

# Corporate Citizenship

Corporate Citizenship is about companies creating policies in which their business practices consider social, environmental and ethical consequences.

PwC believes that implementing such policies is not a burden, but is in every company's interest. Setting clear goals that embrace compliance processes makes these policies profitable in the long run.

But how exactly does a company benefit from this type of policy-making and what are the risks if no such policy is in place?

## Typical risks and potential impacts

Risk	Impact of failure
<b>Reputation:</b> <ul style="list-style-type: none"> <li>Unethical sales practices and/or commercial campaigns</li> <li>Unsatisfactory employee policies, such as lack of equality and diversity agenda</li> <li>Unsatisfactory workplace environment and supply chain issues</li> </ul>	<ul style="list-style-type: none"> <li>Share price deterioration</li> <li>Potential downgrades from ratings agencies, with consequent impact on cost of capital</li> <li>Loss of sales</li> <li>Failure to attract and retain quality customers and staff</li> </ul>
<b>Economic Efficiency:</b> <ul style="list-style-type: none"> <li>The design of products without considering environmental demands</li> <li>Investments that do not consider re-usable or biodegradable components and waste minimisation</li> <li>An increasing need for stakeholder dialogue when reporting progress across the whole corporate responsibility agenda</li> </ul>	<ul style="list-style-type: none"> <li>Cost of changing product design</li> <li>Cost of investment in ever changing technology</li> <li>Reporting and insurance cost</li> <li>Potential to miss out on eco-efficiencies</li> </ul>
<b>Regulatory:</b> <ul style="list-style-type: none"> <li>The need to comply with an increasing range of legal requirements regarding pollution control and waste minimisation</li> <li>An increased demand for consideration of the social and environmental affects of business practices</li> </ul>	<ul style="list-style-type: none"> <li>Compliance costs – environmental and social impact assessments, licence fees, planning agreements etc</li> <li>Regulatory sanctions including fines and reparations (e.g. compensation for mis-selling)</li> </ul>
<b>Employee well being:</b> <ul style="list-style-type: none"> <li>Risk of damage to employee moral</li> <li>Inadequate health and safety policies</li> </ul>	<ul style="list-style-type: none"> <li>Drop in productivity</li> <li>Legal claims</li> </ul>



How can your company take social, environmental and ethical responsibility and at the same time empower its business?

What is your company's image and how important is it?

What do you believe to be the interplay between a company's image and work satisfaction among its employees?

# Our experience

## PricewaterhouseCoopers

PwC believes corporate social responsibility to be an integral part of good corporate governance and emphasises the positive long-term affects of such an approach.

### Key issues

- **Social responsibility:**

A company that takes social and environmental responsibility and is community committed will strengthen its reputation and image, increase employee satisfaction and attract new potential investors. A company must advertise with integrity or it risks increased public cynicism, which again, harms business.

- **Employee policies:**

Employee satisfaction is crucial for business as it might otherwise increase the risk of losing key employees who have knowledge and experience of value to the company, the loss of which could harm production potential. A company must also comply with employee health and security regulations under all circumstances.

- **Business ethics:**

Letting long-term goals weigh more than short-term goals can help prevent possible conflicts of interest within the company. For example, a company operating in the retail sector should avoid doing business with a supplier whose products are produced in unsatisfactory circumstances even though that supplier offers the best price. Business practices of this kind risk damaging the company's reputation and potential business, and adversely affect employee satisfaction.

- **Code of conduct:**

It is important for a company to have a set of rules, commonly referred to as a "Code of Conduct", and make corporate social responsibility an integral part of those rules. It is very important that the members of the Board guarantee compliance processes to prevent any kind of breach. Transparency and disclosure are directly related to risk management, which every company should implement effectively.

PwC has extensive experience in advising companies about good corporate governance. Corporate social responsibility is a vital part of this advice and we emphasise prioritising of long-term goals and the sustainability of the company and its business environment, which turns businesses into model corporate citizens.

## Contacts

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