

# CSR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT IN THE ENERGETIC SECTOR

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## *Abstract*

*The paper presents the necessity of developing and applying social, environmental and economical commune standards in order to improve inter-operability and development of commune understanding frameworks.*

*The energetic industry become more and more interested to contribute in a constructive measure at studying and resolving important social and environmental problems provoked by its activities and to encourage the dialogue with the stakeholders, which have increased expectations. Notable progresses were realized at international level regarding increasing the quantity and quality of realized stakeholders consultations, increasing transparency and public awareness having as purpose integrating sustainability in its practices. The paper also studies the financial and economic crises impact on social responsibility practices and relationships between business and society.*

**Keywords: corporate, social, responsibility, sustainable, development**

## **1. BACKGROUND**

At the beginning of the 21<sup>st</sup> century the historical transformations produced in social and environmental responsibility of enterprises became obvious.

Globally, important social and economic changes were made, technological innovation and modernization process modifying the economic landscape regarding production processes, location and personnel. The rapid economical growth of developing countries, increase of fossil fuel based energy consumption aggravates the issues regarding climate changes and increases raw materials and fuel prices. On the other hand, the policies and practices that favor the usage of less noxious technologies can be adopted more rapidly at global scale. The dimension and inter-dependency of these challenges and other difficulties make the traditional decision making governmental processes difficult. At national, regional and inter-regional level, states are trying to settle a balance between national and global interests, as well as between present and future different demands.

Many aspects of corporate social responsibility

(CSR) were integrated into the economic activity long before the current debate on social responsibility begun. Business concerns regarding increasingly complex relations between activities and society are more obvious than ever. Today corporations are expanding their responsibility for social problems by integrating their own activity to increase competitiveness and to prevent an eventual crisis.

## **2. THE NECESSITY OF ISO 26000**

Corporate Social Responsibility field represents not only a large range of theories, but also a variety of controversial, complex and confusing approaches.

In the second half of the 20th century debates begin regarding corporate social responsibility (CSR). In 1953, Bowen wrote „*Social Responsibility of Businessman*” [1]. Since then, there has been a change in terms of business social responsibility in CSR. This area has grown significantly and a lot of theories approaches and terminology proliferated. Company and business, social affairs management, public affairs and politics, corporate responsibility are just of the few terms used to describe the

phenomenon related to corporate responsibility in society. Recently, the interest in corporate social responsibility was renewed and new alternative concepts were proposed, including corporate citizenship and corporate sustainability. Some researchers have compared these new concepts with the classic notion of CSR, such as van Marrewijk, 2003 [2] for corporate sustainability or Matten [3] and Wood and Lodgson [4], 2002 for corporate citizenship.

Environmental issues were a major topic of discussion in the last thirty years in the business world - the longest period of time devoted to one of the three dimensions of corporate social responsibility. Knowledge and issues in the field have progressed during a permanent change in the business world. Levy [5] shows that environmental management can be understood as a response to increasing public awareness and information level on environmental issues, the environmental management being a set of practices that improve the negative impact of industrial production. To the social responsibility, the newest of the three dimensions of CSR, is given far more attention and more organizations are becoming increasingly active in addressing social concerns.

In the last half of century, the states developed a large number of tools that specify social and environmental rules and behavior standards that should be respected in the private sector and by other organizations. The concept of social responsibility and sustainable development offers an opportunity of defining new ways in which all types of organizations can largely reflect their activities social impact and take the necessary measures to reduce it.

Social responsibility initiatives, discussions, activities and publication appeared both within and outside the governmental sphere. Ten years ago, just a few organizations reported other than just financial performances. In 2005, 100 top companies in Fortune's magazine "Global 250" reported to the large public about their politics and SR performances. At least 52 out of 100 edited separated reports regarding social responsibility. [6]

The critics sustain that the bodies have no other responsibilities but those stipulated by law and statute. However, The Economist noted in 2005 that "corporate social responsibility movement has won the battle of ideas." But even among those who recognize the concept, there are different views on such questions as "SR is for the private sector, or for any organization?" Or "What is extent to which global standards can be applied to countries and organizations whose level of development and capabilities are fundamentally different?". Although it is generally recognized that social expectations varies in time depending on activity fields in a certain region, SR concept is closely linked to factors associated with globalization is. The increasing number of private organizations of civil society, whose activities are developed in more than one country prove the necessity of developing and applying some commune social, environmental and economic standards, in order to insure minimum

levels of protection, improve inter-operability and to elaborate consensual understanding frameworks.

### 3. ISO 26000 STANDARD

The development of ISO 26000, the social responsibility international standard, represents a concentration of international expertise on social responsibility. For the first time, a standardization process is conducted by representatives of organizations from a large social range, both from developed and developing countries, through an initiative that didn't belong to governments or international organizations such as the United Nations. Introducing ISO 26000 will produce a radical change in what responsibility practices are concerned, first of all by imposing a commune terminology and implementation to all organizations in all fields.

The international standard ISO 26000 "Guidance on social responsibility", was published in November 2010. ISO 26000 draws on the best practices developed based on initiatives in public and private sector of social responsibility. The guidelines corresponds with the relevant declarations of United Nation and its bodies, concluding an memorandum of understanding with OMM in order to insure coherence with this organization labor standards and memorandums of understanding with the UN Global Compact Office and the Organization for Economic Cooperation and Development (OECD), on cooperation in developing ISO 26000.

Standard ISO 26000 provides a harmonized guidance, relevant globally, based on international consensus among experts representatives of key stakeholder groups and encourage implementation of best practices in corporate social responsibility worldwide.

Introducing the international standard includes the following essential messages, declaring that ISO 26000:

- provides guidelines on principles regarding social responsibility, core subjects and issues which refers to social responsibility and ways of integrating social responsible behavior in the existent organizational strategies, systems and processes
- can be used both by those that begin implementing social responsibility and by those who have a certain experience in implementing it
- is destined to all types of organizations in public, private and non-profit sector, regardless of their size or location – in developed or developing countries
- it is not a management system standard and it is not destined to certification, regulatory or contractual purpose

The standard can be used by all types of organizations in private, public and non-profit organizations, small or large organizations and that function in developed or developing countries. The international regulation provides the guidelines regarding social responsibility principles, central problems and the action fields regarding social responsibility, according to table 1.

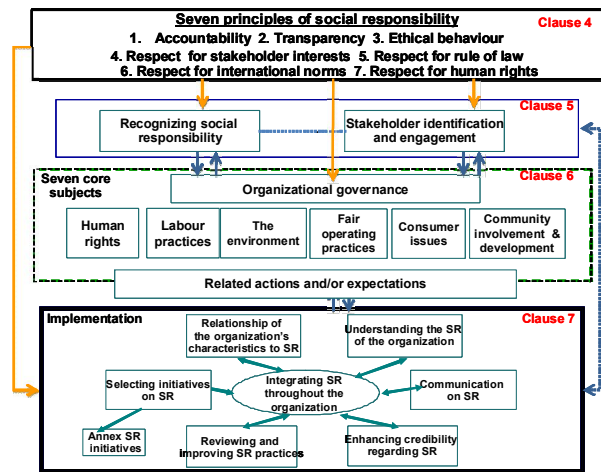
**Table 1. ISO 26000 architecture**

Clause title	Description of clause contents
Scope	Defines the content and scope of this International Standard and identifies certain limitations and exclusions.
Terms, definitions and abbreviated terms	Identifies and provides the definition of key terms that are of fundamental importance for understanding social responsibility and for using this International Standard.
Understanding social responsibility	Describes the important factors and conditions that have influenced the development of social responsibility and that continue to affect its nature and practice. It also describes the concept of social responsibility itself – what it means and how it applies to organizations. The clause includes guidance for small and medium sized organizations on the use of this International Standard.
Principles of social responsibility	Introduces and explains the generic principles of social responsibility.
Recognizing social responsibility and engaging with stakeholders	Addresses two practices of social responsibility: an organization’s recognition of its social responsibility, and its identification of and engagement with its stakeholders. It provides guidance on the relationship between an organization, its stakeholders and society, recognizing the core subjects and issues of social responsibility and an organization’s sphere of influence.
Guidance on social responsibility core subjects	Explains the core subjects and associated issues relating to social responsibility. For each core subject, information has been provided on its scope, its relationship to social responsibility, relevant principles and considerations, and related actions and expectations.
Guidance on integrating social responsibility throughout an organization	Provides guidance on putting social responsibility into practice in an organization. This includes guidance related to: understanding the social responsibility of an organization, integrating social responsibility throughout an organization, communication related to social responsibility, improving the credibility of an organization regarding social responsibility, reviewing progress and improving performance and evaluating voluntary initiatives for social responsibility.
Annex on voluntary initiatives and tools related to social responsibility	Presents a non-exhaustive list of voluntary initiatives and tools related to social responsibility that address aspects of one or more core subjects or the integration of social responsibility throughout an organization.
Bibliography	Includes references to authoritative international instruments and ISO Standards that are referenced in the body of this International Standard as source material.
Index	Provides direction to references to topics, concepts and terms in this International Standard.

In order to define social responsibility application field, identification of relevant action fields and settling priorities, according to ISO 26000, the organization should approach the following core subjects:

- organizational governance
- human rights
- labor practices
- environment
- fair operating practices
- consumers issues
- social engagement – community involvement and development

Integration means for responsible behavior in strategies, systems, practices and processes adopted by enterprises are presented in figure 1.



**Fig. 1. Overview on ISO 26000**

Economic aspects, as well as health, safety and value chain are approached in the seven core subjects, where is relevant. Each core subject includes a range of social responsibility issues which are described along with the related actions and expectations. Social responsibility is a dynamic field, which reflects the evolution of today social and environmental concerns, thus in the future is possible the emergence of other fields. The standard settles that any action carried out on these basic issues and action fields should be based on the corporative social responsibility practices and policies stipulated in cap. 4 and 5 of ISO 26000.

For each core subject it is recommended that the organization identifies and treats all issues that have significant influence or importance regarding its decisions and actions (according to section 5). In order to evaluate a policy field opportunity, it must be considered both long term and short term objectives. However, there is no pre-settled order in which an organization should approach the core subjects, this can vary depending on the organization and its strategy.

#### **4. CHALLENGES AND DIFFICULTIES AT IMPLEMENTING CSR IN THE ENERGY INDUSTRY**

The energy companies play a crucial role in creating social welfare. Having this quality, they represent an object of constant social interest and it is important that they understand their own importance and responsibility towards society. Although the general concept of corporate social responsibility, including its three pillars – economic, environmental and social – is generally the same, it is clear that each company has to evaluate its own point of view, the benefits that social responsibility can bring to its operations and what objectives it wishes to settle. Being more and more aware of their corporate social responsibility, the energy companies understand that improving companies practices represents the responsibility as corporate citizen and it’s necessary in order to plan long time business for sustainable operations.

The energy industry pursues the supply of safe,

accessible and economically viable services, essential for economic growth, environmental protection and social progress. In order to achieve these objectives, that became more and more complex, it is necessary to settle coherent and commune processes in all activities: professional training, sustainable technological development, capacities strengthening and modernizing, social responsibility and environmental protection.

Energy companies are becoming increasingly held responsible for the activities they carry out not only by shareholders but also by stakeholders belonging to the supply chain and distribution, communities, NGOs, government with its agencies, active population and public. The energy industry should be interested in contributing in a constructive measure at studying and resolving important social and environmental problems provoked by its activities and to encourage the dialogue with stakeholders, whose expectations have evolves. On international level, notable progresses were made in what regards the number and quality of consultations with the stakeholders, increasing transparency and public warning in order to integrate sustainability in its practices.

Thus, in the energy field, more than in other activity fields, recognizing the importance of CSR is increasingly. Social partners in the energy field – EPSU (European Public Services Union), EMCEF (European Mine, Chemicals and Energy Workers’ Federation) and Eurelectric (Electric Power Industry Union) have adopted, after a series of discussions, a commune Declaration regarding CSR in 2004.

Given the 2001 Green Paper the European Commission, a working group has undertaken various actions and acknowledged that the role of social partners and stakeholders is essential in developing good practices for CSR development in the area.

Global Reporting developed a specific sectoral supplement for energy and a pilot version of the Supplement was launched in December 2007. The Supplement is destined to organizations involved in the process of generation, transport, distribution and retail of electric energy and was developed to be applicable globally, regardless of the organization type, dimension, and property or activity range within the sector.

The sectoral Supplement is based on the G3 Guidelines and provides orientation for reporting, regarding key aspects on sustainability performance, including the most significant aspects for this industry. The sectoral specific guide is presented as comments of G3 Guidelines, containing new performance indicators, specific for electric energy field. Considering that G3 uses flexible principles and indicators that are easy to verify through reporting and that it has specific indicators for energy field, Global Reporting Initiative is a highly used instrument by companies in this sector.

The challenges created by globalization, which advance rapidly and the development of communication technologies were the main forces for the decision makers to acknowledge the necessity of

social responsibility:

- new concerns and expectations from citizens, consumers, public authorities and investors in the context of globalization and large scale industrial changes
- social criteria increasingly influence the investment decisions of individuals and institutions
- increasingly concern regarding environmental damages created by the economic activity
- the transparency of business activities brought by mass-media and modern informational and communication technologies

Social responsibility content is influenced by the operation nature and the environment in which it takes place, and this is why guidelines and specific instruments are needed for the companies that operate in the energy industry. However, it is up to each company to settle what social responsibility involves in its own operations and what types of instruments to use in order to reach those objectives.

Generally, for the energetic field, the three pillars of social responsibility – economic, social and environmental responsibility – should be balanced and raised on operations reliability and transparency, basically having the content of table 3.

**Table 2. The three pillars of CSR in energy field**

Economic responsibility	Environmental responsibility	Social responsibility
<ul style="list-style-type: none"> <li>- Insuring that the company is profitable both on long and short term</li> <li>- Developing competitive services and products that satisfy clients needs</li> <li>- Reliability of energy supply</li> <li>- Efficient operations in what costs are concerned</li> <li>- Fair prices and quality services</li> <li>- Continued development and recognition of the need for change</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing and obeying the environmental laws</li> <li>- Reducing the environmental impact of producing, distributing and transporting energy through minimizing resource consumption and lowering pollution and emissions</li> <li>- Protecting biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>- Insuring personnel’s welfare, qualification and motivation</li> <li>- Open interactions with stakeholders</li> <li>- Promoting good practices and cooperation with stakeholders</li> <li>- Promoting population and community social welfare</li> </ul>

Presently, the biggest difficulties in efficiently implementing CSR are: the negative public image of business, the legal framework that does not reward responsible business, the difficult economic situation of more and more companies, the lack of ethics and ethical standards, as well as the international crises.

The types of difficulties that arise in implementing social responsibility in the companies’ activities could be classified:

**a) Internal managerial difficulties:**

- Difficult integration within companies, departments, functioning locations of internal social responsibility management systems and procedures
- Internal communication
- The need of training, competence growth/improvement
- Consumption of resources, time and cost increase
- Operational difficulties at implementation
- Consumption of necessary resources for social responsibility integration and functioning, the necessity of financing programs and for donations

**b) External difficulties:**

- The lack of external awareness (at supply chain, partners level) in what social responsibility is

concerned

- The lack of trust (stakeholders, public)
- The lack of institutional, regulatory, governmental support
- Identification of adequate methods for stakeholders consultations

**c) *Intrinsic complexities:***

- The novelties and requests of new created functions
- The necessity of organizational changes and appearance of initial difficulties
- Problems created according to social and environmental performances
- Engagement of project partners and stakeholders

In 2010 we have had three large companies from the energy sector take part in a case study which had as primary objective the identification of the essential aspects of the implementation, integration and operation of CSR activities in Romanian companies, compared to the requirements of the ISO 26000 standard. More specifically, we tried to determine to what degree Romanian companies apply means of integrating responsible behavior into their strategies and organizational systems and processes and to what degree are they in compliance with the ISO 26000 standard. We considered as a research premise that this standard can be a significant source of information and a catalyst for a bigger commitment of Romanian organizations to CSR activities.

The study concluded that:

- CSR is perceived as useful and necessary for both the company and the community in which the former undertakes its activity and that the ISO 26000 standard will complete in a systematic fashion the information requirements of this field
- There is interest to implement CSR programs, but currently, there is a difference in between Romanian and foreign (multinational) corporations regarding the application of the monitoring, evaluation and reporting methodologies described in ISO 26000. Otherwise, there is a variety of multinational corporations that constantly promote CSR projects that are part of their long term strategies and that apply the CSR models from their countries of origin, adapted to the conditions found in Romania. The intense media coverage and the publishing of annual CSR reports contribute to the enrichment of the CSR knowledge of Romanian companies. All things considered, we can note a pronounced tendency of Romanian companies to follow international requirements regarding CSR activities
- The analysis of the organizational structure of CSR activities in state-owned enterprises revealed the existence of weak points, such as the inexistence of a special purpose department handling CSR activities and a lack of interest in the evaluation of CSR activities (especially the ones initiated at the community level) and in a reporting activity congruent with international standards

It can be said that CSR is still in the stage of development in the industrial field, but research indicate the fact that this aspect is treated more and

more seriously by stakeholders and companies. As observed, the characteristics of electricity sector and creating of CSR practicing market should be treated seriously and the new GRI sectoral indicators show the CSR importance and value within the sector.

Efficient CSR reporting, used as instrument for dissemination in order to gain a greater recognition in business community, but also in the communities in which companies operate, it is surely the first step towards the financial benefits of CSR [7]. It is important that companies realize the importance of disclosure information regarding practices and performances in social responsibility and sustainability field.

## **5. CORPORATIVE SOCIAL RESPONSIBILITY AND GLOBAL ECONOMIC CRISES**

The costs of global economic and financial crisis reached in August 2009 11.9 trillion US dollars, amount necessary for loans, guarantees, capital injections and other forms of assistance according to IMF calculations, and International Labor Organization estimated that 20 million persons will loose their jobs during the crises.

Turmoil in global financial markets, dramatic fluctuations in crude oil prices and environmental concerns of conventional energy use will cause significant developments in the energy sector worldwide. Following the crisis in credit markets, many companies face difficulties in securing investment funds for new projects. The global energy crisis impact is expected to be reflected as a decrease in demand for crude oil, price fluctuations and delays at major investment in energy projects. In addition, there are challenges that have remained the same as before the onset of the crisis: the need for environmental investments for sustainable energy development, security problems, the requirements to continuously improve the quality of energy services and ensuring the flexibility of electricity networks to take over renewable sources energy.

Regardless of the generating causes, it is probably that the recession will have a significant impact on CSR, being studied the way in which this impact will manifest on practices and relations between business and community [8]. Accord to a survey realized by CSR International, at the end of 2008, in the western countries, 44% of the specialists believe that CSR will strengthen as a result of the crises, 26% believe that it will change, and 22% believe that the concern regarding CSR will diminish. Although it seems a surprising result, it reveal the concept complexity, the crises impact being different according to the implemented CSR type. It is sure that the crises will have a great impact on CSR worldwide, many researches appreciating that during economical regression, responsible business management, corporate governance and issues regarding sustainability will have a positive influence on companies.

Social and environmental performances reporting will play an important part in the future, even if it will not become mandatory for all organizations. In what expected challenges are concerned, when it comes down to reporting sustainability issues, a survey among managers of CSR settled the main expected challenges, a major importance in the future having the adequate settlement of reference objectives and key indicators for measuring performance. The survey results are presented in table 3.

**Table 3. Expected challenges in reporting sustainability aspects**

Challenge	Importance, %					
	Major	Important	Medium	Unimportant	No	IA
Settling reference objectives and key indicators for measuring performance	21	31	20	8	6	14
Creating and settling internal data for sustainability reporting	20	29	20	8	7	17
Satisfying client of different stakeholders (investors, shareholders, employees, NGOs etc)	17	26	23	11	7	17
Developing own instruments (IT, scoring systems etc) for monitoring sustainability performance	16	29	22	12	6	16

Social responsibility, has become an essential component of business strategy and it can not be abandoned during the crises, in a moment in which all investors and clients request transparency and responsibility to companies, on the contrary, in order to survive the economical recession, companies should innovate and maintain their social investments [9].

According to a recent study made by A.T. Kearney, 99 of the companies focused on sustainability that excel in environmental protection and promoting welfare, (present both in Dow Jones Sustainability Index and in Goldman Sachs SUSTAIN list) had 10% better performances than the rest of the market in 2008. The study regarding sustainable companies that had good results, even in a difficult economic context, revealed that these showed the following characteristics:

- Focus on long term development of the company, on the expense of short term gains
- Strong corporate governance
- Sound risk management practices implemented
- Development of “green” innovations

Most investment in sustainable technologies such as renewable energy, energy-efficient equipment, or use of recycled materials requires high initial investment costs, but companies that pursue these initiatives will achieve long-term benefits of savings from efficient processes and of reputation [10].

It is expected that social and environmental challenges, exacerbation of the economic crisis faced by companies today will result in redefining the relationship between business and society, and companies will have to adapt by integrating in their operations the best practices.

## 6. CONCLUSIONS

The growing number of private and civil society organizations, whose activities are conducted in several countries, increasing the number of communications networks worldwide and increased international trade show the need of developing and implementing common social, environmental and economic standards, in order to ensure minimum levels of protection, to improve interoperability and develop common frameworks of understanding.

ISO 26000:2010 Standard provides a harmonized guidance, relevant globally, based on international consensus among experts representatives of key stakeholder groups and will encourage implementation of best practices in corporate social responsibility worldwide.

Energy companies are becoming increasingly held responsible for the activities they carry out not only by shareholders but also by stakeholders belonging to the community, NGOs, government and public. The greatest difficulties in effective implementation of CSR are negative public image of business, the legal framework which does not reward responsible companies, the difficult economic situation in many companies, the lack of ethics and ethical standards and the international crisis situation.

It is expected that social and environmental challenges, exacerbation of the economic crisis faced by companies today will result in redefining the relationship between business and society.

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