, Marketplace, and Workplace. This accounted for 27 questions in total, of which three were non-scoring.

The overall average score for management was 63.2% - but that conceals a wide variation in marks between the four impact areas. Environment led the field by quite a margin, with an average of 71.2%. Next up, came Workplace with 67.5%, followed by Community (59.8%), and, finally, Marketplace on 54.5%. Companies are evidently much further advanced with the management of their environmental responsibilities than they are in dealing with corporate responsibility issues relating to their customers, suppliers and other partners.

The scores also fluctuated quite markedly across different sectors. Some, such as Food & Drug Retailers, were actually very good at managing their Marketplace responsibilities - gaining an impressive average of 93.5%. Mining, on the other hand, only picked up 25.9% for its Marketplace score, mainly due to mining companies selling their production through commodity markets rather than having direct contact with 'normal' customers. Even the other four best performing sectors in management overall - Insurance, Water, Banks, and Electricity - received their lowest management scores in the Marketplace section.

The range between highest and lowest scores in the other impacts was nearly as wide.
In Community Management, the Life Assurance sector came out on top with 87.9%, leaving Support Services to trail the pack on 37.4%. Environment saw Food & Drug Retailers gain an impressive 95.7%, compared to 44.9% for the Real Estate and Media & Photography sectors. Workplace had the tightest range of sector averages: Food & Drug Retailers was out in front once again on 87.1%, while the Chemicals sector scored 47.1% in this area.

Food & Drug Retailers was the best sector overall in the Management section of the Index with an average score across the four impact areas of 89.9%. Real Estate's lower marks in Marketplace and Environment meant that it was the lowest scoring sector in the Management section with an average of 46.8%.

Managing key community issues

The main areas that respondents identified as key issues for their business in relation to the Community were:

- **local issues arising from the direct presence of the company in the community;**
- **local business relationships such as local sourcing, maximising socio-economic benefits, acting as a good neighbour and building the brand, strengthening local community links;**
- **the benefit to staff development from their involvement in community programmes;**
- **the risk of failing to act responsibly leading to a negative impact upon staff recruitment and retention;**
- **communicating and reporting achievements, raising public awareness of business activities and acknowledging the downside of ineffective communication; and**
- **addressing the company's wider social responsibilities, including overseas activities where there may be specific health care (HIV, AIDS, disease) and human rights issues (indigenous rights).**

Although companies were asked to identify the five key community issues for their business, approximately 25% of company respondents have not yet set or are in the process of developing objectives that reflect the key community concerns for their business. A further 3% (28% in total) had not yet set targets to meet community relations objectives, and only 25% of companies can demonstrate that they meet or exceed the targets that they have set.

The majority of companies (89%) have some form of internal system to communicate with employees on community issues, but only 44% provide relevant training to those assigned specific responsibilities in this area. Forty-eight percent of the companies have a monitoring process to review the implementation of their community relations policies, objectives and targets across more than 75% of their business.

Managing key environment issues

The management of environment issues was more advanced than the other management areas, perhaps the effect of the long running and established BiE Index, which is in its seventh year. The scores were considerably higher in areas such as the development of objectives/targets and communication than they were in environmental stewardship or supply chain management.

Sixty-nine percent of companies who participated in the Index had set both objectives and targets that reflect their significant environmental impacts, and there was a small percentage of companies (4%) who have not set any environmental targets.

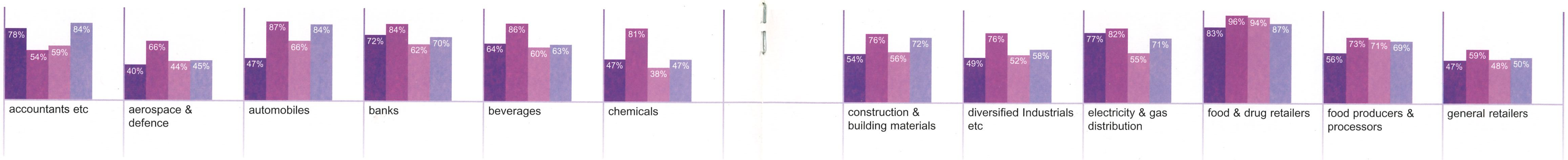
The majority of companies (72%) have an environmental management system (EMS) in place across more than 75% of the business, with about 26% being externally certified. However, only 68% of companies can demonstrate that the internal audit programme they have in place has resulted in action for improvement.

"The companies that do corporate responsibility – and do it well – have a better sense of innovation and they're more in touch with the communities in which they live. They don't live behind shutters. They live in the community and are part of the community."

David Varney
Chairman
mm02

management overview

The charts below show the average percentage scores for each sector across the four management areas of Community, Environment, Marketplace and Workplace.



Where there are only one or two companies in a sector, we have combined them with other sectors so that there are at least three companies in each combined sector grouping, as follows:

Combined Sector of Accountants & Information Hardware Technology
Combined Sector of Diversified Industrials, Electronic & Electrical Equipment, Engineering & Machinery
Combined Sector of Electricity & Gas Distribution

management

Supply chain continues to prove to be one of the most difficult areas for companies to demonstrate high levels of environmental management. Just under a fifth of respondents scored zero on the way in which they manage their environmental responsibilities within the supply chain. Less than 15% of companies also do not practice environmental stewardship of their products, processes and/or services.

Managing key marketplace issues

This is the least understood and well managed of all the impact areas. The Marketplace covers a range of different stakeholder groups and is dealt with by different internal frameworks. Customer-facing organisations, such as Food & Drug Retailers, tended to be the highest scoring in this area.

Most companies manage marketplace issues through their different strategic business units. However, this often means that there is no single report being fed through to board level. The bulk of responses focussed on issues relating to **supply chain; product life and attributes; respecting diversity; accuracy of information for stakeholders; business success; and business ethics.**

Participants noted that business success has a crucial impact on Marketplace issues and cited the need to maintain or enhance corporate reputation through dealing with reputable suppliers and partners. The **accuracy of information provided to stakeholders** was seen as being just as important for business-to-business sectors as those in consumer-facing companies. It was identified as a key risk but also a key opportunity.

Time and again respondents made the comment that **keeping on top of regulatory requirements** in each of their markets was absolutely crucial. Interestingly, the differences between sectors in terms of the impacts or opportunities they cited were relatively small.

About half of the responding companies have set objectives that reflect all their key marketplace related issues and regularly review them, but only a fifth make them available to the public. Less than 10% of companies have not set objectives and over a quarter of companies have not set any targets.

The consideration of social factors within the supply chain was the area least progressed by companies, with under a half of the companies not implementing any form of socially focused supply chain. Only 13% of companies could confirm that progress of suppliers is reviewed on a regular basis and they actively engage with suppliers to improve performance.

Managing key workplace issues

Businesses across all sectors identified a number of similar issues that affected them in this area. These included: **health & safety; diversity; recruitment and retention of quality staff; motivation; and training & development**. Health & safety was the most commonly mentioned risk/impact across all sectors followed by the problems associated with recruiting and retaining high quality staff.

Diversity issues also cropped up fairly frequently across all sectors. Few companies, apart from those in the financial sector, focused on **remuneration**.

Some of the other topics covered by participants were:

- **integrating vision, values and business ethics across the organisation;**
- **the challenges associated with organisational change; and**
- **work/life balance.**

Just under a quarter of the participating companies have set objectives that reflect all their key employee related issues, regularly review them and make them available to the public. Approximately 34% of companies have set objectives for some of the key issues with 11% publicly reporting them.

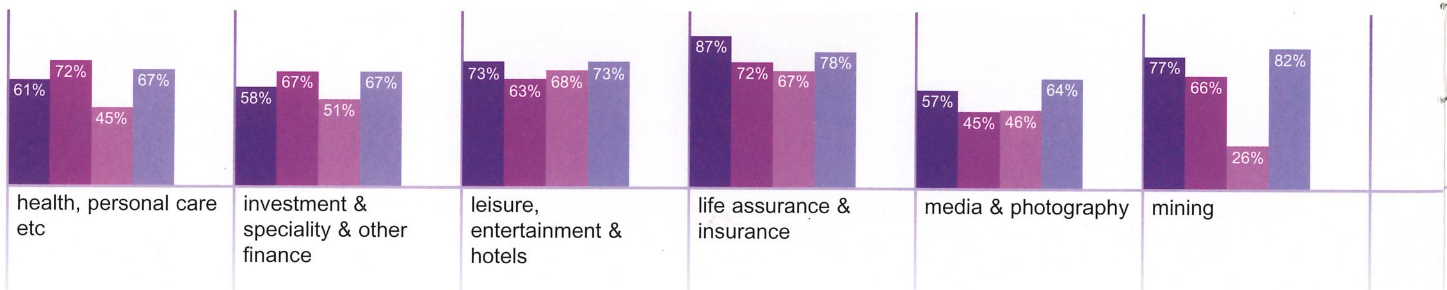
Only 27% of companies can demonstrate that they meet or exceed the targets and under 14% have set no targets at all.

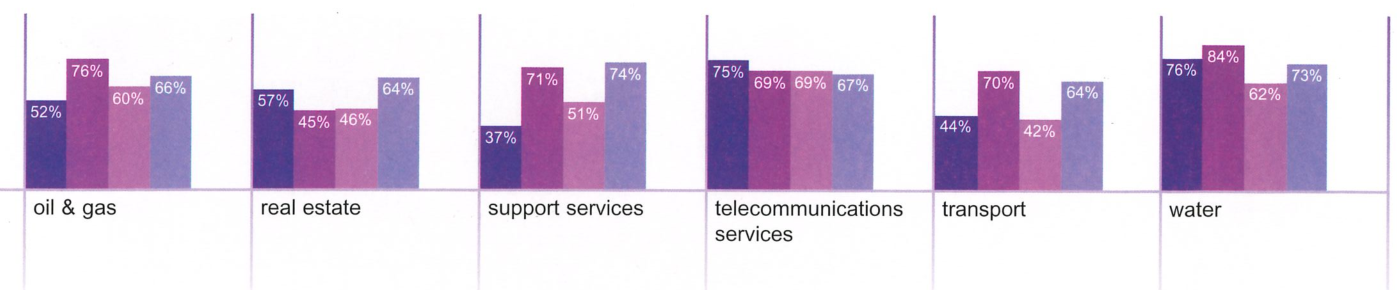
However, not surprisingly the majority of companies (79%) with established human resources and health and safety management systems in place do well on internal communication, designation of employee responsibilities and training in the implementation of policies, objectives and targets. Accordingly the majority of companies (75%) have established monitoring systems in place to review the implementation of their workplace related policies, objectives and targets.

"The environment is what we're good at but much more stretching for us has been issues around diversity, whistleblowing, codes of conduct and so on."

Robert Walker
Chairman
Severn Trent

management overview continued





key:
Community
Environment
Marketplace
Workplace

Where there are only one or two companies in a sector, we have combined them with other sectors so that there are at least three companies in each combined sector grouping, as follows:

Combined Health, Personal Care & Household Products & Pharmaceuticals Sector
Combined Sector of Life Assurance & Insurance
Combined Sector of Investment Companies & Speciality & Other Finance

performance & impact

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex

The final component of the Index focused on measuring the environmental performance and social impact of participating companies. Businesses were asked to ensure that the scope of their responses encompassed all operational activities that are under their management control.

This section involved selecting three out of five of the following social impact areas:

- Product Safety
- Occupational Health & Safety
- Supply Chain
- Diversity in the Workplace
- Community Investment

Respondents then had to pick two core environmental performance question areas, as follows:

- Global Warming or Energy & Transport
- Solid Waste

Plus two additional impact areas relevant to the business in question. Each impact area had five questions which were was equally weighted within the scoring.

Impact selection

There was only a slight correlation between the popularity of selected social impacts and the level of marks achieved by companies within those sections.

Occupational Health & Safety was the most popular of the social impact areas, with 91% of companies opting to fill out this section. Yet the average score for OHS was only 69% - considerably lower than the 90% achieved in Product Safety, a far less common impact choice. Despite the high score in Product Safety, only 49% of companies chose it as one of their social impacts.

In line with the results of the BiE Index, Supply Chain proved to be the least selected social impact and also resulted in the lowest average score. Only 23% of participants chose the Supply Chain option and it resulted in an average score of 48%. Community Investment proved to be the second most popular social impact - 80% of companies chose to complete this section - but it achieved a lower average score of 55%.

Diversity was the area in which there was the highest correlation between choice of impact and average score - largely because it fell into the middle range of each. Fifty-seven per cent of participants opted for Diversity, achieving an average score of 55%.

Social impact area	Frequency selected	Average score (%)
Product Safety	60	90
Occupational Health & Safety	111	69
Supply Chain	28	48
Diversity in the Workplace	70	55
Community Investment	97	54

The environmental part of the Index requested companies report on either Global Warming or Energy & Transport, plus a compulsory question on Solid Waste. Just over half (52%) of respondents opted for Global Warming, achieving an average score of 79.6%. The remainder went down the Energy & Transport route, gaining an average of 66.7%. The Solid Waste question received answers from 93% of participants and led to an average score of 65.4%.

As well as these compulsory environmental impacts, participants had the chance to choose two impact areas most relevant to their businesses. The most popular by quite a long way was Water Consumption, chosen by 54% of participants and leading to an average score of 66%. It is a relatively easy-to-measure impact and is common to most businesses.

Resource Use was the second most popular selected impact, chosen by 30% of participants. Biodiversity proved to be a popular option, too, with a quarter of respondents selecting it as an impact. These two impact areas are less straightforward and more complicated to measure than some of the more regulated impacts, such as Emissions to Air. The relatively high response rate in these areas may be due to the fact that they are so open to interpretation and less formulaic than other impacts.

Primary industries (such as Mining) and Utilities (such as Electricity and Water) were more likely to select impact areas that were specific to their core operations. These included Emissions to Air, Unplanned Environmental Incidents, and Water Pollution. These impacts tend to be highly regulated and produced some of the best performances in the environmental section.

Performance of sectors

The greater experience at measuring and managing environmental impacts showed through, with an overall average of 67.7% compared to 64.4% for social impacts.

The top performing sectors within the Social and Environmental Impact section were Food & Drug Retailers (90.6%), Chemicals (81.0%), and Mining (79.4%). Food & Drug Retailers and Chemicals scored demonstrably higher on environmental performance, while Mining was a consistently high scorer across both the social and environmental impact areas. The excellent performance by Chemicals is of particular interest. It was not among the top performers overall, nor did it fall within the top ten sectors in the Strategy or Integration components of the Index.

The top three sectors in terms of their social impact are Food & Drug Retailers (83.9%), Mining (80.0%), and Automobiles (77.8%), with Insurance coming up close at 77.1%.

Food & Drug Retailers was also the top performer in terms of its environmental impact (97.2%), along with Chemicals (93.1%), and Water (84.5%). The Beverages and Automobiles sectors were also top environmental impact performers, with scores of 82.8% and 80.9%, respectively.

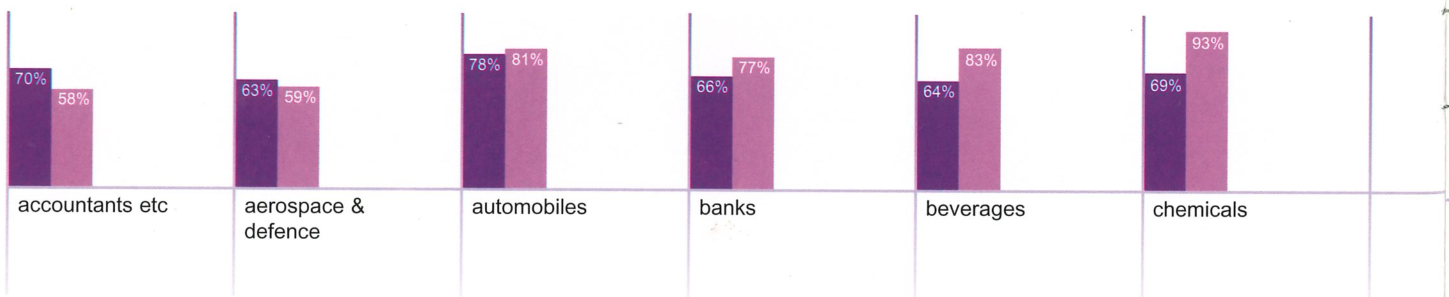
Once again, the average scores seem to suggest that impact measurement is weakest in unregulated areas. The impact options are discussed in more detail below.

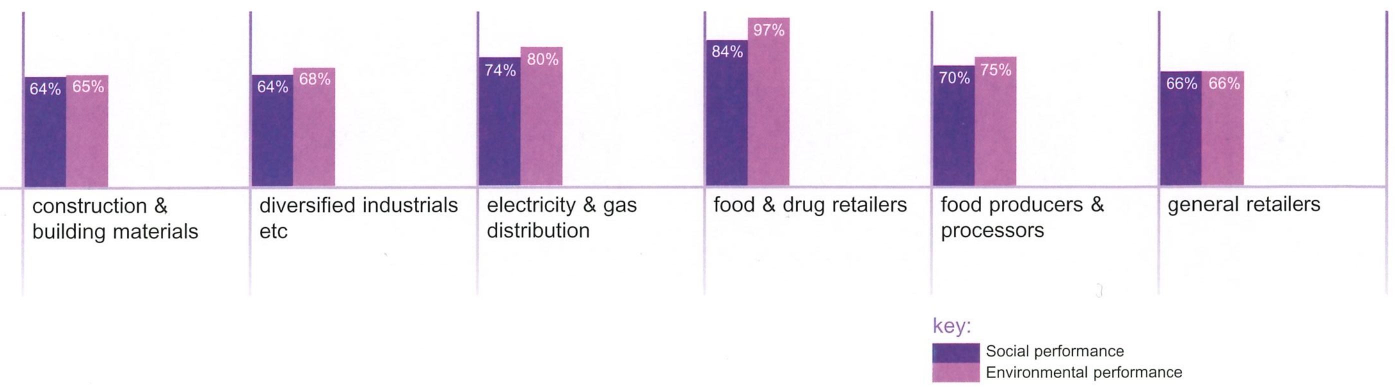
Core environmental impact area	Frequency selected	Average score (%)
Global Warming	64	80
Energy & Transport	58	67
Solid Waste	114	65

Selected environmental impact area	Frequency selected	Average score (%)
Water Consumption	66	66
Resource Use	36	64
Biodiversity	30	68
Emissions to Air	29	84
Unplanned Env Incidents	24	76
Water Pollution	15	77
Ozone Depletion	10	61
No selected impact area chosen	8	0
Local Impact	7	78
Chemical Use	6	73
Indirect (management & reporting)	6	73
Design	4	84
Contaminated Land	3	70

social and environmental performance

The charts below show the average percentage scores for each sector for social and environmental performance. The overall social performance score is the average of all three social impact areas completed by each company, whereas the environmental performance, is the average of the two core and two selected performance areas completed.





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performance & impact

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Social Impact

Product Safety

The best performing sectors were: Telecommunications Services (100%), Real Estate (100%), Automobiles (96%), Food Producers & Processors (95%), and Food & Drug Retailers (95%).

Over two-thirds of the companies that chose this impact area could demonstrate that they have worked with industry, consumer or health and safety groups to assess the safety of their products. More than four-fifths of participants had also implemented safety-planning systems to address all stages of product development.

Occupational Health & Safety

All of the companies that cited occupational health and safety (OHS) as an issue in the Management section (over 53%) of the survey went on to choose OHS as an impact area. Overall nearly 91% of companies chose to report on OHS in the Performance & Impact section.

Most of the risks identified by participants were fairly predictable in the sense that they were industry-specific. The more physically hazardous the industry, the more focus given to major incidents, accidents and injuries. Office-based companies tended to report more on ergonomics, VDUs and stress-related issues. However, it was also evident that occupational health risks are also being identified by industry along with more traditional safety issues.

Sixty-nine per cent of the companies choosing this impact area had a formal OHS management system in place. Over four-fifths of them had identified KPIs and applied them to more than three-quarters of their businesses, although the majority were only able to derive the information through a mixture of estimates and hard data. Interestingly, although companies are conducting some measurement across the majority of their business, about 34% of companies are not currently setting performance improvement targets. As there is a high level of companies with management systems in place it is curious that this does not appear to be translated though to the setting of targets.

Supply Chain

Nine out of ten of the companies that selected this impact came from the Service or Consumer Goods economic groups. The highest concentration of responses and the best scores in this impact came from retailers - perhaps reflecting their sensitivity to the link between supplier and consumer.

Over a third of companies choosing Supply Chain had not yet developed a code of conduct to deal with the issue. A similar percentage were still to set performance improvement targets in this area.

Diversity

Over three-quarters of the companies that cited Diversity as an issue in the Management section chose this as an impact. At least one company from every sector, with the exception of Beverages, chose the Diversity question. Four sectors saw all of their companies pick Diversity. They were: Accountants, Banks, Insurance, and Media & Photography. These sectors accounted for 38.6% of the companies choosing Diversity.

Ninety per cent of the companies that completed this option measured their impact in this area and over a quarter were able to say that they publicly reported on the issues as well as benchmarked themselves relative to their peers. Four-fifths of the respondents reported on diversity issues in more than 75% of their business operations. Despite these trends, over half of the companies are still to set performance improvement targets in this area.

Community Investment

Over 70% of companies had at least made some attempt to measure their impact in this area. The sophistication of their approaches differed quite widely. Nine percent had developed key performance indicators but did not collect their information centrally. In contrast, 24% were able to say that they measured their KPIs, collated the information centrally, publicly reported that information, and benchmarked their activities relative to peers.

The top performing sectors in this impact area were Food & Drug Retailers (100%), Accountants (93.3%), and Insurance (83.8%). Twelve sectors saw all of their companies choose this option, including Aerospace & Defence, Oil & Gas, Mining, and Media & Photography. Those 12 sectors accounted for just over 60% of the companies that answered the Community Investment section.

Forty-three per cent of the companies that chose this option did not measure their impact in the field. Only 25% were able to say that they publicly report and benchmark against peers.

Nearly a third of participants set financial targets in this area on an ad-hoc basis. Another 29% set - and achieve - financial targets and report publicly on those targets for more than three-quarters of their operations.

Environmental Performance

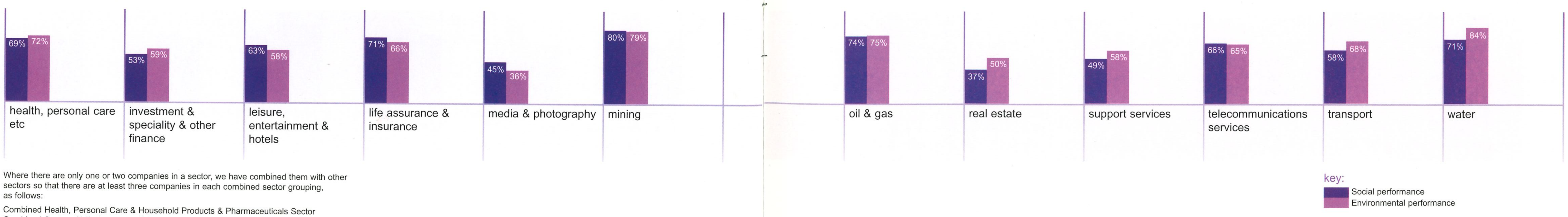
Companies were generally at a more advanced stage in the measurement and reporting of their environmental impacts than social impacts. There has been a significant improvement in the scores for global warming in this year's Index. Many of the participating companies are measuring and reporting on their global warming impacts and publicly reporting that information for more than 75% of their operations.

As noted under Impact Selection, the primary industries and utilities were among the best performing sectors in environmental performance. The nature of their businesses leads them to very specific impact areas, most of which are highly regulated and relatively easy to measure once systems and structures have been implemented. These sectors tend to have more experience than most in reporting on their environmental performance.

The impact areas with the highest average score were Emissions to Air (84%), Design (84%), Local Impact (78%), and Water Pollution (77%). Unplanned Environmental Incidents closely followed these with 76%. It should be noted that Design was only selected by four companies and Local Impact by seven. That compares to 29 for Emissions to Air, 15 for Water Pollution, and 24 for Unplanned Environmental Incidents.

For further information on the environmental performance of companies please refer to the results of the **7th Index of Corporate Environmental Engagement**, which was published in March 2003.

social and environmental performance continued



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Combined Health, Personal Care & Household Products & Pharmaceuticals Sector
Combined Sector of Life Assurance & Insurance
Combined Sector of Investment Companies & Speciality & Other Finance

The results

Management profile

A Companies are measuring and reporting progress
B Companies moving beyond a basic commitment
C Companies beginning to measure progress

The five **A**, **B**, **C** profiles and % score relate to the following:
Corporate Strategy and Integration combined (45%)
Management Practice Community (5.6%)
Management Practice Environment (5.6%)
Management Practice Marketplace (5.6%)
Management Practice Workplace (5.6%)

Impact areas

PS	Product Safety
OHS	Occupational Health & Safety
SC	Supply Chain
D	Diversity in the Workplace
CI	Community Investment
GW	Global Warming
E/T	Energy and Transport
B	Biodiversity
SW	Solid Waste
Em	Emissions to Air
Dn	Design
Oz	Ozone Depletion
C	Chemical Use
R	Resource Use
In	Indirect Impact
L	Local Impact
U	Unplanned Environmental Incidents
CL	Contaminated Land
WC	Water Consumption
WP	Water Pollution

* Company chose not to report on selected environmental impact area.

Key

■ Business in the Community member
■ DJSI industry sector leaders

Each company was asked to complete three out of five of the social impact question areas. In addition companies were asked to select two core environmental performance areas of global warming (or energy/transport) and solid waste, plus two additional performance areas (which could include biodiversity).

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex

FTSE 350 companies and Globally reporting companies

Quintile		Company name	Sector	Management profile	Social and Environmental Impact areas selected
1st Quintile (>82%)	■	3M	Diversified Industrials	AAAAA	PS,OHS,CI,GW,SW,Em,Dn
	■	AstraZeneca	Pharmaceuticals	AAAAA	PS,OHS,SC,GW,SW,Oz,Em
	■	Aviva	Life Assurance	AAAAA	OHS,D,CI,GW,SW,R,In
	■	BAA	Transport	AAAAA	OHS,SC,CI,GW,SW,L,Em
	■	BP	Oil & Gas	ABABB	PS,OHS,D,GW,SW,B,U
	■ ■	BT Group	Telecommunications Services	AAAAA	OHS,D,CI, E/T,SW,In,Em
	■	Carillion	Construction & Building Materials	ABAAA	PS,OHS,CI,E/T,SW,L,Dn
	■	Dow Chemical Company	Chemicals	AAABA	OHS,D,CI,GW,SW,Em,Em
		ISIS	Specialty and other Finance	AAAAA	SC,D,CI,GW,SW,B,In
	■	J Sainsbury	Food & Drug Retailers	AAAAA	PS,OHS,SC,E/T,SW,B,R
	■ ■	Marks & Spencer	General Retailers	AAAAA	PS,OHS,SC,E/T,SW,C,R
	■	mm02	Telecommunications Services	AAAAA	PS,OHS,D,E/T,SW,R,L
	■	National Grid Transco	Electricity	AAAAA	PS,OHS,CI,GW,SW,CL,U
	■	Rio Tinto	Mining	AAABA	PS,OHS,CI,GW,SW,B,WC
	■	Safeway	Food & Drug Retailers	AAAAA	PS,OHS,SC,E/T,SW,R,Oz
	■	Scottish Power	Electricity	AAAAB	PS,OHS,CI,GW,SW,Em,Em
	■	Shell International	Oil & Gas	AAAAA	OHS,D,CI,GW,SW,B,U
	■	Tesco	Food & Drug Retailers	AAAAA	PS,D,CI,E/T,SW,B,WC
	■ ■	Unilever	Food Producers & Processors	ABAAA	PS,OHS,D,GW,SW,WP,WC
		Waste Recycling Group	Support Services	ABABA	PS,OHS,CI,GW,SW,B,U
2nd Quintile (71.8-82%)		Allied Domecq	Beverages	ABAAA	PS,OHS,SC,GW,SW,WP,WC
	■	Anglo American	Mining	AAABA	OHS,D,CI,GW,SW,B,WC
		ARM Holdings	Information Technology Hardware	ABBBA	OHS,D,CI,GW,SW,R,WC
	■	BAE Systems	Aerospace & Defence	ABAAA	OHS,D,CI,GW,SW,B,WC
	■	BHP Billiton	Mining	AABCA	OHS,D,CI,GW,SW,WC,Em
	■	Cadbury Schweppes	Food Producers & Processors	AAAAB	PS,SC,CI,GW,SW,WP,WC
	■ ■	Credit Suisse	Banks	ABAAA	OHS,D,CI,E/T,SW,WC,R
	■	Ford Motor Company	Automobiles	ACAAA	PS,D,CI,GW,SW,WC,Em
	■	Friends Provident	Insurance	ABBAA	OHS,D,CI,E/T,SW,B,In
		GKN	Automobiles	AAABA	PS,OHS,CI,E/T,SW,Em,WC
	■	HBOS	Banks	AAABA	OHS,D,CI,E/T,SW,R,WC
	■	Imperial Chemical Industries	Chemicals	ABABB	PS,OHS,CI,GW,SW,WP,Em
	■	Kingfisher	General Retailers	AAAAB	PS,SC,D,GW,SW,R,C
	■	Lloyds TSB Group	Banks	ABAAA	OHS,D,CI,GW,SW,R,WC
	■ ■	Procter & Gamble	Personal Care & Household Products	ACACA	PS,SC,D,E/T,SW,WC,U
	■	Reckitt Benckiser	Personal Care & Household Products	AAABA	PS,OHS,CI,GW,SW,WC,WP
	■	Rolls-Royce	Aerospace & Defence	ABABB	PS,OHS,CI,GW,SW,C,WC
	■	Serco Group	Support Services	AAAAA	OHS,D,CI,E/T,SW,Em,U
	■	Severn Trent	Water	AAABB	OHS,D,CI,GW,SW,B,Em
	■	United Utilities	Water	ABABA	OHS,D,CI,GW,SW,B,WP
3rd Quintile (65.8-71.8%)	■	Abbey National	Banks	ABABA	OHS,D,CI,E/T,SW,WC,R
	■	AMEC	Construction & Building Materials	ABABA	OHS,D,CI,E/T,SW,U,Dn
	■	Amey	Support Services	ACAAA	PS,OHS,D,GW,SW,U,WC
	■	Barclays	Banks	AAABB	OHS,D,CI,E/T,SW,WC,R
		Cairn Energy	Oil & Gas	ABBAA	OHS,D,CI,GW,SW,Em,WP
	■	Centrica	Gas Distribution	BAABA	OHS,D,CI,E/T,SW,U,WC
	■	Diageo	Beverages	AAABB	OHS,SC,CI,GW,SW,WC,WP
		Go-Ahead Group	Transport	BAABB	OHS,D,CI,E/T,SW,Em,Em
	■	Granada	Media & Photography	BBBBA	OHS,D,CI,GW,SW,WC,U
	■	GUS	General Retailers	BBBBB	OHS,SC,CI,E/T,SW,R,R
	■	Invensys	Electronic & Electrical Equipment	BBABA	PS,OHS,SC,GW,SW,WC,Em
		Jarvis	Support Services	ABABA	PS,OHS,D,E/T,SW,B,WC
		Kidde PLC	Engineering & Machinery	AAABB	PS,OHS,D,GW,SW,B,*
	■	Novozymes A/S	Health	AAABA	OHS,SC,D,GW,SW,WC,WP
	■	Shire Pharmaceuticals Group	Pharmaceuticals	AABBB	PS,OHS,CI,E/T,SW,WC,WP
	■	Six Continents	Leisure, Entertainment & Hotels	AAAAA	OHS,D,CI,E/T,SW,WC,U
		Stagecoach Group	Transport	ABBBB	PS,OHS,CI,E/T,SW,B,*
	■	Tate & Lyle	Food Producers & Processors	BAABB	PS,OHS,CI,E/T,SW,U,WC
	■ ■	UBS	Banks	BAAAB	OHS,D,CI,E/T,SW,WC,R
	■	Vodafone Group	Telecommunications Services	AABAC	OHS,SC,CI,GW,SW,R,L

Quintile		Company name	Sector	Management profile	Social and Environmental Impact areas selected
4th Quintile (52-65.8%)		Avis Europe	Transport	BCBBB	PS,OHS,CI,GW,SW,Em,*
		BBA Group	Transport	BCBBA	OHS,SC,CI,GW,SW,U,R
	■	Boots Company	General Retailers	BBACB	PS,OHS,CI,GW,SW,R,WC
		BPB	Construction & Building Materials	ACBBA	PS,OHS,D,E/T,SW,R,C
	■	Bradford & Bingley	Banks	BBBCB	OHS,D,CI,E/T,SW,R,WC
	■	British Airways	Transport	BBACA	PS,OHS,CI,GW,SW,L,Oz
	■	British Land Co	Real Estate	BBACC	PS,OHS,CI,GW,SW,B,R
	■	Caledonia Investments	Speciality & Other Finance	BBBCB	PS,OHS,CI,GW,SW,WC,Em
	■	Debenhams	General Retailers	ACAAB	PS,OHS,SC,E/T,SW,WC,C
		FKI	Engineering & Machinery	ABBBB	PS,OHS,CI,GW,SW,WC,WP
		JJB Sports	General Retailers	ACCBB	PS,OHS,SC,E/T,SW,WC,R
		Lonmin	Mining	BBBCA	OHS,D,CI,GW,SW,B,WC
		Manchester United	Leisure, Entertainment & Hotels	BBABB	PS,OHS,CI,E/T,SW,B,WP
	■ ■	Pearson PLC	Media & Photography	BAABA	SC,D,CI,E/T,SW,WC,R
		Peninsular & Oriental Steam Nav Co	Transport	BCACB	PS,OHS,SC,GW,SW,WC,Oz
	■	Reed Elsevier	Media & Photography	AABAA	SC,D,CI, E/T,SW,R,WC
	■	Rentokil Initial	Support Services	ACAAA	PS,OHS,CI,GW,SW,WC,U
	■	Scottish & Newcastle	Beverages	BBABB	PS,OHS,CI,E/T,SW,WC,Em
		Shaftesbury	Real Estate	ABBCB	OHS,D,CI,E/T,SW,WC,U
	■	Woolworths Group	General Retailers	BBBAB	SC,D,CI,E/T,SW,R,WC
5th Quintile (<52%)		3i Group	Investment Companies	BBBBB	OHS,D,CI,E/T,SW,In,WC
	■	Amersham	Health	BCBCC	PS,OHS,CI,GW,SW,WC,L
	■	British Sky Broadcasting	Media & Photography	BABCB	OHS,D,CI,GW,SW,Oz,In
		Brixton	Real Estate	BCBBA	OHS,SC,D,GW,SW,WP,CL
		Capita Group	Support Services	BCCCB	OHS,D,CI,E/T,SW,WC,*
		Croda International	Chemicals	CCACC	PS,OHS,D,E/T,SW,WP,Em
		De La Rue	Support Services	BCBBA	PS,OHS,CI,GW,SW,WC,Em
		Expro International Group	Oil & Gas	BCBCB	PS,OHS,SC,E/T,SW,B,U
		Geest	Food Producers & Processors	BCCBB	PS,OHS,SC,E/T,SW,WC,Oz
	■	GWR Group	Media & Photography	BBBBB	OHS,D,CI,E/T,SW,R,WC
	■	International Power	Electricity	BBBBA	OHS,D,CI,GW,SW,Em,Em
		Meggitt	Aerospace & Defence	CCCCC	PS,OHS,CI,E/T,SW,C,U
		Mersey Docks & Harbour Co	Transport	BCBBB	OHS,D,CI,E/T,SW,IR,WC
	■	Reuters Group	Media & Photography	BACAA	OHS,D,CI,E/T,SW,WC,Oz
	■	RMC Group	Construction & Building Materials	BCBBB	PS,OHS,CI,GW,SW,B,C
		Taylor Woodrow	Construction & Building Materials	BBBBB	PS,OHS,CI,GW,SW,B,U
	■	Trinity Mirror	Media & Photography	BCCCC	OHS,D,CI,E/T,SW,WC,*
		United Business Media	Media & Photography	BCCCB	OHS,D,CI,E/T,SW,Oz,R
		WH Smith Group	General Retailers	CBACB	OHS,SC,CI,E/T,SW,R,WC
	■	WPP Group	Media & Photography	BCCCB	SC,D,CI,GW,SW,*

BITC member companies – not reporting globally.

Quintile	Overall position		Company name	Sector	Management profile	Social and Environmental Impact areas selected
1st Quintile (>83.8%)	1	■	Co-operative Bank	Banks	AAAAA	OHS,D,CI,GW,SW,B,WC
	1	■	Co-operative Insurance Society	Insurance	AAAAA	OHS,D,CI,GW,SW,R,WC
	1	■	Innogy Holdings	Electricity	ABABA	OHS,D,CI,GW,SW,B,Em
	1	■	Lafarge Cement UK	Construction & Building Materials	ABAAA	PS,OHS,D,GW,SW,Em,Em
	1	■	Vivendi Water	Water	AAABA	PS,D,CI,GW,SW,B,U
	1	■	KPMG	Accountants	AAABA	OHS,D,CI,GW,SW,WC,R
2nd Quintile (77.8-83.8%)	2	■	Northumbrian Water	Water	ABAAA	PS,OHS,CI,E/T,SW,B,WC
	2	■	PricewaterhouseCoopers	Accountants	AABBA	OHS,D,CI,E/T,SW,R,R
	2	■	Vauxhall Motors	Automobiles	ABAAA	PS,OHS,CI,GW,SW,Wc,Em
	2	■	Wessex Water Services	Water	AAAAB	PS,OHS,CI,GW,SW,U,U
	2	■	Aggregate Industries *	Construction & Building Materials	AAABA	PS,OHS,D,E/T,SW,B,WC
3rd Quintile (71.8-77.8%)	3	■	Camelot Group	Leisure, Entertainment & Hotels	AACBA	PS,OHS,CI,E/T,SW,WC,R
	3	■	London Electricity	Electricity	AABCC	OHS,D,CI,E/T,SW,U,U
	2	■	Unum	Insurance	AABBA	OHS,D,CI,E/T,SW,CL,WC
4th Quintile (65.6-71.8%)	3	■	BBC	Media & photography	ABAAA	OHS,D,CI,GW,SW,WC,Oz
	4	■	BNFL	Electricity	ABABA	PS,OHS,CI,GW,SW,B,WP
	3	■	Deloitte & Touche	Accountants	AACAA	OHS,D,CI,E/T,SW,WC,R
	4	■	Zurich Financial Services	Insurance	BAABB	OHS,D,CI,E/T,SW,B,Oz
5th Quintile (<65.6)	5	■	Midlands Co-op	General Retailers	CCCCC	OHS,D,CI,E/T,SW,B,*
	5	■	Orange	Telecommunications Services	BBBBB	OHS,SC,CI,E/T,SW,B,R
	4	■	Unipart Group of Companies	Support Services	BBABA	PS,OHS,CI,E/T,SW,U,WC
	4	■	Workspace Group	Real Estate	AABBA	OHS,D,CI,E/T,SW,WC,Dn

*Aggregate Industries is a FTSE 250 company. However it is listed in the BITC member company - non FTSE listing as it is reporting on its UK operations alone.
Overall position - quintile the company would appear in for a combined FTSE listed and BITC member table.

validation process

For more information on the Corporate Responsibility Index: www.bitc.org.uk/crindex

The Corporate Responsibility Index is based on company self-assessment. The Index process is intended to help companies identify for themselves both the strengths in their management and performance and the gaps where future progress can be made. Business in the Community believes that self-assessment is the starting point for action and improvement.

Business in the Community has worked with PricewaterhouseCoopers LLP (PwC) to develop the validation process for Business in the Community to apply to its management of the Index. This builds upon the validation process that Business in the Environment has used in previous years for the BiE Index. The management process involves data collection, processing and analysis and the selection of a cross-section of participating companies for visits to obtain assurance over their interpretation of the questions.

Business in the Community understands that the process of self-assessment may lead to inherent limitations in the information submitted by companies. Each company's submission, whether electronic or paper-based, must be signed off at main board level to ensure director-level commitment to the veracity of the responses to the survey.

Business in the Community has sought to further manage or reduce the risk of companies submitting inaccurate or inconsistent information by actively discussing the responses received with companies and making company visits on a sample basis. The purpose of these is to check the companies' understanding and interpretation of the questions asked. Companies are given the opportunity to modify their responses following these discussions.

To minimise the risk of errors in data processing, Business in the Community reviewed the information in accordance with the methodology and validation process presented in the chart on this page. Business in the Community is responsible for the collection, analysis, aggregation and presentation of company responses but cannot take responsibility for their accuracy, completeness or consistency of the data submitted. In the case of any doubt as to the validity of a response, Business in the Community will make representation to the company.

Where any discrepancies in responses by companies were noted, Business in the Community contacted the company and requested further supporting information. Where information could not be substantiated, Business in the Community has changed responses in the survey. A full audit trail of correspondence and changes made has been maintained. Whilst PwC has participated in the Index, the team that completed the survey is separate from the team that worked with Business in the Community on the development of the validation process.

Data collection

Survey prepared and companies issued with access details for online survey

Responsible company manager completes the survey which is signed off by the board member with responsibility for corporate responsibility matters

BITC checks survey submitted and ensures information securely stored — The company formally submits survey online

Data analysis

BITC ensures checks carried out consistently — BITC checks responses for completeness and consistency — Queries are raised with the company via phone/fax/email

BITC carries out company visits to selected sample in a systematic manner

BITC checks company responses. If verification not adequately provided, BITC amends survey accordingly — Any resulting amendments are entered on to the online system

Data aggregation

Scoring system tested by BITC — Scores are generated automatically using the online system

Data presentation

Compilation of data for reporting

BITC checks data in graphs and text for accuracy — Executive summary produced — Individual feedback to companies — Final report drafted

key:

Denotes validation process carried out by BITC

background

The idea of an Index was first raised when Business in the Community launched its 'Winning With Integrity' report in November 2000. We then conducted a City survey 'Investing in the Future', in May 2001, in which we identified the need for "reliable, standardised information that would enable a company's performance to be compared with that of its peers". Business in the Environment's experience with the Index of Corporate Environmental Engagement, indicated that a new, wider Index would help meet this need. The deciding factor on whether to go forward was market research we commissioned on whether introducing a new, wider Index would add value. This concluded that "there is no authoritative, voluntary, CSR initiative that is business led and engages with companies from all sectors, publicly ranking their CSR activity, whilst consolidating information demands made on companies".

Armed with positive feedback from these initiatives and research amongst different stakeholders, Business in the Community began work on the project in June 2001. Over 80 companies contributed to the debate as to how it should be structured, the scoring system, data presentation, and definitions to be used.

The Index was based on four of the impact areas outlined in the 'Winning with Integrity' report – Community, Environment, Marketplace, and Workplace. Following discussions during early engagement with business, human rights the fifth impact area in 'Winning with Integrity' was incorporated through other parts of the Index. In addition, the BiE Index was integrated within the overall Corporate Responsibility Index. Companies had the option to either complete the BiE Index alone or complete the Corporate Responsibility Index on the web based electronic survey, and thus be reported in both Indices.

acknowledgements

Sponsors of the Corporate Responsibility Index

We are extremely grateful to our sponsors Aviva plc, the Department of Trade and Industry and HBOS plc. They have shown leadership by wishing to promote responsible business practice across the business community and shown confidence in Business in the Community in bringing the Corporate Responsibility Index into existence.

Aviva is the world's seventh-largest Insurance group, the largest insurer in the UK and one of the top five life companies in Europe. Its main activities are long-term savings, fund management and general insurance.

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HBOS plc is a top ten FTSE banking and financial services group which includes well known brands such as Halifax, Bank of Scotland, Clerical Medical, Birmingham Midshires, Insight Investment and Intelligent Finance.

Corporate Responsibility Index Steering Group

Business in the Community wishes to thank the steering group under the chairmanship of David Jackson Special Counsel at BP for their advice and support during the development of the Index. Their involvement has been invaluable in providing direction and guidance throughout this business-led process. Their input has been critical in making the Index a credible benchmarking tool.

David Jackson	BP plc
Jiggy Lloyd	Anglian Water Group plc
Anthony Sampson	Aviva plc
Rupert Markland	Diageo plc
Craig McKenzie	Insight Investment
Helen Keep	Unilever plc

Business in the Community also wishes to acknowledge the role of the Business in the Environment Leadership Team, who under its chairman Derek Higgs has helped grow the Corporate Responsibility Index from the BiE Index of Corporate Environmental Engagement.

BUSINESS *in the* COMMUNITY®

Business in the Community is a unique movement in the UK of 700 member companies. Our purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.

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