

Notes of U8 meeting – 16th January 2008

Corporate Social Responsibility

You are collectively the board members of Drill-a-Hole Ltd, a successful international power tools company based in the United Kingdom, with manufacturing plants in Shanghai, Mumbai and Dubai. Several board members have recently become interested in an idea known as Corporate Social Responsibility, a system whereby large businesses enact apparently altruistic policies for the benefit of society. You recently agreed in principle to support a CSR scheme, and must now decide:

1. *Why are we interested in Corporate Social Responsibility?*

- It's ethical
- To raise profits
- To look good/have a good reputation

2. *Is this compatible with our obligation to maximise profits?*

- Not really – laws conflict; e.g. between the human rights of our workers and our obligations to our shareholders to maximise profits
- Conflicts such as this are also present in charities, which are legally bound to maximise donations and therefore have to use more profitable banks rather than ethical ones
- Investing in e.g. youth projects or causes outside our workforce might anger shareholders
- Might giving to charity help us lower the tax bill?
- We are however responsible to at least counterbalance the damage we create
- If we are “too” ethical, or give away too much to charity, we might lose shareholders and then lose money and then many of our workers will be made redundant which contradicts the whole point of Corporate Social Responsibility

3. *What kind of charitable acts would this include?*

- Higher rates of pay for our workers in developing countries, even if this is significantly higher than the average rate in that region
- Free healthcare for our workers in countries where healthcare is not free (this also gets workers back to work for us quicker)
- Giving to environmental charities to counteract the damage we do
- Generally applying 1st World rights to all workers wherever they are

4. *Can we invest in “unethical” countries, or places where human rights abuses occur?*

- Yes, as long as we maintain our standards for our workers
- It will have little impact to a regime for us not to invest there, therefore there is no point avoiding investing in such countries

- Not to invest would probably hit the workers harder than it would those in power

5. *Do we wish to have an ethical policy formalising our ideas?*

- Yes (even if it goes wrong or loses us money)
- Businesses need to formalise policy to ensure it gets enacted