

**WELCOME**

**MBC Social Capital**

Thursday 30th January 6pm



Hosted by **Speechly Bircham**



**Robert Bond**

Board Director, The Midtown Business Club  
Partner, Speechly Bircham

Welcome and introduction

**Nick Hurd MP**  
Minister for Civil Society

The importance of working with Charities

**Simon Hoare**  
Partner, Hoare's Bank

The value of CSR in the workplace

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# Corporate Social Responsibility (CSR)

## 'The Good, the Bad and the Ugly'

Moira Protani  
Charities  
Wilson's Solicitors LLP





## Corporate Social Responsibility

“Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it but because it is good for business.”

Niall Fitzgerald, Former CEO, Unilever

“In terms of power and influence you can forget about the church, forget politics. There is no more powerful institution in society than business... the business of business should not be about money, it should be about responsibility. It should be about public good, not private greed.”

Anita Roddick, Founder, The Body Shop



# What is Corporate Social Responsibility?

One of many definitions of CSR:

“the way in which companies integrate social and environmental concerns into their business operations and in their interaction with stakeholders on a voluntary basis”

The European Commission

- But CSR is not entirely voluntary - section 172 of the Companies Act 2006 places a duty on directors to promote the success of the company



## Section 172 Companies Act 2006

- Directors must act to promote the success of the company for the benefit of its members as a whole. They must have regard, amongst others, to:
  - the likely consequences of any decision in the long-term
  - the interests of the company's employees
  - the need to foster the company's business relationship with suppliers, customers and others
  - the impact of the company's operations on the community and the environment
  - the desirability of maintaining a reputation for high standards of business conduct; and
  - the need to act fairly between members of the company





## Section 172 Companies Act 2006

- Making money is not a listed as a factor!
- The list is not limited - directors may consider other factors
- Section 172 - the “enlightened shareholder value approach”



## CSR - The Good

- Compliance with section 172 CA 2006
- Differentiation in the market place
- Raise company profile
- Improve business image and reputation
- Maintain good staff morale
- Attractive to some investors
- Can be profitable - “Win-win”





## CSR - The Good

- Most SMEs take an informal approach to CSR
- But there are recognised principles and guidelines:
  - OECD Guidelines for Multinational Enterprises
  - 10 principles of the UN Global Compact
  - ISO 26000 - Guidance Standard on Social Responsibility
  - ISO 14001 - Environmental Management Standard
  - International Labour Organisation Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy
  - UN Guiding Principles on Business and Human Rights
  - Various social and environmental accounting standards



## The Good - working with charities

- CSR is often linked to charitable activities, for example:
  - Giving employees time off to support charitable projects
  - Payroll Giving, etc.
- Companies may establish a charitable foundation to receive donations.
  - Tax efficient way for company or shareholders to donate
  - Directors may be trustees of the charity



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## Working with charities

- Establish your reasons for working with a charity. Are they altruistic or solely commercial?
- A purely promotional activity is probably not CSR
- If your motive for working with a charity is fundamentally to promote your business then this is likely to fall within **cause-related marketing**



## Cause-Related Marketing

- Businesses and charities work together to promote the business's product or service for mutual benefit.
- E.g. Tesco's "Free Computers for Schools"; Cadbury-Save the Children partnership
- Legal requirements exist to protect both charities and businesses
- Charities Act 1992 regulates:
  - Professional Fundraisers
  - Commercial Participators





## Cause-Related Marketing

### – Professional Fundraisers

- Any person (including a company) that carries on a fund-raising business who is not itself a charity or a public collector
- Often involving tele sales or door-to-door sales
- BBC and ITV are ‘professional fundraisers’ for Comic Relief





## Cause-Related Marketing

### – Commercial Participators

- Businesses (other than fund-raising businesses) that represent to the public that money or a proportion of profits will be given to charity, for example:
- Tesco donating money to the Alzheimer's Society every time a cash machine is used at one of their stores
- AquAid donates 10p to Christian Aid for every 19l bottle sold and £200 to Pump Aid every time a business buys 4 or more mains water coolers







## Cause-Related Marketing - The Law

- Business must have a written agreement with the charity setting out:
  - Who the parties are
  - What they are going to do and for how long
  - How much or what proportion of proceeds will be donated to charity
  - A statement of the principal objectives and methods used to meet those objectives; and
  - Other details e.g. any early termination or variation provisions
- Businesses must also provide certain details about the arrangement on their websites and in other publications, e.g.
  - the name of the charity
  - the proportion of money the charity will receive

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## The Bad



- Legal consequences for making misleading representations
- Business reputation can be harmed by agreements geared overly towards commercial interests
- Public reaction to can lead to negative publicity

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## The Ugly!



### The Cup Trust Scandal

- “Sham” charity scandal
- UK taxpayer individuals can claim Gift Aid relief on donations to charity
- Gift Aid example:

Gift to charity of £100 by 40% Higher Rate taxpayer:

Taxpayer gives charity	£80
Charity claims Basic Rate tax	£20

Cost to taxpayer	£80
Less 20% Higher Rate relief	<u>£20</u>

Cost to the taxpayer	£60
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## The Cup Trust Scandal

- Cup Trust - an English registered charity resident in the BVI
- Charity borrowed money from the bank to purchase investments in the open market
- Charity sold investments to wealthy individuals at a loss to the charity
- Individuals then sold the investments on the market and made inflated profits
- Individuals then donated part of the proceeds under Gift Aid to the charity.
- Charity then claimed back basic rate tax paid by the donors
- From 2009 to January 2013 the Cup Trust raised £176m but paid out only £85,000 to charities!



## Following the Cup Trust Scandal

- Charity Commission severely criticised by the press and the Public Accounts Committee for allowing the ‘sham’ charity to be registered
- Cup Trust was accused of being a “sham” designed to benefit wealthy investors rather than charitable purposes

**Social Capital**

**Any questions?**



**Ian Roberts**

Deputy Chairman, The Midtown Business Club  
Managing Director, Central Legal Personnel

## **Forthcoming events**

**Thursday 20<sup>th</sup> February, 6.30pm**  
**Young Professionals' Network – Working the room**  
**Hosted by Speechly Bircham**

**Wednesday 5<sup>th</sup> March, 6pm**  
**Elevator 5**  
**Hosted by Grange Hotels**

See [londonmidtown.org](http://londonmidtown.org) for further information/bookings