



Your recent document “*Assure View. The CSR Assurance Statement Report*” was passed to us by Phil McNee of Pinnacle Associates, who has previously been in contact with you. We read it with great interest. Very many congratulations on such a detailed and thought-provoking report, which should challenge every Organisation and Assurance Provider to look very closely at what they currently deliver in reports to their stakeholders.

On page 46 of the Report, you asked for feedback and views on “.. *how we can all move towards more widespread and more meaningful assurance statements ...* “. The HPO Group and Pinnacle Associates would jointly like to take up your challenge and comment on one of the fundamental issues you have raised, how we feel this can be addressed and move the agenda forward to ensure that the word Assurance means exactly what it says.

Your assertion that different approaches provide different levels and types of assurance is obviously correct. However, even the current apparent best practice of “.. *use of an independent, impartial and external organisation ...*“ leaves much to be desired. This is quite apart from the cost, which is prohibitive for all but the large to consider, regardless of the claimed benefits of such an approach. Like all of the other approaches mentioned in the Report, this one does not adequately review the mix of hard and soft issues such as leadership, culture, attitude etc that produces these CSR outcomes. They therefore lack any real in-depth ‘lead indicators’ of performance, i.e. indications of what is likely to happen in the future, because it is based on the tried-and-tested audit process that has been with us for many years that reviews what has happened in the past.

Join together the weakness of the auditing method and the lack of lead performance indicators they produce and, as we see it, we end up with the root cause of your challenge. Whilst people are generally aware that what is needed is to test what actually happens in order to prove the statements made, there has not been a cost effective in-depth method for doing so.

Whilst, as in any audit using a traditional approach there is room to manipulate the evidence presented to the assessors, this does have some merit in reviewing what has apparently happened in the past and allows some checking that this is so. Its problem however is that, like all other current auditing and assessment approaches, it fails to look at what has actually delivered the real, as opposed to documented, past performance. And it is the real performance that matters, not what an organisation wishes to demonstrate to the outside World. How many recent examples are there, for instance, of organisations that have been externally audited to the extreme and certified or pronounced as ‘fit’, but still have significant risks associated with how they actually operate? The current auditing and assessment model is basically flawed and will never really give the assurance that the World and the organisation’s stakeholders now needs. Equally, it does not really challenge the organisation being assessed to improve, except at tactical level, as it does not really translate results into strategically important information, which is needed for a true understanding of CSR performance and risk.

To our mind, a CSR Report and its Assurance Statement has to be viewed from the perspective of the receiver of the output from the process of creating and publishing them, that is the organisation’s stakeholders. and the purpose of this is output is we believe quite simple, as follows:



- To be easily understood by all interested parties
- To enable them to make comparative judgement between the CSR performance reported for different organisations
- To understand both the historical CSR performance and the risk to this being continued or improved into the future

Whilst internally, for the organisation to get value from its investment, apart from satisfying its stakeholders, it must allow them:

- To know where it is currently underachieving across the economic, social and environmental aspects of its business
- To understand a strategic profile of performance and risk across a range of CSR drivers

So, some of what they do at the moment will no doubt still be needed. However, in order to achieve these higher levels of acceptance and value the industry is striving to deliver, it requires an additional level of review beyond current practice.

This assessment, which will provide answers to the most difficult questions being asked, is based on a review of the impact of the behaviours being experienced within and outside of the organisation. It is these behaviours that result in the actions being taken by people across the organisation and hence its deliverables. Equally, they are where the beliefs of people in the organisation are most easily indicated and measured, and it is these deep rooted beliefs that drive the behaviour that delivers the outcomes.

When:

- assessed in a 360 degree way,
- includes a review of the constraints and enablers that affect the CSR outcomes of the organisation as much as the activities themselves,
- involves a meaningful sample of participants,

these behavioural indicators relate to and provide clear unambiguous evidence about all of the soft and hard elements that make the organisation what it is. Hence, it reviews both current and future risks to the delivery of CSR performance.

Of course, collecting such tactical evidence would be extremely time consuming and fraught with problems if done using the traditional auditing and assessment approaches. Equally, the use of surveys to collect this evidence offers little help as, like traditional documented evidence placed before the assessor, they are too easily used to give the result an organisation desires, rather than the truth. Despite the difficulty of not being able to do this in a traditional way, the 360 degree collection of behavioural evidence is the best way of getting under the skin of an organisation, and to be able to provide real assurance of its CSR, or any other, aspect of its real day-to-day business. It is about turning tactical data into strategic CSR management lead indicators and information. I have included a high level example of what I mean by this.



Over recent years, The HPO Group have been addressing just this issue and the real business need to take auditing and assessment into the 21st Century. By the application of technology, we are now able to carry out such assessments in a completely consistent, language and geography independent way. We are now able to measure the real CSR risks that are inherent in any organisation through gathering behavioural feedback from across and outside the organisation in a very structured manner.

We would be very happy to share what we have learned about how behavioural assessments can be used to address the current shortcomings of CSR Assurance Statements. We believe that they may answer the two challenges on page 17 of the report – the lack of a common currency and to a greater or lesser extent, the lack of a common language.

A handwritten signature in black ink, appearing to read 'Rob Peddle', is written over a large, stylized, looping line that extends from the signature down towards the name 'Rob Peddle'.

Rob Peddle

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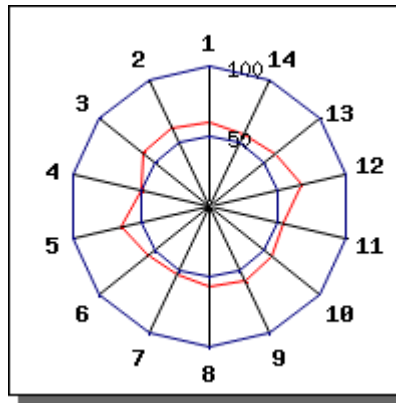
Extract from a real CSR / Sustainability Assessment Report

STRATEGIC CSR CULTURAL RISK PROFILE BY PERFORMANCE DRIVER

Overall Result: 58 % - Bronze Level

Based on the evidence provided by stakeholders, inside and outside the organisation, the results show that your organisation has met the minimum level required to be classified as meeting the requirements of your own CSR framework based on a balance of economic, social and environmental indicators. Congratulations.

Overview of Result against Performance Drivers



Performance Driver	Description	%
1	The evolving business environment and changing stakeholder needs are understood	60.5
2	Business plans define business objectives and key processes required to meet them	61.8
3	Develops and delivers solutions to meet customers' current and future needs	60.8
4	Developing technology and physical assets are embedded into the future shape of the business	49.8
5	Evidence supports the CSR statements in Corporate Reports	64.7
6	Every 'touch' with the organisation is a differentiated 'personal interaction'	56.1
7	The organisation is honest, acts with transparency and is ethical	53.4
8	The organisation values, supports and develops staff to deliver business and individual goals	56.8
9	The organisation collaborates to create beneficial relationships with suppliers and partners	58.2
10	A culture of continuous CSR improvement exists	57
11	The environmental impacts of the business are measured and managed	54.5
12	Profitable Turnover is measured and managed	68.1
13	Leadership teams champion core values and the single business management system	59.7
14	The social impacts of the business are measured and managed	56.5

Please note:

- The strategic drivers or indicators of CSR performance are based on this organisation's definition of CSR and their core values. The triple bottom line was a key stabilising element and can be seen in drivers 11, 12, 14 supported by 7. Drivers cover a typical business cycle
- No human assessor took part in this assessment or any records looked at, but human interaction was required to analyse data and identify key risks
- At no time was anyone asked about these indicators only about behaviours that deliver them.
- 40% represents OK performance, the full report details benchmarks and more in-depth data to help identify risks in CSR performance and where they may be found in the organisation.