



# BUSINESS BACKS EDUCATION

Creating a baseline for Corporate CSR Spend on Global Education Initiatives

January 2015

REPORT ON FINDINGS



## About Business Backs Education and this report

This report is published ahead of the World Economic Forum Annual Meeting in Davos, to raise awareness of the Business Backs Education campaign, launched by the Varkey Foundation in partnership with Dubai Cares and UNESCO. The campaign was launched at the Global Education & Skills Forum in March 2014 by President Bill Clinton together with Co-Chairs Jim Hagemann-Snabe, CEO of SAP and Majid Jafar, CEO of Crescent Petroleum.

Business Backs Education wants to help educators and pupils around the world by working with the private sector to support education where it is most needed. It aims to encourage companies to:

- **Work with the public sector on core areas of education need, such as access to quality education, 21st century skills, global citizenship, and development of education professionals.**

One of the aims of Business Backs Education is to show companies the benefits of bringing their CSR spending on education in line with government spending targets. UNESCO recommends that governments should spend 20% of their budget on education and that 20% of Official Development Assistance should go towards education initiatives.

This report, written by a team at EPG Economic and Strategy Consulting and overseen by an Advisory Board composed of key figures at UNESCO, OECD and Ipsos MORI, looks at how much the 2013 Fortune Global 500 list (the 500 largest companies in the world by revenue) spent on education-related CSR activities. It seeks to establish a more robust baseline for global corporate giving to education, and a sharper analysis of spending with reference to the countries and education areas that benefit. It also demonstrates a number of findings showing that small changes in the way CSR budgets are spent could have a huge effect on world education and benefit millions of children.

### Acknowledgements

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“This report signals the sizeable potential that exists for major companies to increase their corporate social responsibility spend on education. Their sights should be set on tapping the youth dividend in developing countries because there is no more powerful link than that between an educated, skilled workforce and sustainable economic development. It is an investment that makes sense now for business, for youth and for building more equitable and prosperous societies.”

Irina Bokova, Director General, UNESCO.

## Table of Contents

	<b>About Business Backs Education and this report</b> .....	<b>3</b>
	<b>Acknowledgements</b> .....	<b>3</b>
<b>1</b>	<b>Executive Summary</b> .....	<b>6</b>
<b>2</b>	<b>CSR IN EDUCATION - THE GLOBAL CONTEXT</b>	
	• Global education faces a huge challenge .....	12
	• Corporations currently prefer health-related contributions.....	12
	• Low and middle-income countries say education is top priority.....	14
	• Previous research on a baseline of CSR spending .....	14
<b>3</b>	<b>STUDY AND METHODOLOGY</b>	
	• What ‘CSR spending’ means .....	18
	• Defining the scope of the data.....	20
	• How the study was conducted .....	21
<b>4</b>	<b>CSR SPENDING – THE GLOBAL RESULTS</b>	
	• Healthcare and technology companies spend the most on CSR .....	28
	• Tertiary and vocational education are favourites for spending globally.....	29
	• Cash and in-kind donations dominate .....	30
	• Companies prefer to spend in Asia Pacific.....	31
	• Length of CSR commitment varies globally .....	32
	<b>COUNTRY FOCUS</b>	
	• USA / Americas .....	35
	• China .....	45
	• Japan .....	49
	• France .....	53
	• Germany .....	57
	• UK .....	61
	• Korea.....	69
	• Australia .....	77
	• Spain .....	81
	• India .....	85
<b>5</b>	<b>CONCLUSION AND RECOMMENDATIONS</b> .....	<b>89</b>
<b>Appendix 1</b>	<b>Data Tables</b> .....	<b>93</b>
<b>Appendix 2</b>	<b>Data Availability and Benchmarking</b> .....	<b>98</b>
	• Challenges in data collection.....	103
	• Common standards used for CSR reporting.....	104
	• Benchmarking to existing data.....	105
<b>Appendix 3</b>	<b>Legislative provisions for CSR worldwide</b> .....	<b>106</b>
	• North America and Western Europe .....	106
	• Asia-Pacific .....	107
	• Latin America .....	109
<b>Appendix 4</b>	<b>IoD survey questions</b> .....	<b>109</b>
<b>Appendix 5</b>	<b>Sources of information</b> .....	<b>111</b>

## Executive Summary

Corporate Social Responsibility (CSR) is a growing force. Increasingly, companies recognise that they want to invest in the communities and institutions that make their success possible. This is beginning to make a huge difference to the lives of millions, not least through education.

Without the proper educational opportunities, children cannot realise their potential, and this has far-reaching consequences. However, opportunities are not always provided, particularly in the constantly evolving global marketplace, and amid the background of geopolitical strife. There is a shortfall in the funding necessary to provide adequate education for children worldwide – a gap that could be closed by making corporate giving more efficient.

The world's first comprehensive study on global corporate CSR spend shows that the 2013 Global Fortune 500 companies spend US\$20 billion per year on CSR. The report identifies 218 companies as having education-related expenditure, which (as is shown in Figure 1.1) equates to US\$2.6 billion or 13% of the total Fortune Global 500 CSR budget.

The report shows that if the Fortune Global 500 committed 20% of their CSR budgets towards education initiatives, the total education CSR spend would nearly double to US\$4 billion. The effect of this in human terms would be significant. There are currently 58 million primary school-age children out of school as a result of a funding gap of US \$26 billion. Increasing education spending to 20% of CSR would enable more than 3 million additional children per year worldwide to study in primary school, if targeted properly.

The spend on education in priority areas such as Africa, where the need is by far the greatest, is only \$1 billion or 42% of the total Fortune 500 Education CSR spend (see also Figure 1.1). Therefore, only two in five dollars spent by the Fortune Global 500 on education CSR is spent on the countries and groups who need it most. Most of the total spend is in 'non-priority' areas within North America and Europe. Additionally, only 16% of education-related CSR spending went to primary education and only 14% to secondary education.

Figure 1.1

### Summary results for CSR spend (average annual spend 2011-13) Fortune Global 500 companies

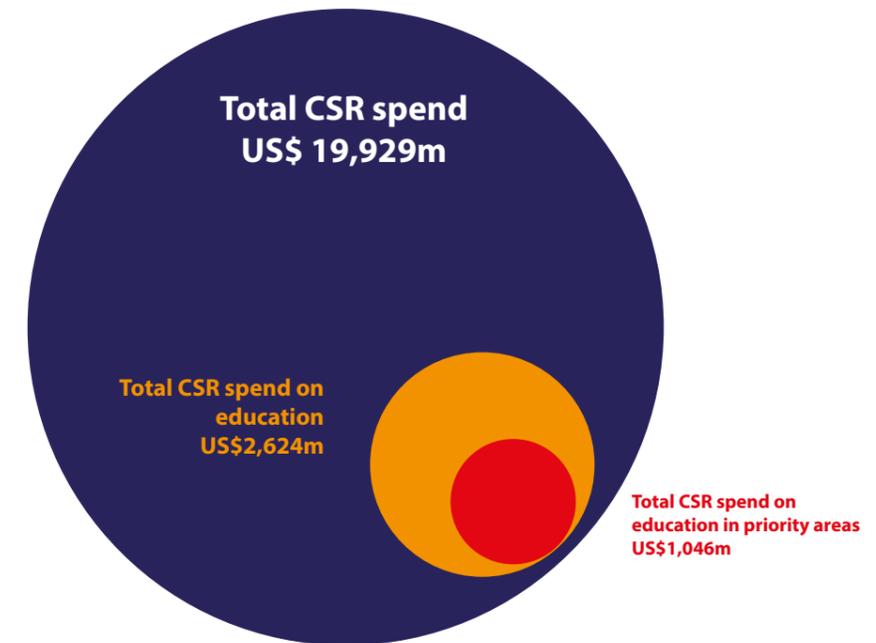


Table 1.2

### Summary results for CSR spend

A large proportion of CSR spending (62%) occurs not in monetary contributions but via in-kind donations (i.e. of products that a company makes or owns). However, the majority of this figure is comprised of a few notable contributions of free software to universities and schools, and free pharmaceutical products and drugs from a handful of US companies. Removing these outliers, the proportion of in-kind donations globally is 24%. Cash contributions from corporations and associated foundations or trusts constituted only 28% of CSR spending, while fundraising, employee volunteering and pro-bono activities made up the remaining 10%.

UNESCO (2014a), Figure 1, Figure 1.2.1, p. 8. The 'CSR spend in priority areas' category focuses on the Business Backs Education aim of prioritising countries and sectors most in need, and includes: (1) all spending excluding tertiary in Asia Pacific, Africa and Latin America and the Caribbean, but excluding Korea, Japan, Australia and New Zealand. (Sectoral priority areas include Primary Education, Secondary Education, Teacher Training, Infrastructure and Vocational Education, excluding Higher Education and other categories of expenditure.) (2) all spending on Primary and Secondary education, plus some vocational educational spending, in all other countries. Included forms of spending are cash, in-kind provisions or employee-related schemes, such as providing matched funding to employees' charitable contributions.

**Table 1.2**  
**Summary results for CSR spend - Fortune Global 500 companies**

Average 2011-13	Amount (US\$m)	As a % of Total CSR spend
<b>Total CSR spend</b>	<b>19,929</b>	<b>-</b>
<b>Total education CSR spend if 20% of CSR spend were on education</b>	<b>3,986</b>	<b>20%</b>
<b>Total education CSR spend</b>	<b>2,624</b>	<b>13.2%</b>
<b>Total education CSR spend in priority areas</b>	<b>1,046</b>	<b>5.2%</b>

Source: EPG analysis.

**Table 1.3**  
**Summary results for CSR spend - All companies**

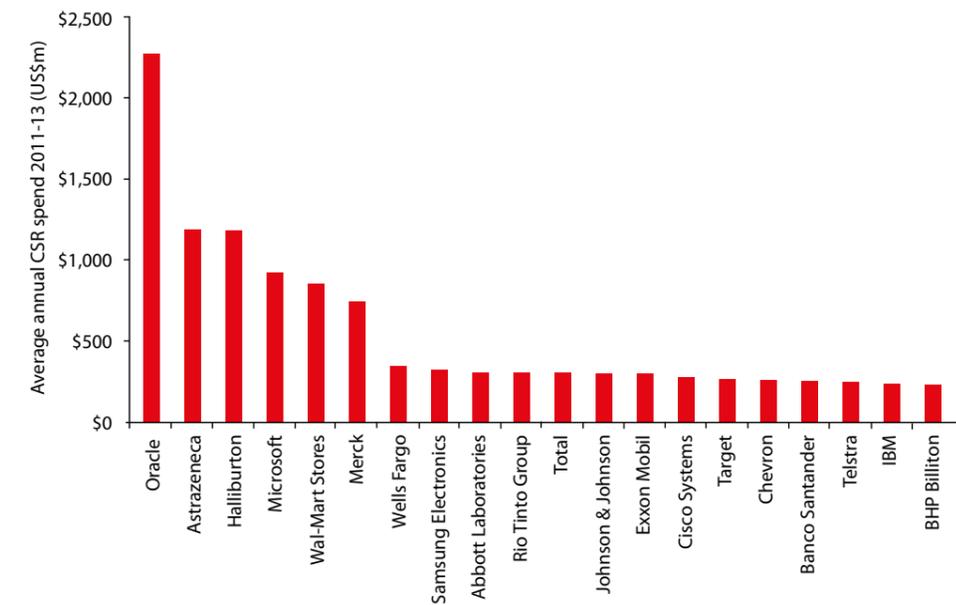
Average annual spend 2011-13; for 2,470 companies including Fortune Global 500	Amount (US\$m)	As a % of Total CSR spend
<b>Total CSR spend</b>	<b>26,517</b>	<b>-</b>
<b>Total education CSR spend if 20% of CSR spend were on education</b>	<b>5,303</b>	<b>20%</b>
<b>Total education CSR spend</b>	<b>3,694</b>	<b>13.9%</b>

Source: EPG analysis.

Figure 1.4 outlines the companies with the highest CSR spending in the world. Our data shows that the majority of the CSR spending of the Fortune Global 500 is in the form of donations from a handful of large companies. Only three companies – Oracle, Halliburton and AstraZeneca – contribute over US\$1bn to CSR spending. The top 10 companies contributed 42% of the total spend, and the top 20 contributed 52%. However, only a few of the top spenders contributed significantly to education CSR, with Banco Santander at the top.

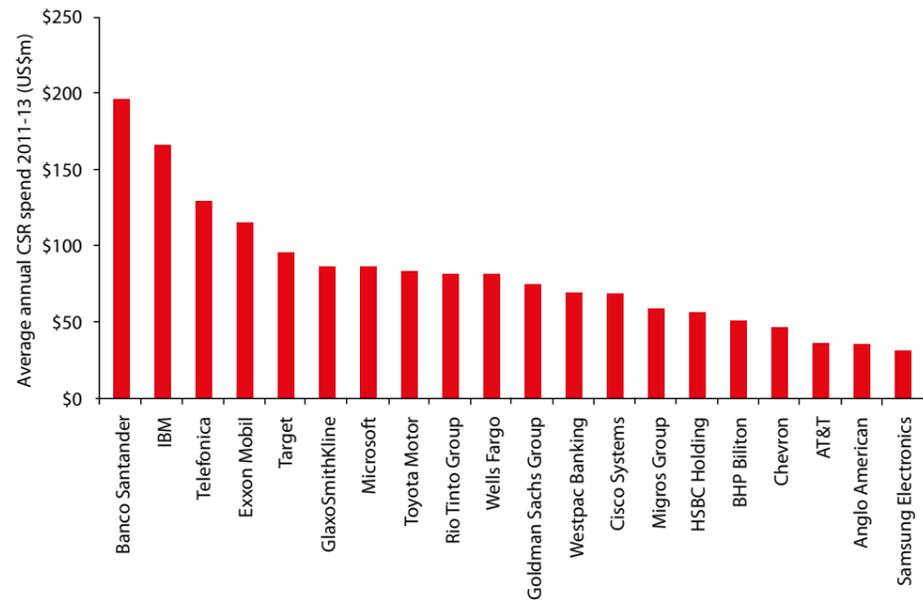
For education CSR, the distribution of spending was similar (Figure 1.5). The top 10 companies contributed 42% and the top 20 contributed 62%. We also found that education spending was largely channelled towards initiatives in companies' home countries, typically on apprenticeships and supporting their own supply chain. Where spending was channelled towards other parts of the world, it was also often aligned to business interests and supply chains. This may limit the extent to which assistance can be given to those most in need.

**Figure 1.4**  
**CSR spend by company (average annual spend 2011-13; US\$m) - Top 20 companies**



Source: EPG analysis.

Table 1.5  
**Education CSR spend by company (average annual spend 2011-13;  
 US\$m) - Top 20 companies**



Source: EPG analysis.

Section 2 of this report explains what is currently known about CSR spending worldwide and how this relates to the education sector. Section 3 outlines the approach of the study and the types of spending it focuses on. Section 4 describes the major results both on a global level and by individual country. The main conclusions and recommendations to make corporate giving more efficient are then outlined in Section 5.

Because educational needs are so urgent – particularly in priority areas and developing economies – it is more important than ever to ensure that we are making the best use of our resources. Only efficient spending will promote a well-educated global citizenship and enable vulnerable children to make the best use of their opportunities.

We hope you find this report informative and – if you are engaged in CSR – helpful in showing how your organisation can make the best use of its gifts to benefit those who need them.

# CSR in education

– the global context

## CSR in education – the global context

This report demonstrates that education has traditionally been under-funded by CSR initiatives as compared to other sectors. For example, evidence suggests that current global corporate donations to healthcare are 16 times greater than to education, despite the acknowledgement that an educated and skilled workforce is critical to commercial success, and to the development of a peaceful and stable global society. This section outlines the scale of the problem and the complexities that are faced in both measuring and promoting CSR spending on education.

## Global education faces a huge challenge

UNESCO's Education For All Global Monitoring Report (EFA GMR; 2014) states that 58 million primary school-age children are out of school, with a further 63 million adolescents not attending secondary school. This makes lack of education a serious global problem. EFA GMR (2012) calculated that 200 million 15-24 year olds had not even completed primary school.

UNESCO reports that these numbers have hardly decreased between 2010 and 2013, and that progress has stalled or reversed in a number of countries. 250 million children cannot read or write, despite being in school; some 130 million cannot read or write even after spending more than four years at school. For example, USAID reports that 90% of the children in Mali, more than 50% in Uganda and 33% in Honduras cannot read a single word of connected text at the end of grade two. Finally, about 774 million adults, two-thirds of which are women, cannot read or write. The number of out-of-school adolescents at lower secondary level in Sub-Saharan Africa has remained almost the same since 2000, while falling by around 45% in the rest of the world.

UNESCO states that the policies which lead to success in tackling these figures are underpinned by a strong political will in priority areas. Fee abolition for students, counterbalanced by school grants from governments, increasing education expenditure, social cash transfers, increasing attention to ethnic and linguistic minorities, overcoming conflict and an emphasis on delivering quality through the curriculum are all examples of policies which lead to success.

The ability to implement such remedies is undermined by a huge global education funding gap. Despite many low-income countries making commendable efforts to improve provisions for education, the countries most in need will be the hardest hit by reductions in donor countries' spending projections. Country Programmable Aid – the portion of donors' aid programmes over which recipient countries have a significant say – is expected to fall in 31 of the 36 low-income countries, mostly in Sub-Saharan Africa.

In 2010, the EFA Global Monitoring Report team calculated that after governments had maximised spending on education, it would still take another \$16 billion a year of external financing to achieve good quality basic education for all in low income countries by 2015, ensuring the most marginalised are reached.

The failure of aid to increase sufficiently has left a huge shortfall which, coupled with inflation, resulted in a doubling of the funding gap by 2013. There were some improvements in domestic spending, offsetting the legacy left by donor failures. As a result, domestic spending amounted to almost half of the total resources needed for education. Even with such improvements, this meant that in 2013, \$29 billion per year would be needed until 2015 to achieve basic education for all. Taking into account the US\$3 billion provided by donors, this leaves a financing gap of US\$26 billion.

Including equitable and good quality lower secondary education adds US\$13 billion per year to the additional resources needed – a total of US\$42 billion. Taking into account donor spending, the total financing gap becomes US\$38 billion per year.

UNESCO (2014a), p.1 UNESCO (2012), p. 16 UNESCO (2014b), p. 50 Brookings (2011), p.1 UNESCO (2014b), p.40 UNESCO (2014b), p. 5

## Why do different trends in CSR spending exist?

Countries, companies and business sectors may have a variety of approaches to CSR that are not immediately obvious, and the absolute amount of CSR spending is not always indicative of a company's true level of corporate responsibility. One reason for this is that CSR can be defined in different ways. For example, if a core business is linked to public welfare, community-related spending may not be defined as CSR. Here, sustainability issues may be embedded in overall strategy and business operations. CSR spending may reflect socio-economic priorities, particularly in developing countries, where there are institutional gaps in skills or infrastructure. Just as it is common for a government to offer tax breaks to multinational companies, governments may also ask for social investments in return. Reporting may therefore reflect the true cost of doing business, rather than an altruistic mindset. For some companies, pressure to be involved in CSR may be created by globalisation or as a mitigating strategy against negative publicity.

At a country level, some cultures may have a tradition of philanthropy, but one that is discreet and private rather than publicly measured through formal CSR reporting systems. In some countries, regulatory or corporate governance laws may compel firms to report on CSR regularly.

These considerations suggest that a straightforward formula for understanding CSR spending around the world is unlikely to be forthcoming. In Section 4, factors influencing trends in spending are commented upon, and more information about the legislative profile of many countries can be found in Appendix 3. We now examine some of the established information about how CSR spending in education is carried out globally.

## Corporations currently prefer health-related contributions

The Center for Global Prosperity found that US private philanthropy contributed only 9% of its grants to education. US companies in the Fortune Global 500 contributed 10.4% and the whole index contributed 13.2%. By contrast, US foundations give 53% of their grants to health.

UNESCO estimates that foundations are currently contributing only a very small amount, US\$135m, to education in developing countries. As a result, corporate giving to global health is 16 times the figure for global education, according to The Brookings Institution (Brookings). As an example, the two largest corporate foundations in the US are those of Novartis and Sanofi, the global healthcare and pharmaceutical providers. Data for the top 10 corporate foundations in the Republic of Korea (Korea) show that healthcare made up an average 89% of spending in the period 2007-12, with education the fourth most popular recipient at around 3%.

According to the most recent UNESCO figures available at the time of writing, corporations provided an estimated US\$683m annually to support education in developing countries (including the US\$135m from foundations above). This constitutes just 5% of the aid from donor countries belonging to the OECD Development Assistance Committee (OECD-DAC). These figures are expanded in the subsection below entitled 'Previous Research on a baseline of CSR spending'.

There are some signs of greater interest in education-related giving amongst private foundations. The US-based National Philanthropic Trust (NPT), a public charity dedicated to providing philanthropic expertise to donors, foundations and financial institutions, reported that although corporate giving is reported to have held steady relative to the previous two years at US\$16.7 billion in 2013, giving by foundations has increased by 5.7% since 2011 to US\$50.2 billion. NPT finds that education-related causes received the second-highest share of these

UNESCO (2014b), p. 132. UNESCO (2013), p. 1. UNESCO (2012), p. 8. Center for Global Prosperity (2012), p. 12. UNESCO (2012), p. 164. Brookings (2013), p. 2. FKI (2013), p. 90. The role of foundations has become less prominent in recent years. The proportion of spending through company foundations fell in Korea from 36.1% in 2009 to 16.3% in 2012, although funding to not-for-profit organisations, charities and local governments remained unchanged. Generally in this period, corporate philanthropy in Korea has increased (see Section 4 of this report). National Philanthropic Trust website (2013).

contributions (16%), second only to religion (31%). Philanthropic giving in education rose the fastest, by 8.9%, in 2013. The type of funding, and its destination, are just as important as the amount. For example, funding pre-school and basic primary education is more pro-poor than funding higher education because it directly addresses the relevant Millennium Development Goals.

Private contributions channelled effectively can catalyse innovation, advance policy reform and achieve a high social impact. The extent of giving to healthcare shows the potential of corporations to play a major role in addressing educational needs in developing countries.

## Low and middle-income countries say education is top priority

It is also clear that countries with lower incomes themselves see education as high priority. The UN System Task Team on the Post-2015 UN Development Agenda facilitated a wide-ranging regional, national and global thematic consultation in 2013. The process included a Global Survey covering 850,000 participants across 194 countries; 77% of participants were from low or medium income countries and 64% were under 30 years of age.

A majority of the participants (584,329) chose Good Education as the top priority for the Post-2015 Development Agenda.

The consultation also recognised that the private sector has an important role in providing financial support to governments and schools, and in providing assistance such as teaching and learning materials, school infrastructure and grants to encourage students to continue studying. The recommendation was that the private sector's role should extend beyond direct provisioning to supporting innovation, providing technical assistance, and supporting governments in developing effective assessment systems.

We now turn to prior studies which outline a detailed picture of the types of companies contributing to education.

## Previous research on a baseline of CSR spending

There are three key past studies that consider a baseline of CSR spending, all by the Center for Universal Education at The Brookings Institution. The first study (2011) looked at corporate spending, and the second study was a background paper for EFA GMR (2012). Both focused on the US. The third study performed a similar analysis for Latin America.

Brookings (2011) reviewed annual reports, CSR reports and websites of the Fortune 500, finding 89 companies making contributions towards education in developing countries. It asked all companies to complete a survey on corporate giving and obtained responses from 136 of the 500 (27%). It included an additional nine companies that had made contributions to education in developing countries.

The table below summarises the findings:

UNESCO and UNICEF (2013), p. 2.

**Table 2.1**  
**Total value of US corporate contributions to education (2009-10)**

Source	Contribution (US\$m)
<b>Fortune 500 companies represented in the sample (136)</b>	<b>224.2</b>
<b>Estimate for Fortune 500 non-respondents</b>	<b>264.4</b>
<b>Non-Fortune 500 companies represented in the sample</b>	<b>9.3</b>
<b>Estimated total</b>	<b>497.9</b>

Source: Reproduction of "Table 2: Total value of US corporate contributions to education (million dollars)". Brookings (2011), p.10.

Brookings (2011) observes that most corporate contributions are made in the form of direct cash, making up 64% of total contributions; more than 80% of the Fortune 500 respondents made only cash contributions. While companies have placed additional emphasis on employee engagement, the report shows a missed opportunity in mobilising employee contributions of money and skills in education. It was also found that business support for corporate education often does not reach the countries most in need. Although contributions are made to 114 countries, support is directed mostly to China, India, Brazil and Mexico, whereas need may be the greatest in Sub-Saharan Africa and Southeast Asia.

Brookings (2011) found that energy and technology companies were the heaviest spenders on education CSR. In fact, it showed that the mean contribution by energy companies in the Fortune 500 was US\$14m in cash per annum, and zero in-kind. Technology companies contributed the most in-kind, at an average of US\$9.1m each. Healthcare companies spent the least on education, followed by utilities and industrial companies.

Brookings (2011) explains that the reason energy companies spend the most is that they spend long periods in host countries in the stages of exploration and production. Often, their operations in developing countries are contingent upon social contributions. As explored in Section 4, this is part of the cost of commercial activity, rather than expenditure driven by CSR objectives.

Companies support more than 50 different themes through their education contributions; on average, a company will invest in 12 different educational areas over the course of a year. Brookings (2011) also found a perceptible link between business needs and investment by companies in particular educational requirements, such as the focus of consumer, industrial and energy sectors in girls' and women's education. Overall, the study noted that while US companies promoted innovation in global education through their contribution and participation, the lack of coordination and short-term nature of commitments limited the social impact.

The second study, van Fleet (2012), identified and reviewed publicly available information about the philanthropic activities of over 300 entities. It found corporations provided an estimated US\$683m annually to support education in developing countries (including US\$135m from foundations). This is just 5% of the aid from donor countries belonging to the OECD Development Assistance Committee (OECD-DAC).

This included the largest 100 companies in the world by revenue, 51 other companies, the giving portfolios of the 25 richest individuals in the world according to Forbes 2011, and 114 foundations. A similar desk research exercise as for Brookings (2011) found that 103 of these contributed to education in developing countries.

Brookings (2011), p.11

This figure represents 36% of the sample, compared to 27% in the previous research. For 14 of these companies, annual funding for education was possible to estimate using publicly available data. For a further 42, this information was available confidentially.

Van Fleet (2012) surveyed 30 philanthropic foundations and found they contributed US\$135m annually to education in developing countries. This was an underestimate, given that data from key foundations, such as the Aga Khan Foundation, was not available. Five of the 30 accounted for 87% of the contributions. The report found that private activity supporting education in developing countries lacks cohesiveness, fails to leverage other private actors, and does not have a strong strategic connection to larger global education policy agendas. Best practice is an exception, not commonplace.

In the third report, Brookings (2012) assessed the 100 largest companies in Latin America, and found that two-thirds made philanthropic contributions to education. Out of the known contributions the researchers were able to identify, contributions to education were US\$282.1m, with the materials sector contributing more than four-fifths. Most companies contributed very small amounts to education (the median was just US\$2.7m annually, although a few notable outliers meant the mean was US\$8.5m).

Having reviewed the available existing research, which suggests that lack of a connected long-term strategy hampers the effectiveness of many CSR contributions, we now turn to a brief survey of our own research methods before outlining their global results in Section 4.

UNESCO (2012), p. 164. UNESCO (2012), p. 166. UNESCO (2012), p. 164

# Study and Methodology

# Study and Methodology

This section provides a brief overview of the methods used in our study.

## What ‘CSR spending’ means

Broadly, CSR spending is financial outlay that reflects the responsibility of corporations for their impact on society. In the Global Reporting Initiative (GRI) G4 standard, this corresponds to the Society sub-category, which emphasises a company’s local community engagement and impact assessment. We treat CSR spending simply as the money, time or effort an organisation outlays to produce an overall positive impact on society.

This is split into the following categories of CSR spending:

- **Cash from the corporation:** direct cash contributions from the company.
- **Cash from the operating foundation or trust:** businesses often make charitable contributions through operating foundations, which are set up with a similar name as that of the sponsoring company, often operate out of same premises and have senior executives of the sponsoring businesses form a majority in their boards.
- **In-kind donations:** this refers to donations of tangible products or services given by a company to a charitable cause, such as free or subsidised software, computers, schools uniforms and pro-bono support.
- **Employee Volunteerism:** the business gives time off to employees to use their skills to contribute to volunteering or CSR activities, and reports this figure in terms of the cost of employee time.
- **Employee Matching:** businesses match the contributions made by their employees to charitable causes and report the figure.
- **Employee Generated Campaign:** businesses may support CSR by endorsing a campaign and to provide assistance releasing the employee on company time.

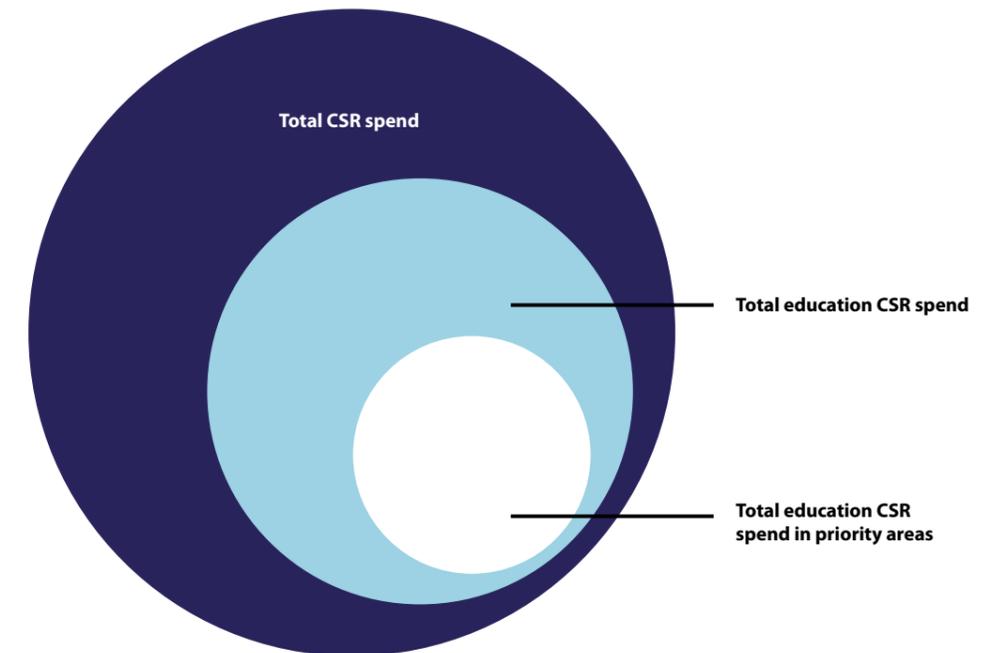
The ‘Total education CSR spend’ figure takes all of the above into account as reported by the companies and associated foundations. ‘Total education CSR spend in priority areas’ focuses on the BBE aim of prioritising countries and sectors most in need and includes:

- all spending excluding tertiary in Asia Pacific, Africa and Latin America; and
- all spending on just primary and secondary education, plus some vocational educational spending, in all other countries.

European Commission (2011). As used by Brookings (2011). Excluding Korea, Japan, Australia and New Zealand. Latin America includes the Caribbean. Sectoral priority areas include Primary Education, Secondary Education, Teacher Training, Infrastructure and Vocational Education, excluding Higher Education and other categories of expenditure.

Figure 3.1

Illustration of difference between ‘Total education CSR spend’ and ‘Total education CSR spend in priority areas’



We separate funding to tertiary education from ‘Total education CSR spend in priority areas’, as this falls outside the scope of UNESCO’s EFA global commitment, which covers early childhood education, primary education, youth and adult literacy and skills, gender parity, and equality and quality of education. Figures obtained reflect a mix of actual and pledged figures. We took actual values where available.

Total CSR spend is also usually a self-reported figure and therefore includes certain outliers which we did not include in the education figures. The next sub-section looks at how we handled these adjustments.

Excluding Korea, Japan, Australia and New Zealand. Latin America includes the Caribbean. Sectoral priority areas include Primary Education, Secondary Education, Teacher Training, Infrastructure and Vocational Education, excluding Higher Education and other categories of expenditure.

## Defining the scope of the data

The primary goal of a business is to maximise profit (or financial impact), whereas the primary philanthropic goal is to maximise social impact. As Brookings (2011) showed, for energy companies, CSR spend was often simply the cost of being active in a particular geographical area. Spending occurred for considerations of financial impact first, rather than social impact. However, technology companies made the largest in-kind donations in Brookings (2011), because their business and social aims were more broadly aligned. Corporate donations may rest at different points along this financial-social impact continuum. Businesses can spend on philanthropy in a way that is aligned with their business objectives, or targeted to causes tied to their industry. For the purposes of this research, the target of the spending is relevant, but the motivation determining where a company falls on this continuum is not.

In follow-ups to some survey responses, participants often highlighted that focusing solely on philanthropy or CSR was too narrow a perspective. Companies emphasised that cash figures did not give a full picture when considering how sustainability or shared value was embedded into different parts of the business. While there are undoubtedly aspects of corporate responsibility not covered, the focus of this research was on creating a robust baseline of global education CSR spending.

We thought it important to identify and include mandatory CSR spending for corporations, as this had implications for reporting as well as on the sustainability of the initiatives, and the geographical concentration of the spend. For example, there is an educational surcharge of 3% on certain indirect taxes in China with additional local educational surcharges. The revenue collected is used to finance local education. Brazil has a Systema S model of social contributions paid by companies. A comparable model has come in force in India from April 2014 and is likely to have an impact on education CSR spending in India.

The objective was to find an underlying level of CSR and education CSR spend. We accomplished this by taking an average of the years 2011-13 inclusive, but we needed to additionally adjust for three factors:

- We adjusted for CSR spend linked to extraordinary events. For example, the Great East Japan Earthquake led to much greater CSR spending by Japanese corporations in 2011-12. In other instances, CSR spending increased following a disaster attributed to the company, to fall to a steady state again in subsequent years.
- Second, some companies reported in-kind support **at cost**, and others **at price**. The latter was particularly true for IT and technology companies which gave away free software. We removed some of this spending if it did not adequately reflect underlying CSR trends or represented one-off factors.
- Third, we removed spending related to political campaigns.

Unless, for example, it is investment into social projects where the motivation is to yield a financial return. Around US\$3m across the 420 respondents according to the Keidanren Committee on Corporate Philanthropy and the One-Percent Club (2013 and 2014)), though this also meant a diversion of resources from education, environmental work and research grants towards disaster relief (see Keidanren 2013).

## How the study was conducted

There were three main stages of research:

- First, the annual, sustainability and CSR reports/websites of the Fortune Global 500 companies were reviewed, to locate information on CSR activities for the years 2010-2013. Of these, 218 made explicit references to education CSR spending and 125 made explicit references to education CSR spending in Asia-Pacific, Africa and Latin America.
- Second, relevant contacts across the 500 organisations were identified (typically CSR or sustainability leads) and invited to participate in a more detailed survey of CSR spending with a particular focus on education. Organisations were invited to participate in this survey regardless of whether they reported CSR contributions to Education, for two reasons. First, the survey contained questions regarding the overall CSR contributions of the organisation and its sector focus, even if it was not making contributions to education. Second, due to the variability of the reporting standards, it was not always clear whether or not organisations were making contributions to global education, and this needed to be investigated further. These data collection difficulties were consistent with the experiences of previous research.
- Third, each of the relevant contacts in the 500 organisations was emailed and followed up with phone calls over a period of seven weeks in May-July 2014.

Around 50 companies participated in the survey, reporting the nature of their spending in global education, including their territorial and sector focus, forms of commitment, and preferred routes including direct spending as opposed to through subsidiaries or foundations.

Some participants were interviewed to understand the nature of their involvement in greater detail, as well as strategic aspects of their commitment to global education and their individual challenges.

Finally, access to certain third party data for Korea, Japan and India was obtained. In particular for Korea and Japan, we interviewed representatives of the Federation of Korean Industries (FKI) and the Japan Business Federation (JBF) to understand their survey data better.

The next Section reports on the results of this research.

Versions of this survey were disseminated amongst the GBC-E members, as well as to the Institute of Directors (IoD) Policy Voice monthly questionnaire in July 2014. In some cases, the correct contact information could not be found. This was primarily for three reasons: it was not available, responsible staff were no longer at the company and responsible staff were not available during the survey period.



# CSR spending

- the global results

## CSR spending – the global results

This section analyses the magnitude of corporate contributions to education globally and highlights the trends in giving, in terms of geography, channels and types of programmes. Its chief finding is that most companies could make philanthropic contributions to education a much higher priority.

The analysis of the Fortune Global 500 companies shows that only 13.2% of CSR spending is on education, of which less than two-fifths is spent in priority areas. In the Asia-Pacific, Africa and Latin America regions, this figure is even lower at 22.8%.

The companies that direct financial and in-kind donations to education collectively contribute significant resources, particularly in their local communities, supply chains and growth markets. Nevertheless, CSR spending is often only a small percentage of profits, and companies can do more to meet pressing global education needs.

## Overview of CSR spending by country and sector

As the regional entries later in this section elaborate, there is a wide variety in amount and type of CSR spending globally. US companies spend the greatest total amount on CSR and education CSR, followed by the UK, Australia and France. Australian and British companies spend more on average on CSR than any other country.

Much spending in these countries is driven by companies in two sectors. First, financial institutions contribute to financial literacy programmes (and local community vocational education in the case of Brazil). The second category is energy companies, whose operations in developing countries are often contingent on commitments to contribute to the social infrastructure of those host countries.

All four countries have a number of banks and energy companies represented, which traditionally spend more on CSR. In the case of the UK banks we have included, it is occasionally unclear whether their financial literacy programmes were CSR programmes, support services for actual or potential customers, or simply a cost of commercial activity. The technology sector also spent considerable amounts on both CSR and education CSR, whilst the healthcare sector focused on healthcare-related CSR spending.

Table 4.1

## Breakdown of Fortune Global 500 CSR spending by country

Average 2011-13

	Number of companies	CSR spend (US\$m)	Education CSR spend (US\$m)	Average CSR spend per company (US\$m)	% of education CSR spend in priority areas
<b>US</b>	132	10,254	1,065	78	40%
<b>China</b>	95	253	52	5	97%
<b>Japan</b>	62	493	136	8	1%
<b>France</b>	31	873	63	28	4%
<b>Germany</b>	29	516	113	18	60%
<b>UK</b>	26	2,647	331	102	24%
<b>Korea</b>	14	634	86	45	28%
<b>Switzerland</b>	14	539	82	38	2%
<b>Netherlands</b>	12	206	32	17	1%
<b>Australia</b>	8	980	151	123	62%
<b>Spain</b>	8	648	344	81	55%
<b>Brazil</b>	8	437	53	55	97%
<b>India</b>	8	81	15	10	87%
<b>Russia</b>	7	252	16	36	0%
<b>Other North America and Western Europe</b>	39	701	53	23	28%
<b>Other Asia and Pacific</b>	5	74	32	15	99%
<b>Other Latin America and Caribbean</b>	5	106	-	21	-
<b>Other Eastern Europe</b>	3	15	-	5	-
<b>Arab States</b>	2	1	-	0	-
<b>Total</b>	<b>500</b>	<b>19,929</b>	<b>2,624</b>	<b>39.9</b>	

Source: EPG analysis

Australia features strongly despite having only eight companies in the Fortune Global 500, due to them (including Telstra, BHP Billiton, Westpac Banking and others) engaging in significant community investment programmes and consistently reporting year-on-year. BHP Billiton's community investment has continually increased since 2011, and it commits around 25% of this to education.

Brazil's companies are also heavily focused on the banking and energy sectors. Petrobras, Banco de Brasil and Banco Bradesco run large CSR programmes, and we likely underestimate their contribution to education in priority areas because further breakdowns of the geographical areas where money is spent are not easily available. Japan's companies consistently spend above 1.5% of their profit-before-tax on CSR activities, and Korean companies spend over 3.5%, but very few other companies commit to spend such a percentage.

The last column in the table above (showing the proportion of education CSR spent in priority areas) shows large variations globally. As companies generally spend in-country, the percentage figures for developing countries naturally reflect most of that education money being spent in priority areas. From amongst the North American and Western European countries, Germany and the US stand out in spending on priority areas, while France trails major countries represented.

We now turn to examine trends amongst business sectors and types of education spending.

## Healthcare and technology companies spend the most on CSR

Healthcare and technology companies spend the most globally on CSR, relative to their size. The industrial and consumer sectors spend the least.

The healthcare sector constitutes only 4% of the revenue from the Fortune Global 500, but contributes a sizeable 15% of global CSR. Much of this comes from providing free drugs: the contribution to education is 4%. The technology sector consistently contributes the largest proportion of any sector, with 10% of the Fortune Global 500 revenue but 24% of CSR and 24% of education spending.

By contrast, the financial services industry spends on CSR approximately in line with its size; however, 30% of that spending is in education. As the country breakdown in the following section shows, this is mostly spent on financial literacy programs in-country rather than in developing countries. The energy sector contributes 15% of revenue, and approximately the same proportion of CSR and education-related CSR spending.

The industrial sector constitutes 26% of the revenue of the Fortune Global 500, but contributes only 7% of CSR spending, with a similar percentage of education CSR. The consumer and utilities industries also contribute a low proportion of their revenue to CSR in contributing to global corporate responsibility. However, for the consumer sector, much social responsibility focuses on sustainability in the supply chain rather than explicit corporate philanthropy. The well-performing consumer business companies are mostly based in the US – 46% of consumer business revenues are from the US, and 59% of the CSR contributions are. The retailer Target is a significant contributor to this, as it has donated 5% of its profits to CSR activities every year since 1967.

Target (2013), p. 60.

**Table 4.2**  
**Breakdown of Fortune Global 500 Revenue and CSR spending by sector**

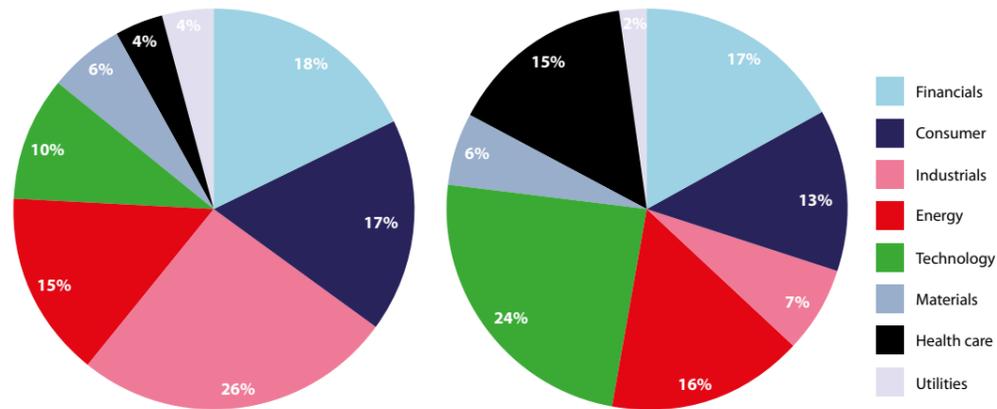
Sector	Number of companies	Revenue (US\$m)	% of total Fortune 500 Revenue
Financial Services	104	4,931,699	18%
Consumer Business	90	4,621,757	17%
Industrials	88	7,120,418	26%
Energy	64	4,098,901	15%
Technology	58	2,662,065	10%
Materials	53	1,588,642	6%
Health care	25	948,348	4%
Utilities	18	1,057,994	4%
<b>Total</b>	<b>500</b>	<b>27,029,823</b>	

Source: EPG analysis

Sector	CSR spend (US\$m)	% of total CSR	Education CSR spend (US\$m)	% of total education CSR
Financial Services	3,386	17%	790	30%
Consumer	2,521	13%	264	10%
Industrials	1,332	7%	256	10%
Energy	3,184	16%	375	14%
Technology	4,879	24%	569	22%
Materials	1,232	6%	259	10%
Health care	2,983	15%	93	4%
Utilities	412	2%	19	1%
<b>Total</b>	<b>19,929</b>		<b>2,624</b>	

Source: EPG analysis

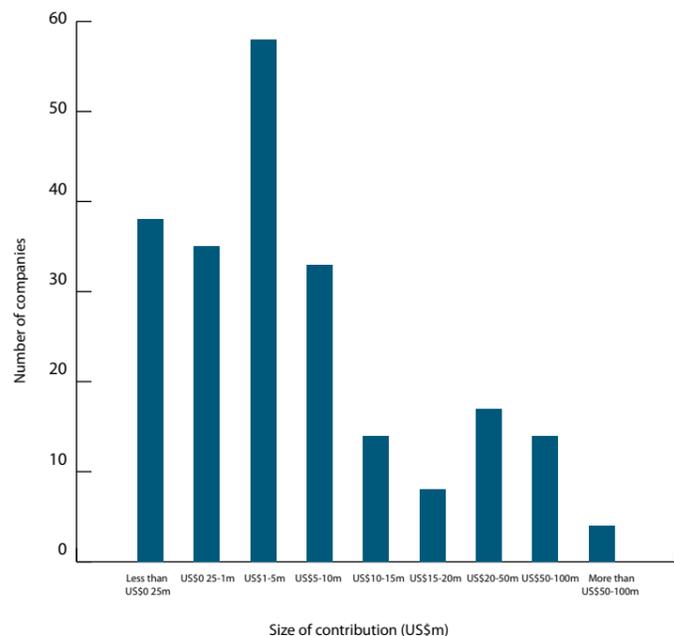
**Figure 4.3**  
Breakdown of Fortune Global 500 by sector  
(left: revenue; right: CSR spending)



Source: Table 4.2 above.

Many companies make small contributions to education CSR, but very few dedicate substantial financial resources. The figure below shows the distribution of Fortune Global 500 education CSR contributions by the 201 companies we found were spending in this area.

**Figure 4.4**  
Distribution of Fortune Global 500 education CSR contributions



60% of contributions are US\$5m or less per annum and 75% are US\$10m or less. There are a handful of large companies that donate substantially more, at above US\$20m; only four (Santander, IBM, Telefonica, Exxon Mobil) spend more than US\$100m a year.

It is likely that many contributions (particular at the lower end of the distribution) are small and given to multiple recipients. This may lead to fragmentation in distribution of finite education resources. At the higher end, programmes are more likely to be multi-year, strategic and scalable.

The table below shows that the top education CSR spenders contribute a large proportion of their overall CSR budgets to education. It also demonstrates the dominance of Spanish and US companies. By contrast, the top overall CSR spenders do not spend much on education, with the exception of Microsoft, for whom we have determined that the education spend figure is an underestimate.

**Table 4.5**  
Top five companies by education CSR spend

Average 2011-13; US\$m	Fortune Global 500 rank	Sector	Country	Total CSR spend [A]	Total education CSR spend [B]	% of CSR spent on education [B]/[A]
<b>Banco Santander</b>	<b>58</b>	<b>Financials</b>	<b>Spain</b>	<b>249.7</b>	<b>196.5</b>	<b>79%</b>
<b>IBM</b>	<b>62</b>	<b>Technology</b>	<b>US</b>	<b>200.4</b>	<b>144.0</b>	<b>72%</b>
<b>Telefonica</b>	<b>97</b>	<b>Technology</b>	<b>Spain</b>	<b>199.3</b>	<b>129.9</b>	<b>65%</b>
<b>Exxon Mobil</b>	<b>3</b>	<b>Energy</b>	<b>US</b>	<b>292.9</b>	<b>115.5</b>	<b>39%</b>
<b>Target</b>	<b>113</b>	<b>Consumer</b>	<b>US</b>	<b>260.2</b>	<b>95.2</b>	<b>37%</b>
<b>Total</b>					<b>681.1</b>	

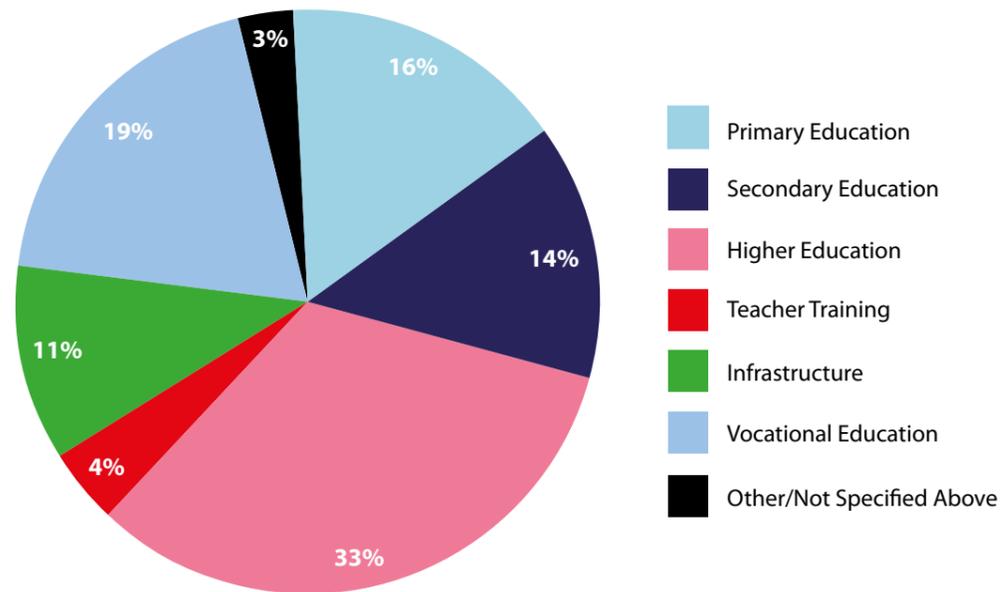
Source: EPG analysis. Full table provided in Appendix 1.

## Tertiary and vocational education are favourites for spending globally

Two trends dominate the share of giving to the education sector: North American companies give higher education scholarships and financial institutions provide financial literacy programs. We found several examples of multi-year scholarship schemes set up by companies in higher education, particularly in countries such as the US where tertiary education is relatively expensive. Vocational education was often a focal area in countries such as Brazil and India where skill development for underprivileged children is a high political and economic priority.

We have significantly underreported education spending for Microsoft. While it is straightforward to identify the many multi-year commitments to philanthropic causes made by Microsoft, the company treats its education-related expenditure as part of its approach to business ('enlightened self-interest' rather than just philanthropy). Therefore, its activities in education are largely not covered in terms of definitions of CSR spending we use in this report. This is likewise a similar issue with other leading technology companies such as Google and Facebook, where accurate reporting is not necessarily based only on philanthropic spend.

Figure 4.6  
Distribution of education CSR spend (2011-13) - Fortune Global 500



Source: EPG analysis.

This research is likely to have underestimated the amount given to teacher training and infrastructure because these are often included in either primary or secondary education when companies report. However, they are often an important component of spending in developing countries. If schools are well established, then it is likely spending on these areas was minimal, but for new schools, it is likely that teacher training and infrastructure spending was underestimated and instead counted in the primary and secondary education categories.

We now look at the types of resources contributed by companies and the geographical areas of donation.

## Cash and in-kind donations dominate

Cash dominated the majority of spending across the Fortune Global 500. The largest proportion of global CSR spending comes from in-kind donations of free software to universities and schools, and free pharmaceutical products and drugs from just a handful of US companies. Removing these outliers, however, the proportion of in-kind giving globally is 24%, compared to cash donations from companies or their foundations of 28%.

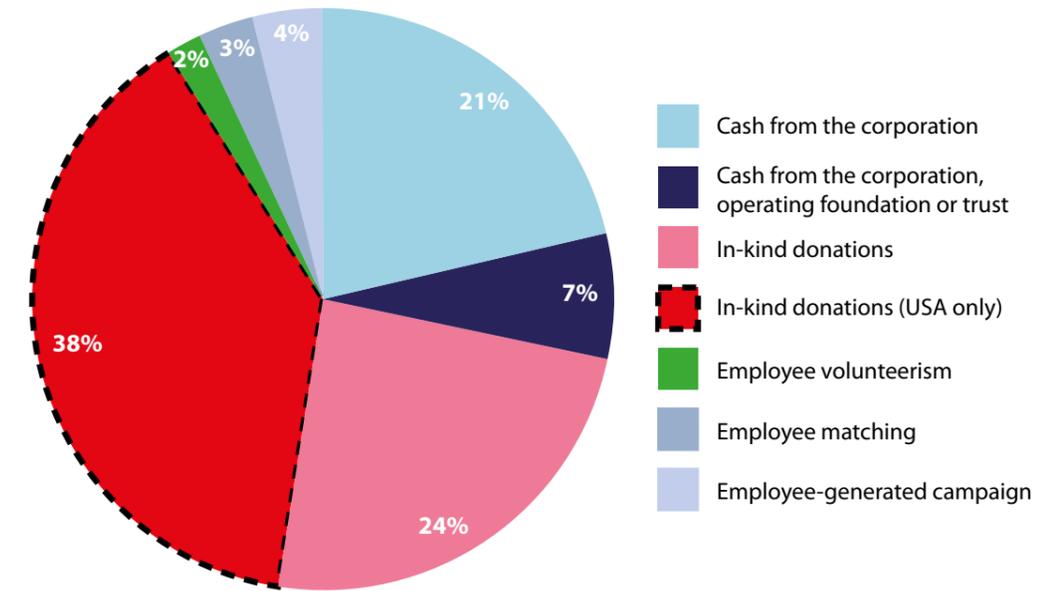
Employee-related matching funding and other initiatives tended to be small-scale, localised and often specific to business units, entities or stores. It was therefore difficult to account for some of this decentralised spending.

Employee volunteerism and other employee-related types of donations were also popular in select parts of the world, especially the UK and Australia. However, reporting for these channels of CSR spend was often fragmented as the amounts involved are smaller and often locally determined. As a result, these channels contribute only a small proportion of overall CSR spending.

Figure 4.7

In China in particular, much of the education spending is likely to have been earmarked for teacher training or specific universal schooling-related expenditure.

Channels of total CSR spend (2011-13) - Fortune Global 500



Source: EPG analysis.

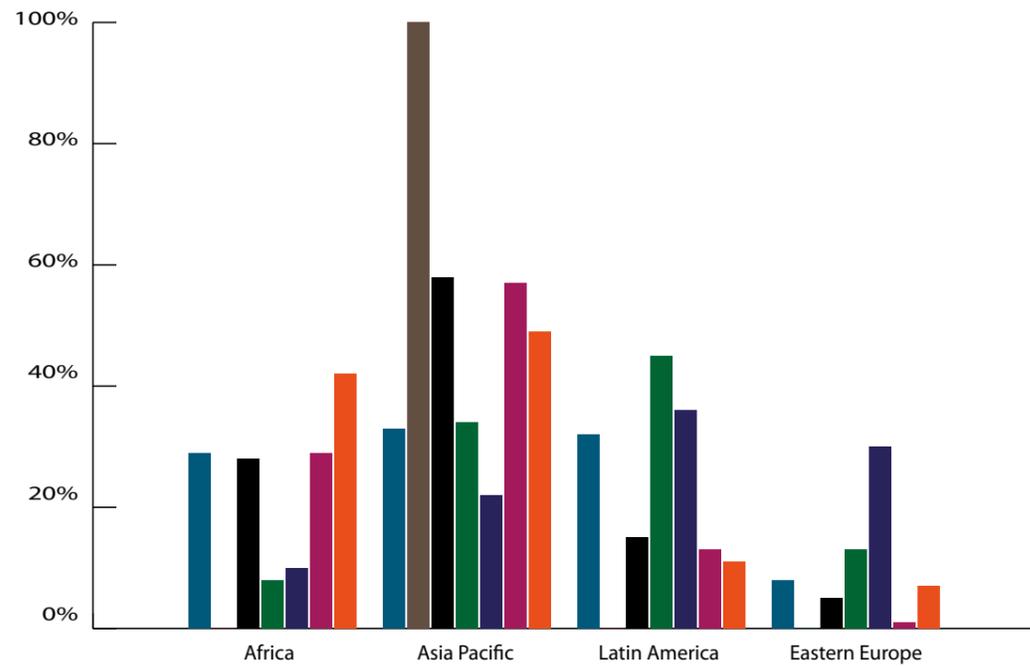
## Companies prefer to spend in Asia Pacific

Companies generally prefer to contribute to CSR in the Asia Pacific region rather than Africa or Latin America. US companies' CSR spending is the most balanced across the priority areas of Africa, Asia Pacific and Latin America. China's is the least balanced, as it devotes all or most of its spending either in-country or to neighbouring countries.

From the large European countries, Germany's spending across the three priority areas is evenly balanced between Latin America (39%) and Eastern Europe (33%). French companies also spend 14% in Eastern Europe, compared to near zero for UK companies. However, Germany's spending in Eastern Europe is mostly from two companies, E.ON and Volkswagen, so the figure of 33% is likely an overestimate of a general trend.

Similarly, the UK's focus on spending in Asia Pacific comes largely from two companies (HSBC and Rio Tinto), while Anglo American contributes significantly to Africa. The broad-based spending pattern of US companies is due to a few large companies that are global players, including Cisco Systems, Hess, IBM and Exxon Mobil; these all have CSR programmes with a global reach.

Figure 4.8  
 Spending in priority areas and Eastern Europe by largest seven countries

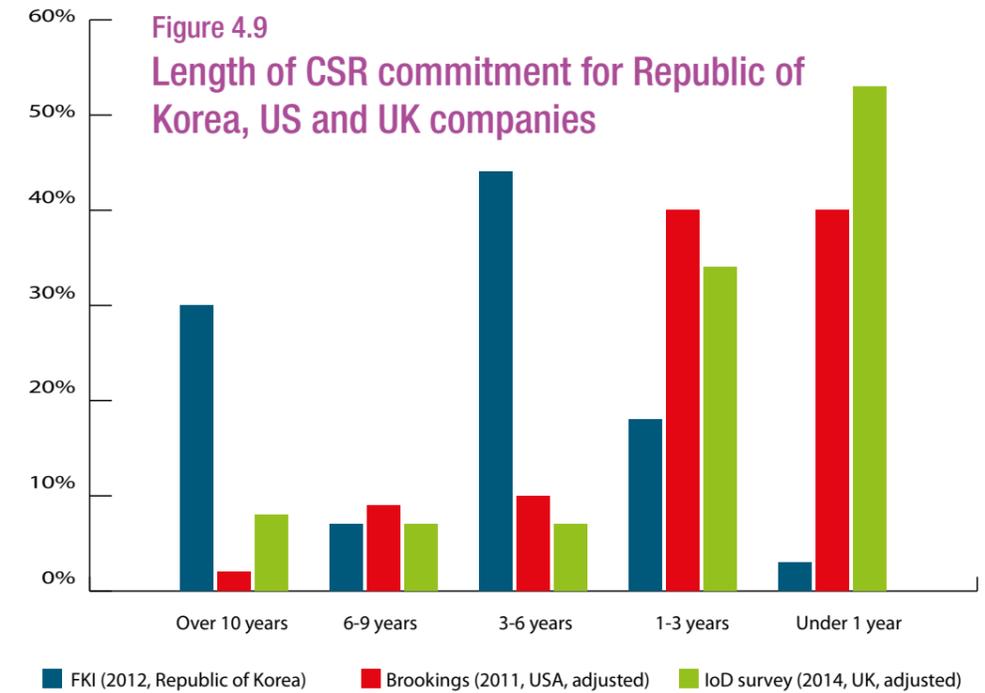


Source: EPG analysis.

## Length of CSR commitment varies globally

Most countries in Western Europe and North America made short-term commitments to CSR compared to Asia-Pacific and Latin American companies. While ODA (Official Development Assistance) aid can be tied to political cycles and therefore short-term in nature, we expected that if companies aligned CSR to their business interests, then spending would reflect longer-term priorities. The data gave a mixed picture.

Figure 4.9 shows a comparison of the length of CSR commitment by companies from Korea, US and UK.



Source: Brookings (2011), IoD survey research (2014), KFI (2013). The Brookings data is adjusted because 11% of companies indicated they had varying time commitments with renewal possibilities. This proportion is applied pro-rata to the other categories. The IoD data is adjusted to fit the survey responses to the categories available here. KFI data represents what companies perceive the most appropriate length of their CSR activities to be, rather than actual like-for-like figures.

We did not have this richness of data for any other countries. Brookings (2011) found that companies made 70% of their contributions for  $\leq 3$  years. Grants of  $>3$  years were made in only 17% of instances, with the remaining having varying time commitments. Only one US company cited contributions for up to 10 years of support. While Brookings' (2011) data asked companies what their typical length of commitment was, the Korean data relates to the length of time 130 company respondents perceived as the most appropriate length for their CSR activities. About 31% of companies considered a suitable length as over 10 years, and only 2% said less than one year. However, it is possible that an emphasis on direct cash contributions means long-term strategic and transformative spending is hindered.

For the IoD survey questionnaire responses received, 23% of the 1,297 respondents answered 'Don't Know' when asked about the typical length of their company's commitment. Of the other respondents, 35% said their company's donations were one-time contributions; a further 18% said the contributions were 1-3 years in length. The number of respondents that answered 1-3 years and  $>3$  years was similar at 17-19%.

A good example of how to monitor the effectiveness of education CSR projects is that of Deutsche Bank. Both the US and UK represent large markets for their CSR spending (including short-term social investments). The bank tracks the impact of its flagship projects globally, and finds that 53% of education-related initiatives have duration of greater than three years. These projects focus on a wide range of areas from employability skills to early childhood development and tertiary education. Deutsche Bank also tracks its own motivations for giving. While this report does not track motivations, it is interesting to note that by using LBG categorisation, the bank found 1% of its contributions were driven by commercial factors, 35% were mandatory contributions in the US, 52% were community investments and only 12% were charitable donations. The global picture of CSR spending is thus a highly complex set of factors.

We now examine the data for individual countries to complete the picture. The following sections highlight salient strengths and weakness in the CSR spending of each region. They also give examples of companies who have found success in their CSR endeavours.



## USA / Americas

US companies form the largest proportion of the Fortune Global 500 and spend the most on CSR and education CSR. US companies' spending in the priority areas of Africa, Asia Pacific and Latin America is the most balanced of the largest CSR donors. Companies showed enormous potential to integrate CSR into their business practices by pursuing more innovative and sustainable methods of engaging with global education.

The 132 Fortune Global 500 companies spent US\$10,254m on CSR activities and 10.4% of this, or US\$1,065m, on education-related activities. Of this education figure, around 40%, or US\$425m was in priority areas. We obtained CSR data for 70% of these companies and identified 37% of them as spending on education.

The technology, healthcare and energy sectors contribute the most to CSR. The 13 healthcare firms accounted for only 11% of revenue from the US Fortune Global 500 companies but accounted for 13% of CSR spending and just 1% of education CSR spending. In contrast, the technology sector contributed disproportionately to both CSR and education, with 13% of the revenue but around 39% each of the CSR and education outlays. The financial services sector was the second strongest after technology in supporting education initiatives, where it contributed 23%.

If US companies committed 20% of their CSR budgets towards education initiatives, the total education CSR spending would more than double to US\$2,051m. The effect of this in human terms would be significant.

**Table 4.10**  
**Summary results for CSR spend**

Average 2011-13	US\$m
<b>Total CSR spend</b>	<b>10,254</b>
<b>Total education CSR spend</b>	<b>1,065</b>
<b>Total education CSR spend if 20% of CSR budgets were spent on education</b>	<b>2,051</b>
<b>Total CSR spend on education in priority areas</b>	<b>425</b>

Source: EPG analysis.

## A focus on spending in priority areas

The spend on education in priority areas such as Sub-Saharan Africa (where the need is by far the greatest) is 40% of the total - which compares favourably with many other countries. More than half the total spend on non-priority areas is within the donating company's country of origin. This is often on apprenticeships, supplying free software and supporting companies' own supply chains. Where spending is channelled towards other parts of the world, it is often within companies' own growth markets, particularly Asia Pacific.

Deutsche Bank (2013), p. 80.

## Most of the contributions are from a handful of companies

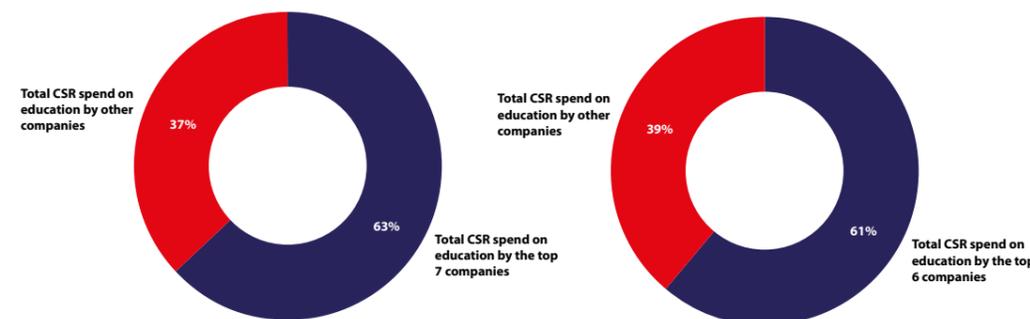
The majority of CSR and education CSR spend is through a handful of large companies. The research found that 61% of the total CSR spend by US companies was from just the top six. The remaining 126 companies contributed only 39%.

The picture was similar for CSR spending on education – again, 63% of the total spend was from just seven companies. Therefore, the average spend figures shown above mask a wide variation. Outside the top companies, the average annual CSR spend is US\$47m, and the average annual education CSR spend is US\$10m. Oracle, Halliburton, Microsoft, Wal-Mart, Merck and Wells Fargo were the largest contributors to CSR in the US based on the companies' own figures.

These figures demonstrate a way in which a small change could have a large positive effect. If a handful of major companies signed up as education champions and boosted their spending to the level of the 'big six', this could produce a huge increase in educational spending. In addition, if US companies more widely contributed 20% of their CSR budgets to education, the extra funds could enable more than 700,000 more children to go to school in priority areas - if spent efficiently.

Companies can also achieve more by acting in partnership with each other and with governments, NGOs and agencies such as the UN. This can help multiply the positive effects of their CSR activities.

**Figure 4.11**  
**CSR spending by top companies compared to others (average 2011-13) - US**

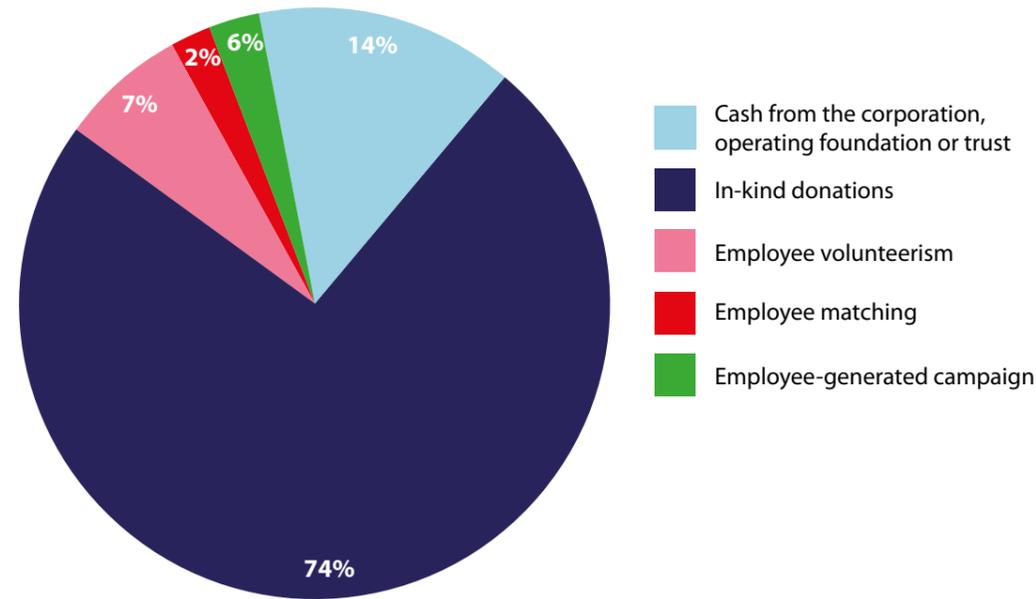


Source: Bloomberg, EPG analysis.

These few large corporate philanthropists are important for cash and in-kind donations. US firms contributed to over half of the Fortune Global 500 in-kind donations. Within the US, 65% of CSR is via in-kind donations of products that a company makes or owns, from just a few organisations. Most of this consists of a few notable contributions of free software donated to universities for research and design programs; software donated to schools for curriculum and other support (Oracle, Halliburton and Microsoft); and donations of free pharmaceuticals and drugs (Johnson and Johnson, and Merck).

If we remove these as outliers, cash contributions are by far the largest channel of expenditure.

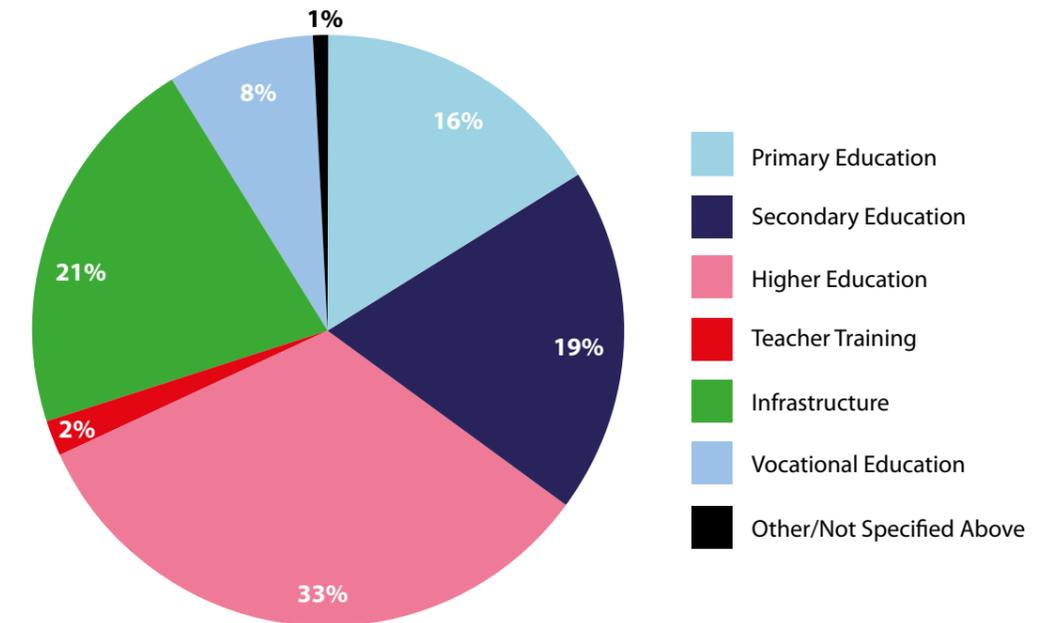
Figure 4.12  
Channels of total CSR spend (2011-13) - US



Source: EPG analysis.

The most popular areas of spending for education CSR activities were Higher Education (33%), Infrastructure (21%), Secondary Education (19%) and Primary Education (16%). The largest constituent part of this spending is made up of scholarships.

Distribution of total education CSR spend (2011-13) - US



Source: EPG analysis

Given the importance of in-kind donations and of US companies to global giving, we look at four specific case studies below to illustrate the approach some of the largest companies take.

Both the Halliburton and Oracle case studies are particularly important because they show how their self-reported CSR figures ('Total CSR spend' as defined above) and the figures for 'Total education CSR spend in priority areas' diverged.

## Case study - Oracle

Oracle reported an average contribution worth US\$2.27bn in 2011 and 2012 in the form of in-kind donations of its software suite, curriculum, teacher training and certification resources to schools and educational institutions.

This programme is likely to have a global impact over several years, though this is largely directed to institutions with advanced computing facilities in place and not directly towards areas of greatest need such as primary schools. As with Halliburton, valuation of this software is based on internal estimates. However, we regard this as more reflective of Oracle's education CSR spending year-on-year and therefore include it.

Oracle's CSR programme is important to illustrate for two reasons. First, these software donations alone count for just under 10% of the total CSR spend in the figure above. Second, this large contribution is closely tied to the company's business model and is difficult to replicate. It is also likely to have little direct impact in the areas of greatest need. On the other hand, Oracle's smaller shorter-term cash contributions support some innovative projects that could have a strong social return on investment over the longer term.

For example, Oracle Education Foundation runs a programme called ThinkQuest, an online learning program for primary and secondary schools globally. Available in 11 languages, it is designed to bring together students and

The Higher Education figure may be an underestimate because of inconsistent reporting between companies.

Figure 4.13

teachers in a global community. ThinkQuest Projects ran a global competition for students to solve real world problems using technology, in which 51,000 students from 59 countries participated. Winning entries also came from all over the world, including six from Asia Pacific, and two from Latin America.

US\$23m in direct cash contributions were made to educational projects in 2011 and 2012 primarily focusing on STEM education in the US. The company supported, for example, the development of the Alice platform by Carnegie Mellon University, which is aimed at training object-orientated programming to 8-12 year olds through story-telling, and made grants of US\$11m to Khan Academy, which publishes free videos supporting learning in core academic subjects. The impact of these programmes could become global, and they represent innovative ways of addressing the global educational challenge.

## Case study - ExxonMobil

ExxonMobil makes the largest single contribution to education, which, in 2013 alone, stood at US\$110m. 43% of these contributions went to higher education, supporting engineering scholarships and research programmes in primarily US universities; another 42% of the money was spent in pre-college education, with the aim of promoting education.

The remaining 15% is spent on other education projects, most notably on women's empowerment. These programmes reached tens of thousands of women in 90 countries.

Table 4.14

### ExxonMobil global contribution to education, by destination area

Source (2013; US\$m)	Going to within US	Going to outside US	Total
<b>Higher/tertiary education</b>	<b>37.5</b>	<b>10.2</b>	<b>47.7</b>
<b>Pre-tertiary education</b>	<b>37.3</b>	<b>8.4</b>	<b>45.7</b>
<b>Other education</b>	<b>1.7</b>	<b>14.9</b>	<b>16.6</b>
<b>Total</b>	<b>76.5</b>	<b>33.5</b>	<b>110</b>

Source: ExxonMobil website (2013), Various. Accessed 1st August 2014.

Two trends characterise ExxonMobil's giving. First, much of the support is multi-year, rather than in the form of short-term cash injections. Second, the funding is closely aligned to its areas of business. ExxonMobil's contribution to higher education primarily centres around science and engineering scholarships, which ensures the funding is for programmes which can be strategically linked to its business areas. In 2013, the company reported more than US\$28.2m in matching funds given to 873 colleges and universities, largely in the US, but also in Latin America.

ExxonMobil provided 2,500 undergraduate and postgraduate scholarships in Nigeria to students studying geoscience and engineering. It also contributed more than US\$125m to National Math and Science Initiative (NMSI) in the US, a programme to encourage the take-up of maths and science at school and beyond.

ExxonMobil's educational contribution in our geographical areas of greatest need centred around empowering women, mainly through vocational and entrepreneurial education - including courses on life skills, business development and micro-enterprise training.

## Case study - Halliburton

ExxonMobil (2014), Worldwide Giving Report.

Halliburton is among the companies with the highest self-reported CSR spend in education in the world - an average annual spend of US\$2.5bn for 2011-2013. Of this, over US\$4.2bn was spent on 2013 alone. However, 96% of this spending, or US\$4.1bn, came in the form of in-kind donations of its own Landmark Software and Services, given to universities for research and design programmes.

This figure dwarfs most other corporate contributions to education. However, the nature of this contribution was highly specific, directly tied to the company's business model, and based on a commercial valuation of its own software products not replicable by, or comparable with, other corporations. As a result, while the company's educational CSR activities may benefit a large number of graduates preparing for careers in oil and gas and related areas, this in-kind contribution was disregarded in the analysis.

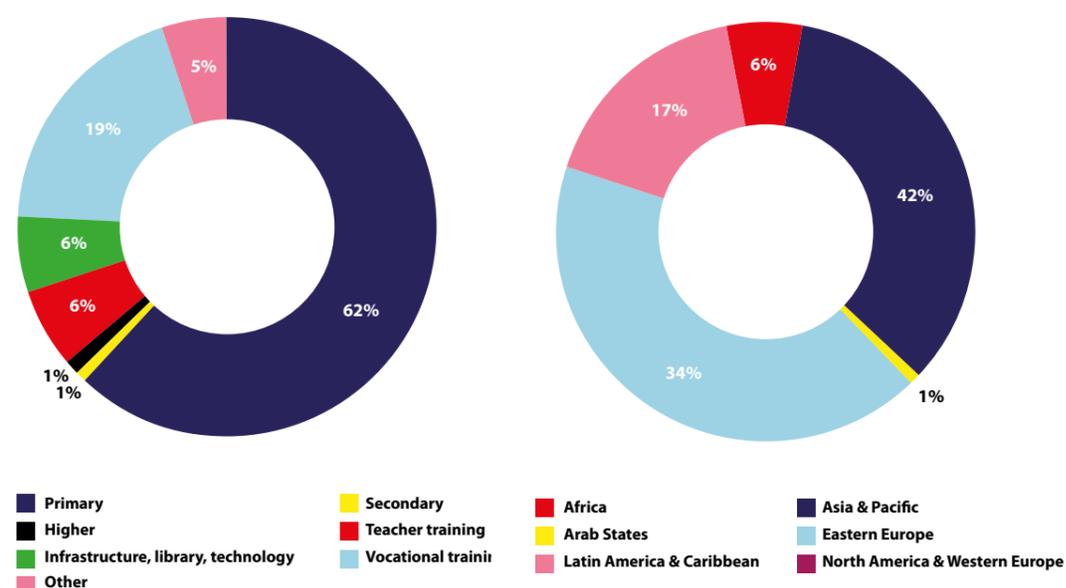
Halliburton's other educational expenditure consisted of US\$5.8m in 2013, largely for higher education scholarships. Among Halliburton's ongoing projects, there is funding for the Colorado School of Mines, which received US\$2.5m to support research programmes and building of the school's new petroleum engineering building. Spending is closely aligned to Halliburton's areas of business and largely focused on higher education in the US. Its funding for education institutions in central Africa, such as in Gabon, also only focuses on higher education.

## Case study - Philip Morris International

Philip Morris is among the few companies which reported initiative-level details of its educational activities. This represents an interesting case study both in terms of the variety of programmes and the geographical spread of the interventions (which correlates closely with where the organisation does business). Many programmes supported by Philip Morris were directed at the tobacco-growing community, with a focus on its primary business growth territories.

The total CSR spend for Phillip Morris was an average US\$37m per year. Of this, US\$27m was spent on education-related activities. The company outlines details of 58 projects where this money is spent across 28 countries. These have a strong focus in educational infrastructure support, teacher training, and training for disabled and vulnerable people. There are also several projects aimed at immigrant and disadvantaged communities, as well as mentoring, employability support and entrepreneurship development.

**Figure 4.15**  
**Philip Morris education CSR spend by sectoral (left) and geographical (right) areas of greatest need in 2012**



Source: Philip Morris International (2014), Charitable Contributions

Of this, US\$22m was spent in education in areas of greatest need. The most significant contributions were to Sabanci Vafki in Turkey (US\$7m) to support educational programs for women, youth and disabled people, Putera Sampoerna Foundation in Indonesia (US\$5m) for educational improvement and student aid, and Tan Yan Kee Foundation Inc. in Philippines (US\$1m) for teacher training and infrastructure support.

These three large-scale programmes are multi-year commitments, which is important for the effectiveness of CSR activities and in this instance points to an alignment with business strategies. The impact of education financing is maximised through strategic spending that is long-term and predictable. However, only one of 89 US companies surveyed in Brookings (2011) said their typical length of CSR commitment was over ten years. Instead, Asian countries tend to think longer-term in their contributions.

## Comparisons with the rest of North and Latin America

Both the US and Canada spent similar proportions of their education CSR spend on tertiary education. Canadian companies also spent heavily in primary (23%) and vocational education (25%), largely in their home market. Brazilian companies spent nearly all of their education CSR budget on pre-tertiary education, teacher training and associated vocational learning. A minimal amount was spent on higher education, which reflects the different needs of the North American and Brazilian economies.

In the US, 33% of the education CSR spend in priority geographical areas was identified as being made in Asia Pacific, 32% in Africa and 35% in Latin America. In monetary terms, US companies contributed more to education in Africa than companies from any other country. The rest of the education spending was largely in North America and Europe, and much of this was in the US and Canada. Around two-dozen US companies spent at least 75% of their CSR budgets on activities only in North America and Europe, mostly in the US. By contrast, at least 40% of the education CSR activity for consumer business companies Wal-Mart, Coca-Cola and Philip Morris was focused in Africa. For Canadian companies, contributions were largely in-country. We were only able to identify a breakdown for half the spending in Brazil - this was almost entirely cash from the corporation or foundation. The overall results for Latin America, including the two companies from Colombia and Venezuela, were similar to those from Brookings (2012), who found 77% of spend in Latin America was as cash donations and a further 21% was in-kind.

Brazilian companies spent a small proportion in Africa, aligned to their business interests. Along with Colombian companies, they spent their education CSR budgets almost entirely within their countries. For example, Banco de Brazil has its own apprenticeship program targeting low-income participants under Systema S. In 2011, approximately 5,551 low-income adolescents were trained. The mining company Vale also has a vocational training and youth apprentice program for young people aged 18 to 28, with an option to stay on at the company after 24 months of training. In 2013, Vale trained 225 technicians, almost 2,000 teachers and school administrators across 28 municipalities. Additionally, it held fifteen training courses for almost 660 indigenous Brazilians in 2013.

Some of the larger Brazilian companies reported their spending as social investment rather than CSR. Some Brazilian companies included a Social Balance Sheet similar to GRI reporting guidelines to report their financial and social impact together such as Banco do Brasil, Petrobras and Vale. Cash contributions were the most important channel of spending after in-kind donations. However, their channels of spending were very different. In-kind donations were fewer and were multi-year and strategic. Cash contributions were numerous in volume, individually small in value and short-term.

One example of cash contributions that were transformative in their impact - and were able to engage companies as well as customers - was the Bécacos project in Mexico, which Santander, HSBC and many other banks were part of. To prevent drop-outs from primary school of students from poor families, and to train teachers, ATM users were able to make five peso donations to support education, and the individual donations were matched by the banks and associated organisations. The amounts raised have been able to support several tens of thousands of students and teachers.

The Americas - Summary

US and Brazilian corporations are spending significant amounts towards CSR, though most of the spending remains closely tied to the business objectives of the corporations. Clearly, big contributions are being made with a consideration of shareholder value. We saw evidence that large corporate contributions towards education can be particularly good at backing innovation, as in the case of Oracle and ExxonMobil. This should be encouraged. The global education challenge may demand an innovative approach, and corporations are often good at selecting and backing projects with new and experimental approaches. Such innovation should be highlighted and celebrated in the global discourse to close the education gap. While there is evidence of companies making long-term contributions to innovative programs in North America, the approach to backing projects in developing countries mostly remains focused on short-term funding. Only about two-fifths of education CSR spending from the US goes to the areas of greatest need. From this figure, investments in Asia Pacific (which often concentrate on China and India) are often preferred ahead of Africa.

## The Americas - Summary

However, spending more in priority areas only addresses part of the challenge. There is a need for companies to reorient spending from visible scholarship programs towards initiatives directly linked to development objectives - or alternatively, find a way to work with governments/NGOs who have the expertise to tackle the most pressing long-term education issues.

Bécacos. Que es Becalcos? website (2014).



# China

The number of Chinese corporations in the Fortune Global 500 has expanded significantly in recent years. In 2008, there were 34 companies in the list, increasing to 61 in 2011, 73 in 2012 and 89 in 2013. The 2014 list was published after our research started, and it contained 100 Chinese companies. Most of these companies are SOEs (State-Owned Enterprises) such as Sinopec Group, China National Petroleum and State Grid.

CSR data was available for 59 of the 89 companies and education CSR data was available for 36 companies. Bloomberg recorded only US\$228m of Community Investment spending for the 89 companies. Our research showed these companies spent US\$434m on CSR. This variance occurred mainly due to the lack of consistent and available reporting. In addition, most of the education-related CSR spending we could identify was due to government-mandated taxes, rather than corporate philanthropic initiatives initiated by corporations.

The SynTao think tank released a report in 2013 looking at water usage and associated information disclosure by Chinese companies, workplace diversity and general CSR reporting. They found that awareness of CSR reporting is rapidly increasing in China - in 1999, there was only one company reporting on CSR; this increased to 121 in 2008, 1,001 in 2011 and 1,722 in 2012. Around 89% of the CSR reports released were from 364 publicly traded companies. Of these, 238 companies were listed on the Shanghai Stock Exchange and 126 on the Shenzhen Stock Exchange. 65% of State-Owned Enterprises (SOEs), or 271 companies, released reports.

Increasing numbers of companies are producing CSR reports and disclosing environmental and community-related information due to, for example, regulatory requirements from the Ministry of Environmental Protection and the Banking Regulatory Commission. Nevertheless, the quality of reporting is extremely variable.

Among the reports released in Q1 2013, only 19 passed examination by an independent third party, despite many of them having consulted GRI guidance. We were only able to explicitly locate the channels of expenditure for US\$19m of CSR spending (all cash from the corporation or foundation).

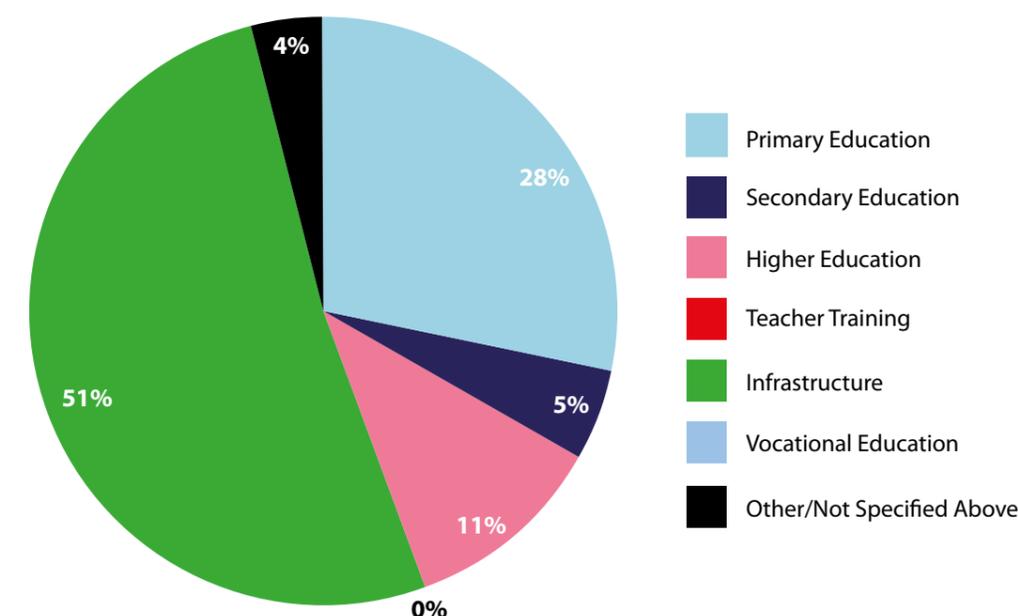
From 2006, Chinese Company Law (Article 6 of Companies Law of the People's Republic of China) has required companies to "undertake social responsibility" while conducting business (Lin 2010).

With relation to education, entities and individuals pay a national-level Educational Surcharge of 3% of their indirect tax (VAT, business tax and consumption tax) and a provincial 2% Local Educational Surcharge. The revenue is the second biggest source for educational funds after government budget appropriations. The provincial surcharge in particular has become an important source of funding for primary and secondary schools in rural China to pursue a goal of providing universal education.

We found 36 of the 89 companies spent on education, which resulted in US\$47m of identified education CSR. Nearly all was spent within the country, with a small proportion identified as spent in Africa. The latter was by two companies with operations in Africa, in mining and transportation.

The distribution of education CSR spend across priority areas was concentrated on higher education and infrastructure, followed by primary education. The focus on education reflects the Chinese government's spending priorities.

Figure 4.16  
Distribution of education CSR spend (2011-13) - China



Source: EPG analysis.

The energy and industrial sectors were the largest spenders on CSR, making up 58% of spending between them, though only making up 32% of the revenues for Chinese companies in the Fortune Global 500. The energy sector spends the most on education CSR, making up 49% of total spend, though making up only 7% of the revenues.

The data reflects the importance of higher education; however, surcharge funds are largely spent on primary and secondary education. The surcharge often funds remuneration for minban (community-hired) teachers and making nine-year compulsory education universal. This bias in the results may stem from companies providing greater detail on funds they proactively spent, giving a preference to higher education and infrastructure rather than the surcharge they are compelled to pay.

SynTao (Undated), Road to Newell Phase - Cover version link. Accessed on 1st August 2014 SynTao (2010). Xiaohuan, Su (2012).

See, for example, NPC and CPPCC Session (2013) or CNN Money (2014). Xiaohuan, Su (Undated), Education in China: Reforms and Innovations.2012).

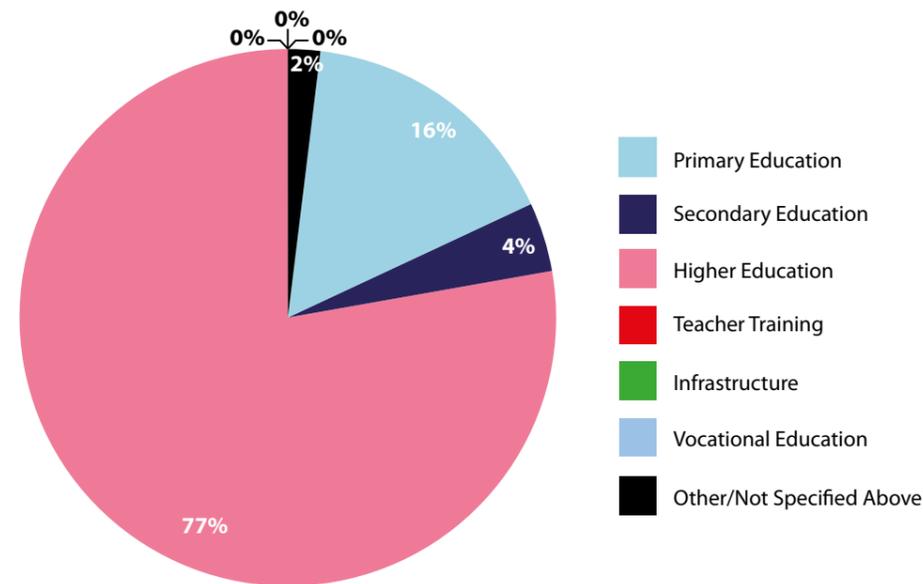


# Japan

For Japan, CSR data was available for 32 of the 62 companies and education CSR data was available for 29. Bloomberg recorded US\$493m of spending for the 62 companies. However, we were able to determine US\$136m of CSR spend. Around 85% of the CSR spend was cash from corporations, with employee-led initiatives making up the next highest category at 10%. The majority of the spending was in the higher education sector.

Some Japanese companies clearly articulated a donations entry in their financial statements. Often this referred to direct cash contributions, but sometimes also included wider methods of donation.

**Figure 4.17**  
Distribution of education CSR spend (2011-13) - Japan



Source: EPG analysis.

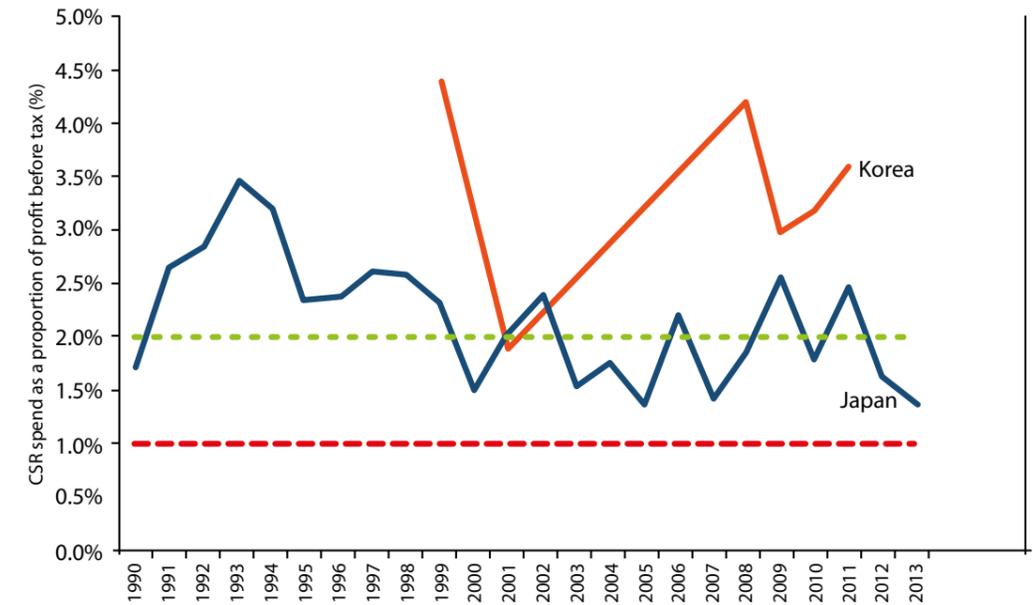
The industrials and technology sectors were the largest spenders on CSR, making up 84% of spending between them, and 68% of the revenue. They also contributed to 92% of the education CSR spend.

Japanese and Korean companies generally provided the best data in Asia on where their education CSR funds were spent. Both focused on Asia-Pacific, with 58% and 49% of the expenditure respectively. However, much of the funding for the Asia-Pacific region in recent years was due to exceptional funding for the Great East Japan Earthquake. They also spent significantly in Africa - 28% and 42% for the countries respectively.

The Keidanren Committee on Corporate Philanthropy and the One-Percent Club have conducted an annual survey among their member companies every year since 1991, analysing trends in order to further encourage corporate philanthropy and the concept of shared value.

420 companies out of 1,326 members responded to the 2012 survey and CSR spending averaged ¥446m (US\$5.6m per company). Excluding Great East Japan Earthquake spending, this was ¥410m (US\$5.1m). The amount of spending on CSR was stable year-on-year, although as the figure below shows, the amount has decreased in the last two years. The research found that the majority of philanthropic activities were either in line with the companies' management policies, or were integrated with work in the local community. Both are indicative of responsive CSR initiatives, but also put the emphasis on longer-term activities.

**Figure 4.18**  
CSR spend as a proportion of profit-before-tax (1990-2012) - Japan and Korea



Source: Reproduced from "Ratio of corporate philanthropic expenditure to ordinary profit", Keidanren (2014), p. 55, FKI (2013).

A comparison between data from 420 Japanese companies surveyed by Keidanren and 225 Korean companies surveyed by the FKI (in the figure above) shows that Korean companies spend consistently more than Japanese companies on CSR as a proportion of PBT. We discuss this further in the Korea sub-section below.

Excluding disaster relief due to the earthquake, education was the most popular area of CSR spend in Japan in the period 2007-2012, with 17.7% of the spend in 2012, followed by Culture and the Arts at 12.8%. Academic and Research Programs was the third most popular, followed by Health, Medicine and Sports. For Japanese companies in the Fortune Global 500 for which specific education data was not available, we used the 2010-2012 average for education and vocation skills development (of 16.3%) as an estimate for education expenditure.

Interestingly, for Japan, the main factors for determining philanthropic priorities were not business considerations, but corporate philosophy and the intentions of company founders. Companies emphasised in the survey that their philanthropic activities were not just restricted to the local community or domestically, but that 70% were either "particularly" or "somewhat" considering overseas-orientated CSR activities. This is very different from some other advanced economies in the Asia-Pacific region such as in Australia, where an overseas focus for CSR was an exception rather than the rule.

"Creating jobs, promoting skills development and providing assistance to searching employment" is a separate category at 0.8% in 2012.



# France



French companies were the third-largest component of the Fortune Global 500. They were the third-largest contributors to global CSR after the US and UK; however, they contributed little to the field of education. The 31 Fortune Global 500 companies spent US\$873m on CSR activities but just US\$63m on education CSR activities, or 7% of overall CSR. In Europe, this meant French companies spent less than Spain, the UK, Germany, Switzerland and Italy on education.

French CSR contributors largely consisted of energy (35%) and utilities companies (20%). Much of this came from just the three energy companies Total, GDP Suez and Electricite de France. Three-quarters of education CSR spend comes from the financial services sector; France has some of the largest banks and insurance companies in the world, with two ranked in the top 50.

## Data availability contributes to low CSR figures

Out of the 31 French companies, CSR data was available for 84%, but only 29% of the companies report on their education CSR data. Furthermore, we had little granularity of data to allow a further breakdown into channels of spending and geographical area. This meant we could only identify channels of spending for 42% of the CSR contributions. Of this, 32% was cash, a further 8% was in-kind and the remaining 1% or so employee volunteerism. Part of the reason that French companies such as these performed poorly in our analysis was because we were unable to obtain data across all three years for many of these companies.

We only obtained data for the distribution of education CSR spend for five companies of which one, Group BPCE, had an excellent distribution across all the categories. However, the overwhelming portion was devoted to higher education, almost entirely due to the spend by AXA in this category. As a result, our figures for France show that 79% of spend was in higher education, but this was based on a very small sample of companies.

Insurance firm AXA is one of three examples of a different approach CSR spending, alongside oil and gas company Total and construction company Saint-Globain. Total spent around 90% of its community development spending in non-OECD countries, much of it in former French colonies in West Africa, but also in Latin America. The focus of this spending was on health and community support, cultural heritage and biodiversity. Within community support, Total has donated around US\$7.4m to internats d'excellence boarding schools between 2010-12 and contributed US\$70m over six years into a public fund to support various education-related causes. Their multi-year commitments were in conjunction with a wide range of established NGOs and institutions (largely based in France), rather than standalone Total projects.

Saint-Globain's foundation instead reported CSR in a very focused format. Its objectives align strongly with its overall strategy in that its three focus areas are all related to social housing or skill development for young people. AXA does not, however, quantify its CSR spending across geographies and channels in its annual Corporate Responsibility report. Instead, it focuses on reporting the progress the company had made in aligning its CSR with overall corporate strategy. Using a scale developed by Simon Zadek in the Harvard Business Review (2004), it self-assesses the company's CSR maturity level, finding that societal issues are being embedded into core management processes, but that the approach to CSR is not yet integrated into core business strategies. The reporting finds that performance across community-based activities for different entities in the Group is highly variable.



# Germany

German companies contributed double what France and the UK spent on education as a proportion of overall CSR; however, very little of this was spent in priority areas. German companies also showed evidence of long-term planning in their CSR spending and focused on in-country primary education.

The 29 Fortune Global 500 companies in Germany spent US\$516m on CSR activities and US\$113m on education CSR activities. Of this, around US\$20m goes to Africa, Asia Pacific and Latin America, with around half as much to Eastern Europe, mainly by E.ON, BASF and a few other companies. Our data gathering showed significantly higher outlay than that available on Bloomberg, which had US\$404m of CSR spend – partly because it did not have data on private companies such as Robert Bosch GmbH.

Most CSR spending was by technology, industrials and materials sector companies, with the materials sector contributing particularly strongly to education CSR. They made up 18% of CSR contributions but 21% of education CSR. The industrial sector contributed 20% of CSR and 34% of education CSR. Technology companies contributed 20% of overall CSR, but very little to education. The largest contributors to CSR in Germany were Deutsche Bank and Robert Bosch GmbH.

Data availability was overall better in Germany. CSR data for only 76% of companies was available, compared to 84% in France and 96% in the UK. However for education CSR, data was available for 45% of companies, a similar figure to Switzerland, Italy and Belgium, and higher than France's 29%.

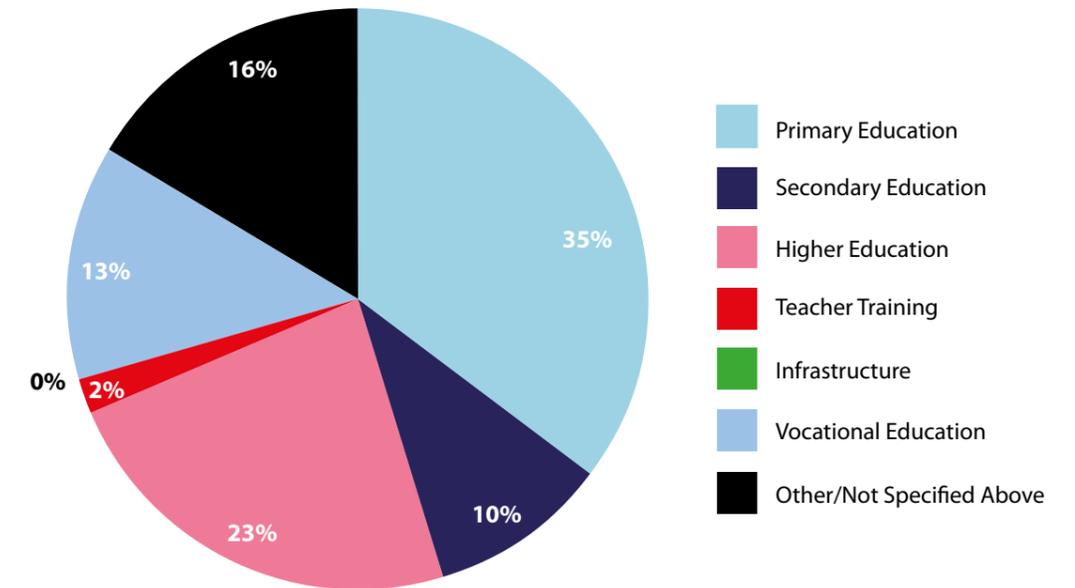
Reporting for larger German companies was significantly better than for smaller ones. There were 14 German companies ranked between 9 and 139 in the Fortune Global 500. They had near full data availability for CSR and around two-thirds reported on education CSR. However, for smaller companies information was significantly poorer, with data on education contributions generally not available across all three years.

## Primary education as a priority area

Primary education is a priority area for German education contributions. We were only able to track the channels of spending for around half the CSR, which was dominated by cash donations and some employee volunteerism. We are able to track education priority areas for only a few of Germany's largest companies. Initiatives from Siemens, BASF and Deutsche Bank made up much of the primary education expenditure, while there was a significant amount not specified for some of the larger German companies.

Simon Zadek (2004).

Figure 4.19  
Distribution of education CSR spend (2011-13) - Germany



Source: EPG analysis.

Bosch reports few of its CSR figures in detail, but it contributes significantly to Germany's social capital. 92% of the share capital of Bosch is held by Robert Bosch Stiftung GmbH, a charitable foundation and the majority of voting rights are held by a charitable trust. Bosch contributed US\$108m in 2013 to 800 charitable projects around the world, alongside various Bosch foundations in India, China and elsewhere. This was 3.2% of its PBT in 2013, which is among the highest for companies across the world (excluding Korea), alongside the 5% the retailer Target gives every year.

Deutsche Bank spends an average of 28% of its CSR on education through various international businesses and foundations. Its approach to CSR includes Global Impact Tracking (GIT), which assesses the input, output and impact of all global and regional flagship projects where the investment is €5,000 (US\$35,000), to evaluate whether the investments are aligned to building social capital in education and other target areas. Education contributions are shown as building the highest social capital. In addition, 53% of education-related projects are likely to last over three years, compared to just 18% of social investments and 89% of music-related contributions.

Siemens is also one of the largest contributors to education CSR in Germany, as education is one of its three focus areas. Its focus is very much on local projects, where evidence-based impact tracking and measurement is easier. One of the largest individual initiatives it had ever undertaken was the construction of a school in South Africa. Its commitment of around US\$14m from 2010 onwards for the construction and initial operations was an example of a project whose goals were clearly articulated and aligned with business priorities. South Africa has a skills gap in STEM subjects, and the provision of these is vital for Siemens' business model locally.



UK

The global CSR spend for the 26 UK companies in the Fortune Global 500 is second only to the US at US\$2.65bn per annum. We identified 14 companies as having education-related expenditure, and US\$331m (or 13%) was spent by these companies on education.

UK companies spend more on CSR on average than US companies. US companies spent on average US\$78m on CSR activities, while UK companies spent US\$102m. Adjusting for the size of companies in both samples, the largest UK companies still spend more on CSR.

Due to London's strength as a global financial hub, financial services was the largest sector represented, with 35% of revenues, followed by the energy sector at 25%. Healthcare made up only 4% of the revenues, but contributed to 51% of the CSR and 32% of the education CSR.

The financial services sector was significantly underweight in its social contributions with only 27% of CSR and 32% of education. This is in part because some of major financial services contributors to CSR that have a large presence in London, such as Goldman Sachs and Deutsche Bank, are registered in the US and Germany respectively. Of the 10 UK banks and insurance firms included, HSBC contributed more than all the others combined on education activities globally, and Barclays helpfully outlined examples of CSR activities which related to the UN Millennium Development Goal of achieving universal primary education. However, given the scale of the challenge in priority areas, these reported figures were small. While the financial services sector contributed 32% of UK education CSR in our data, nearly half of this was to Africa, Asia-Pacific and Latin America. For the remainder of the spending, it was clear that the banks had long-established financial literacy programs targeted at local communities.

The consumer business, energy, industrial and utilities sectors generally contributed little to CSR, but individually Rio Tinto and Anglo American both contributed strongly.

## Research survey of IoD members

In addition to our research, we obtained data from an online survey of members of the IoD in London via their Policy Voice monthly survey. The survey consisted of a list of questions based on the questionnaire we used for companies. The survey was deployed to all IoD members on the week commencing 7 July 2014 and ran for a period of two weeks. We received a total of 1,297 responses and many of the results were comparable with our own data.

On the question of Total CSR spend, most respondents were likely to represent small companies and therefore answered "Less than £1m", (which includes zero). For these, assuming a conservative CSR spend of £0.1m annually (and for others using the lower bound of each response option) would still give a reported CSR spend of £575m (US\$920m). Assuming that the "Less than £1m" responses are indicative of 'zero' would give a reported CSR spend of £488m (US\$765m).

Flagship" projects represent €9m (US\$54m), or 49% of CSR. See Deutsche Bank (2013), p. 86. Data was available on almost all of the 26 companies on CSR and for half of these on education. See Appendix 4. For example, 45% of the IoD members surveyed said their companies spent on education-related activities, compared to 50% in our research.

Table 4.20

## Response to the IoD survey question "What is your company's total Corporate Social Responsibility (CSR) spend?"

Response options	Responses	Percent	CSR spend value used (£m)
Less than £1m	968	74.6%	0.1
£1m - £4.9m	31	2.4%	1
£5m - £9.9m	11	0.9%	5
£10m - £19.9m	2	0.2%	1
£20m - £49.9m	2	0.2%	20
£50m or above	7	0.5%	50
Don't know	276	21.3%	0
<b>Total self-reported CSR spend by 1,021 UK companies that responded to this question</b>			<b>£575m US\$920m</b>

Source: EPG analysis.

It should be noted that respondents may not have visibility of their company's CSR activities and therefore the responses may represent a 'best guess'. Respondents may also be inherently optimistic in reporting, and because IoD members are individuals, not companies, it may be the case that more than one member from the same company completed the survey. We control for some of this inherent optimism bias by using the lower bound values for each response range option. The resultant figures of US\$765-920m show that we may have significantly under-reported our UK figures by just focusing on the 26 Fortune Global 500 companies in the UK. The results illustrate the complexity in finding reliable data on CSR spending.

## Employee engagement is important in CSR activities

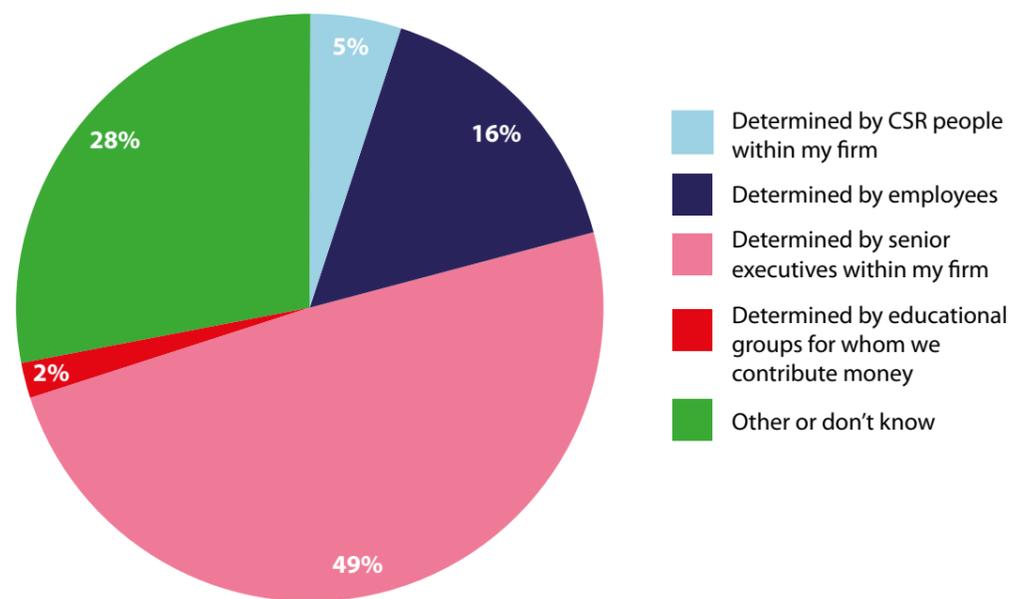
Over half of the total spend is in 'non-priority' areas within the UK, or elsewhere in North America and Europe. The spend on education in 'priority areas' where the need is the greatest is only 24% of total education CSR spending. By contrast, 40% of the total education CSR spending in the US was in priority areas. 68% of the IoD members surveyed said that the geographical distribution of their CSR contributions was mostly within the UK. Only 6% said it was mostly in developing countries.

This reflects a different mix of expenditure compared to the US. The research found that US CSR spend was dominated by a handful of organisations' in-kind donations of several billion dollars of free software and medicines. For education CSR, higher education scholarships within the US in particular were an important area of focus.

In the UK, there is a greater emphasis on employee engagement in the CSR process. As a result, activities tend

to focus on local communities through employee volunteering and pro-bono activities, as well as fundraising for in-country charities. Legal & General, for example, state that “[o]ur priority is to maximise volunteering support”, using employee insights into how to make this happen. When asked “How do you determine who receives our CSR contributions?”, 49% of respondents to the IoD survey said that this was determined by senior executives, whereas 16% said it was determined by employees. This may reflect the size of the typical respondent’s company, which would be much smaller than the Fortune Global 500 companies.

**Figure 4.21**  
Responses to the IoD survey question “How do you determine who receives your CSR contributions?”



Source: EPG analysis.

Where spending is channelled towards priority areas, it is often within companies’ own growth markets and supply chains, particularly in Asia Pacific. Companies’ education CSR spend in Asia Pacific is more than the total spend in Africa, Latin America and Eastern Europe combined.

## Types of spending

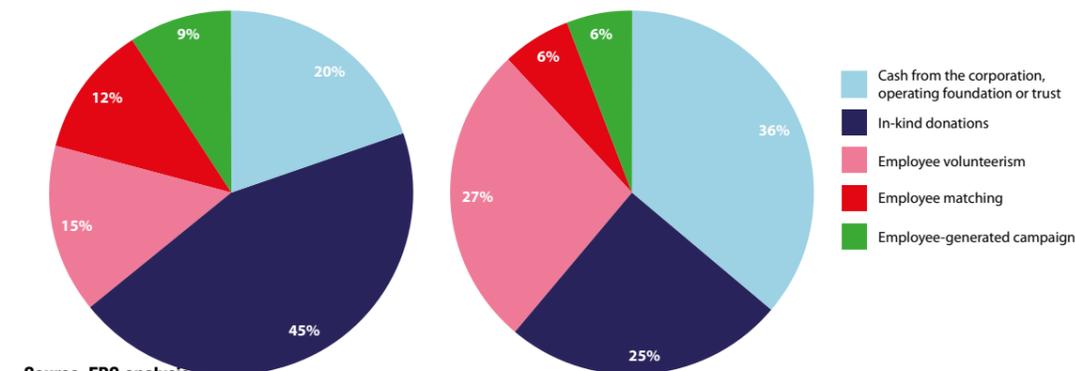
The largest proportion of CSR spending (45%) occurs via in-kind donations. This figure consists mostly of AstraZeneca and GlaxoSmithKline’s patient assistance programs which make medicines available free of charge or at reduced prices. This was a similar pattern to that of the US, where a handful of the largest IT and pharmaceutical companies donated billions in software and medicines.

Cash contributions from corporations and associated foundations or trusts made up 20% of CSR spending, while fundraising, employee volunteering and pro-bono activities made up the remaining 35%. UK spending across

Legal and General (2013), p. 89

different channels was therefore far more balanced than for other countries, with employee-associated spending more important than elsewhere. Many companies used recognised standards (such as LBG) to report, which meant data was more comparable across companies (especially in these three employee-associated categories) than for other countries.

**Figure 4.22**  
Channels of total CSR spend (left; UK; 2011-13) and IoD survey results (right)



Source: EPG analysis.

## Some clear CSR champions

Similarly to the US, CSR and education CSR spend was dominated by a handful of large companies making substantial in-kind and cash donations. The top six UK companies made up 80% of the total CSR spend. The remaining 20 companies contributed 20%. AstraZeneca and GlaxoSmithKline were the highest contributors to CSR in the UK, followed by Barclays, GlaxoSmithKline and Prudential.

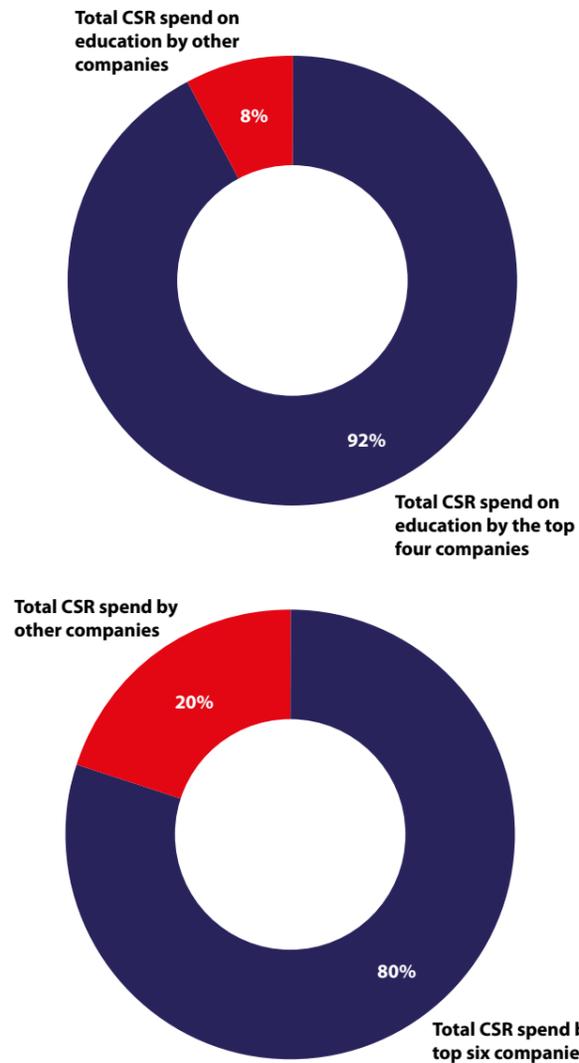
The picture was similar for education CSR – out of 14 companies identified as spending in education, 92% was from just four companies. We found very few companies engaged in education CSR activities in priority areas, with HSBC being the largest contributor.

If just a handful of major companies that do not currently engage in education activities in priority areas signed up as education champions and boosted their spending to the level of the other companies, this could channel a huge increase in educational spending in areas of greatest need.

Most CSR activities were carried out either by the companies themselves, or in conjunction with charity or social enterprise partners within the country. This points to a potential role for companies engaging with each other and with intermediary agencies to deliver corporate philanthropy goals.

Although AstraZeneca is in first place for CSR, most of its global CSR budget is focused on the provision of free medicines through three programs in the US.

Figure 4.23  
 CSR spending by top companies compared to others  
 (average 2011-13)



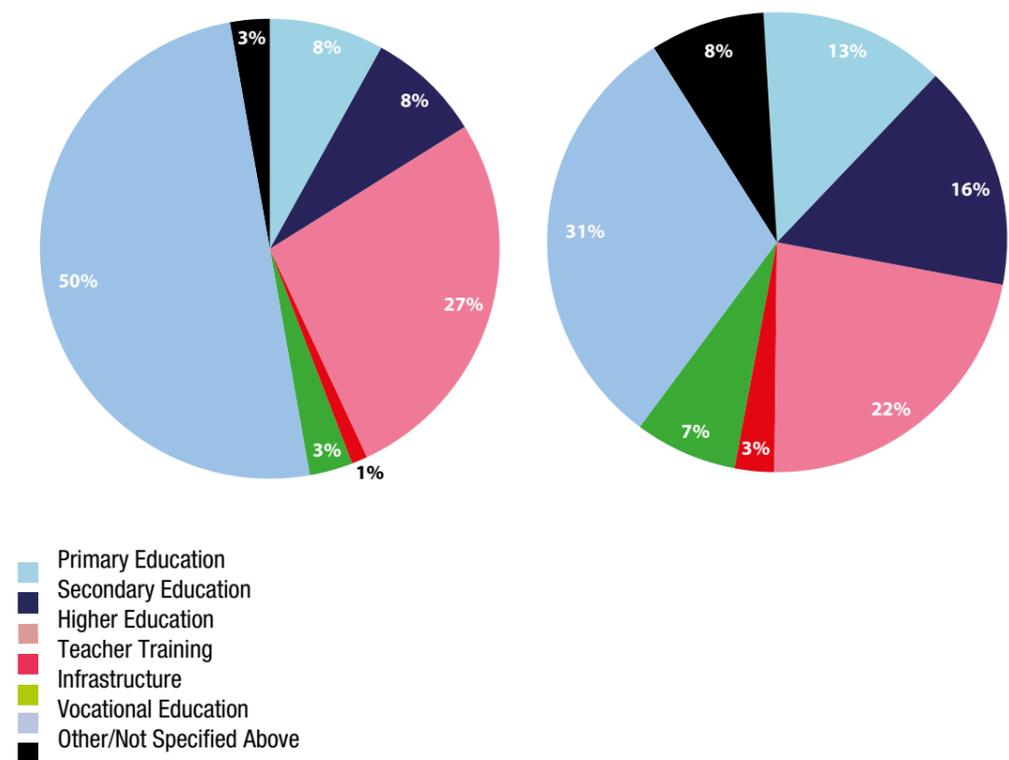
Source: Bloomberg, EPG analysis.

## Vocational education was the most popular form of education CSR engagement

The most popular areas of spending for education CSR activities were Vocational Education (59%) and Higher Education (39%), with other categories much less popular. The Vocational Education figure reflects the number of financial literacy and entrepreneurship schemes run by banks. The Higher Education figure reflects of scholarships and inclusion schemes enabling disadvantaged young people to get into university.

More specifically, science, technology, engineering and maths education (STEM), youth enterprise education, and labour market training were all popular spending areas.

Figure 4.24  
 Distribution of total education CSR spend (left; UK; 2011-13) and IoD survey results (right)



Source: EPG analysis.



# Korea

Korean companies spend more on CSR, more on education, and think longer-term than most of the rest of the Fortune Global 500. They also seek to invest in initiatives to engage employees and to enrich their communities. Over the last two decades, there has been a trend away from large-scale centralised CSR programs to smaller, more local initiatives led by local needs and employees.

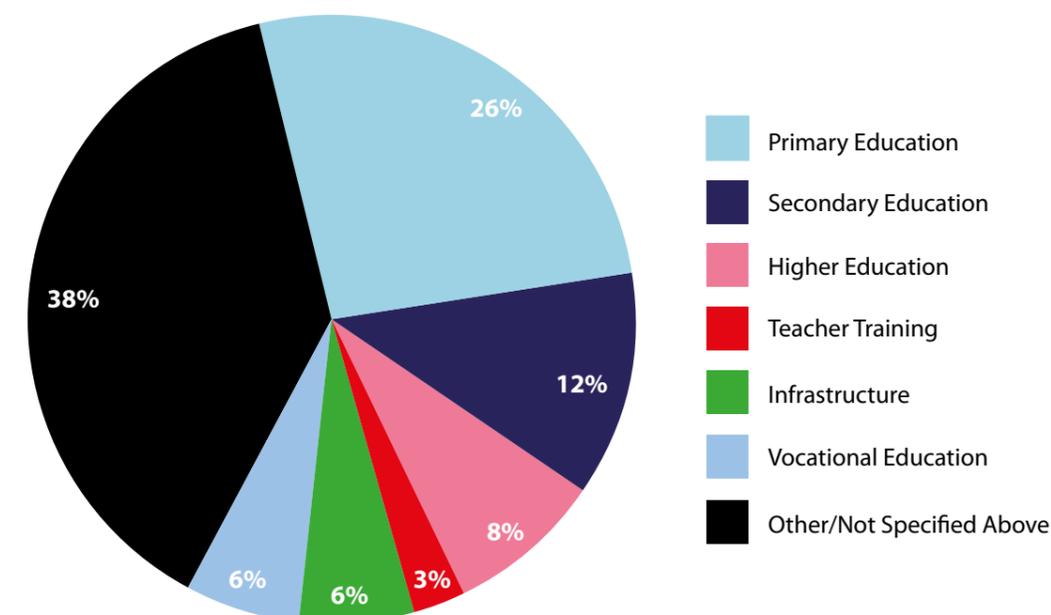
The 14 Korean Fortune Global 500 companies spent US\$634m on CSR activities and US\$86m on education CSR activities. Of this, around 28%, or US\$24m, of the education CSR spend was in priority areas (largely in Asia Pacific and Africa).

Although the consumer business sector made up 30% of the total revenue for Korean companies, it contributed 50% of the identified CSR and 37% of the education CSR contributions. This was the highest proportion from this sector for any of the major countries represented in the Fortune Global 500. The industrials sector, in contrast to the global figures outlined in Table 4.2, did relatively well. It made up 25% of the revenue, but 18% of the CSR and 24% of the education CSR spend.

The largest proportion of this spending was likely to be cash directly from the company, but we were able to identify channels of spending only for companies which responded in detail to our online survey. The FKI survey we additionally used was able to identify significantly better data. Likewise, we were unable to identify the distribution of 38% of spending. Along with Brazil and France, this was the highest proportion of unknown data across different categories of education.

The remaining figures are based on a small sample of companies, where Samsung and Hyundai in particular named primary education as one of their focus areas.

Figure 4.25  
Distribution of education CSR spend (2011-13) - Korea



Source: EPG analysis.

## Clear evolution of long-term corporate philanthropy in Korea

The FKI surveyed the 500 largest companies in Korea by revenue and 600 other member companies of the federation over a period of July-October 2013. Of these, 14 of the largest were in our sample.

The survey was distributed through a number of channels including email, fax and phone. Of the 1,100 companies surveyed, around a fifth (225) responded. The survey looked at the sectors in which CSR was spent, the extent of employee volunteerism, awareness of CSR and internal and external barriers to conducting CSR activities.

Of the 225 respondents, the two largest sectors represented were manufacturing (90 companies or 40% of the sample) and financial services (20%). This was a similar spread to the 62 Korean companies in the Fortune Global 500, where 23% were from the industrial sector and 19% from financial services.

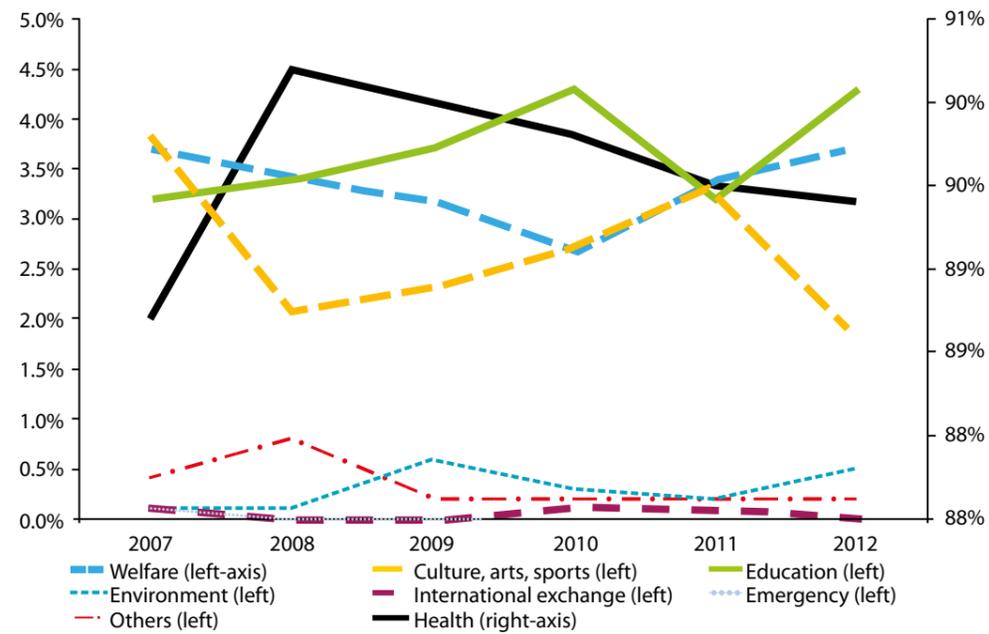
The FKI surveys 1998-2012 show an evolution of corporate responsibility in Korea. In 1998, 95.6% of CSR spending was in the form of donations (direct cash contribution, in-kind donation, opening of facilities, pro-bono support from staff members and others) and the remaining 4.4% was for the companies' own self-organised programs (such as employee volunteerism). By 2012, this figure had changed to 62.5% donations and 37.5% self-organised programs. Bottom-up CSR initiatives led and informed by employees were becoming more popular.

FKI's survey shows that 21.5% of cash or in-kind support and 18.2% of self-organised programme support goes towards education-related causes. On average, 16.1% of corporate CSR is spent on education. Across the 14 Fortune Global 500, many companies had a higher proportion devoted to education.

Korean company foundations instead favour philanthropic spending in healthcare over education. In 2012, the top 10 foundations said they spent 4.4% of their budget on education, while spending 89.4% on health.

This proportion has remained steady since 2007 and health has consistently dominated all other avenues of CSR spend. This consistent dominance of health-related spending over other types is due to societal preferences and needs (the Korean population is a well-educated but aging one). Asan Foundation runs one hospital and the Samsung Foundation runs three others. Collectively they make up the two largest foundations.

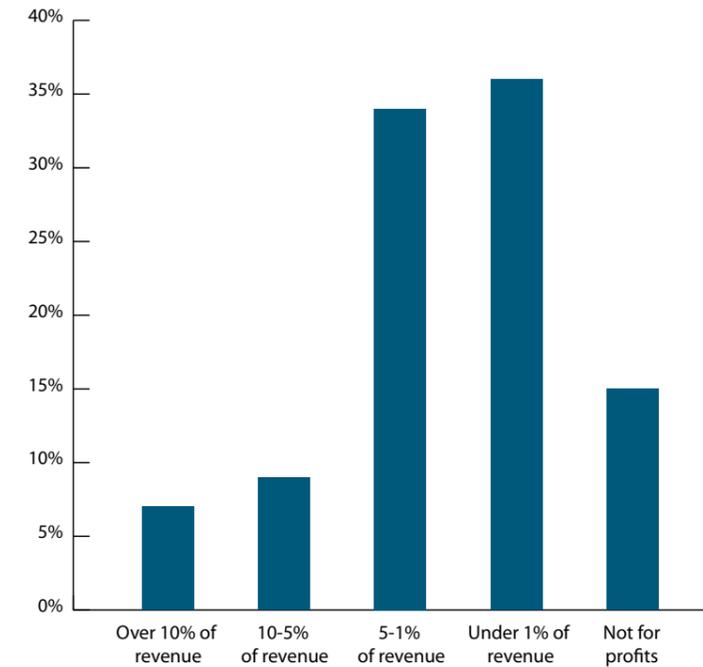
**Figure 4.26**  
**CSR channel preferences for top 10 corporate foundations (2007-2012) - Korea**



Source: FKI (2013). Includes Asan Foundation (Hyundai Motor, Hyundai Heavy Industries, Hyun Mobis), Samsung Life Public Welfare Foundation (Samsung Electronics, Samsung Life Insurance), Samsung Foundation of Culture (Samsung Electronics, Samsung Life Insurance), GS Caltex Foundation (GS Caltex), Korea Foundation for Advanced Studies (SK Holding), LG Evergreen Foundation (LG Electronics, LG Display), LG Yonam Foundation (LG Electronics, LG Display), CJ Foundation, Nong-hyub Foundation, KDB Foundation, POSCO TJ Park Foundation (POSCO), S-Oil Science Prodigy and Culture Foundation (S-Oil).

The figure below compares companies' CSR spend as a proportion of revenue. While there are a few outliers that spend more than 5% of revenues on corporate responsibility (such as Target and Tata elsewhere), there is an even split between the proportion spending 1-5% and those spending less than 1% of revenues on CSR.

**Figure 4.27**  
**CSR spend as a proportion of revenue (2012) - Korea**



Source: Reproduced from FKI (2013)

175 of the 225 FKI survey respondents disclosed their employee participation rate in their CSR programs. Of these, 127 reported that at least 51% of their employees participated in volunteering activities for their community. Samsung Life Insurance's employee volunteering participation rate, for example, was 90.4% in 2012. 191 of the sample had in place a volunteering promotion policy such as volunteering clubs for employees and their families. Nearly 40% had a volunteer leave system, where employees get time off for voluntary activities.



“Education is the cornerstone of the modern economy. Businesses should look at investing in it not only from a CSR perspective, but also to drive innovation and ambition. It has the power to promote social and economic equality while fostering communication and understanding between cultures.”

Tariq Al Gurg, Chief Executive Officer of Dubai Cares



# Australia

Australian companies were among the largest contributors to global CSR and had excellent reporting of their activities. Companies were effective in outlining their long-term strategic priorities for corporate philanthropy.

The eight Fortune Global 500 companies spent US\$980m on CSR activities and US\$151m on education CSR activities. Of this, around 62%, or US\$94m, of the education CSR spend was in priority areas (largely in-country). The eight Australian companies were made up of four banks, mining company BHP Billiton and other conglomerates. We found 61% of the identified CSR and 96% of the education CSR contributions came from the financial services and materials sectors.

Australia has a particular strength in the banking sector, with the four major banks ranked between 205 and 291 in the Fortune Global 500. Part of the reason that Australian companies such as these do well in our analysis is the excellent reporting of their CSR activities, particularly in the banking sector. We were able to obtain data across all three years with each of the eight companies for CSR, and with five of them for education CSR. Some also provided rich data into which priority areas their contributions went to.

## Australian companies spend locally and on vocational education

Australian companies tended to focus their activities within their local communities and with indigenous aboriginal rehabilitation programs because of the greater barriers to success they face. For example, law firm DLA Piper partners with The Smith Family, providing support for solely indigenous Australian girls to get into the law profession. The banks focused their CSR efforts into financial literacy programs. The exception was BHP Billiton, which consistently focused on CSR spending in Latin America and Africa, given its operations there. BHP aims to spend 1% of its pre-tax profits on community programs and a substantial portion was overseas. As a result, 83% of the small amount that Australian companies spent on education CSR in developing countries was spent in Latin America. Most of the remainder (16%) was in Africa.

## Australian companies articulate clear strategic corporate philanthropy goals

Wesfarmers started as a Western Australian farmers' cooperative and has grown into a large conglomerate. Its direct contributions include both products and in-kind contributions at-cost. This is an important distinction, particularly in comparison with donations from some US companies such as Halliburton (for whom we found it difficult to distinguish whether software and other contributions were at-cost or at-price). If at-price, it was also difficult to determine whether it was a local market price in priority areas or a US-market price (the US price would typically be much higher than in the Gabon, for example).

Wesfarmers also included indirect contributions, which are donations contributed by customers - for example, money raised through community sausage sizzles at their Bunnings stores. Indirect contributions increased by two-thirds between 2010 and 2011, and have stayed at around US\$44m annually thereafter. As these were local community contributions, spending was also on a range of local community initiatives. Wesfarmers consistently reported both direct and indirect community contributions across all ten of its business units every year. The Commonwealth Bank of Australia (CBA) announced in September 2011 a commitment to increase investment in community engagement within Australia by A\$100m (US\$92m) over the next ten years. A monetary breakdown for how its community grants program has expanded (approx. US\$5m in the period 2007-2012) is available, but reporting for the rest of the spending is difficult to compare. We therefore used the pledged amounts provided by the bank and estimates in our reporting.

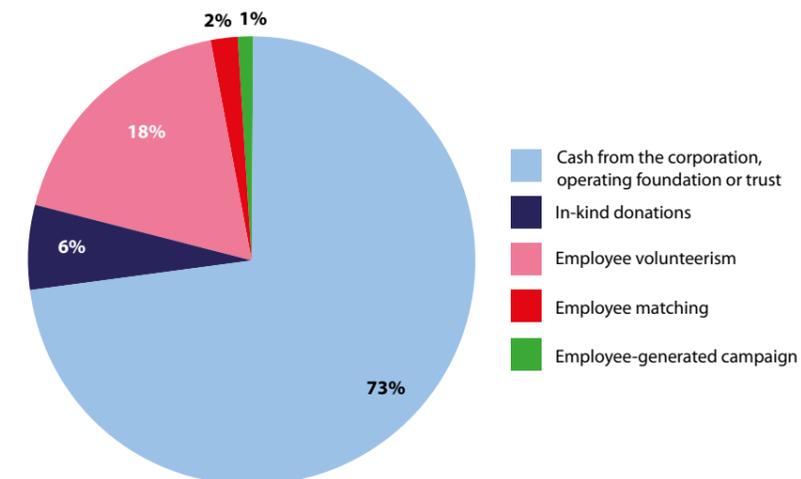
The CBA's approach to corporate philanthropy sets long-term commitments and is also strategic and needs-based. In particular, the bank utilises its own specialist skills in its philanthropic efforts. The need was identified

and articulated through its Foundation's own research, which was set up with the specific aim of improving financial literacy amongst young people. Their research found that 42% of the bottom quartile of financially literate Australians were 16-25 year olds. 49% of these only have high school education. As a result, the bank runs the largest face-to-face financial literacy program in the world called SmartStart. There were 284,834 students booked to attend the Foundation's SmartStart programs and 233,217 active school banking students in 2013. Both these figures show an expansion every year since 2008.

## Emphasis on employee and community engagement

As illustrated by the above examples, there is a great emphasis on community engagement. Employee engagement in the CSR process is also important for Australian companies, similarly to the UK. Employee volunteerism and engaging small, local projects is more important for Australian companies than any other country. The figure below shows that cash makes up the majority of the channel of CSR spend in Australia, followed by employee volunteering at 18%. Of the 73% cash from corporations, operating foundation or trust figure, 48% is cash from companies, but 25% is from a foundation or trust. Both employee volunteering and cash from foundation/trust figures are higher in Australia than any other country.

Figure 4.28  
Channels of total CSR spend (2011-13) - Australia



Source: Reproduced from FKI (2013)

This reflects a strategic approach to corporate philanthropy. Employee volunteering and some cash grants involve small amounts of money, but address local needs and increase engagement. However, the establishment of foundations with long-term funding pledges such as those from the CBA or National Australia Bank also shows a commitment to the highlighted causes, albeit in-country.

FKI (2013), pp. 62-63.



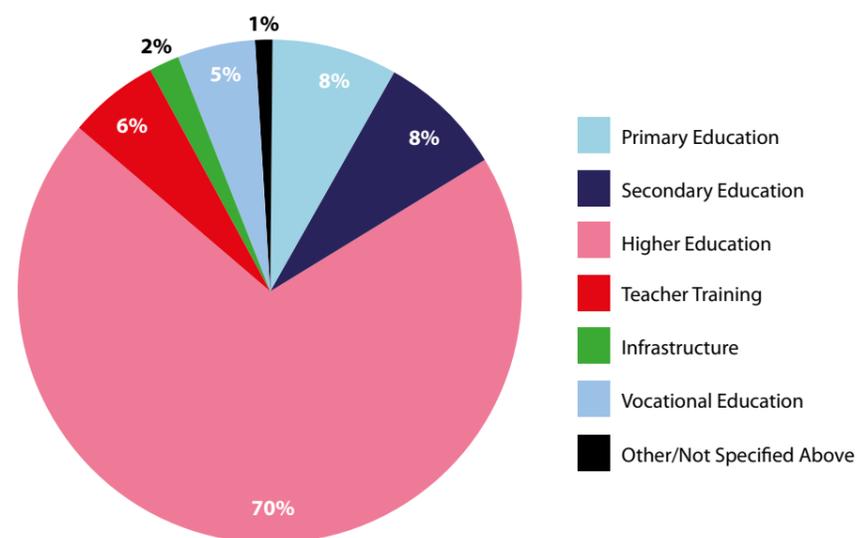
# Spain

The eight Spanish companies in the Fortune Global 500 spent more on CSR than the 29 German companies, and spent around three times as much on education contributions. Spain spent more in priority areas than the rest of Europe combined, because of its strong cultural and business ties with Latin America. There is a clear preference for education within CSR budgets, and in particular higher education. Spending on education-related activities is more ingrained in Spanish companies. For example, AXA Spain devotes 40% of its philanthropic contributions to risk prevention and education programmes.

The eight companies spent US\$648m on CSR activities and US\$344m, or 53%, on education CSR activities. Of this, US\$188m was in priority areas (almost exclusively in-country and in Latin America). However, this masks large disparities between companies. 87% of the CSR spending was from three companies in the financial services and telecoms sectors, with Banco Santander contributing the largest share.

Our data gathering was significantly higher than that available on Bloomberg, which showed just US\$343m of CSR spend. We were able to obtain CSR data for all eight companies and education data for six (75%) of them. 2012 is available, but reporting for the rest of the spending is difficult to compare. We therefore used the pledged amounts provided by the bank and estimates in our reporting.

**Figure 4.29**  
**Distribution of education CSR spend (2011-13) - Spain**



Source: EPG analysis. Ibid

More than 98% of the CSR spend that occurs in developing countries tends to be in Latin America. In particular, much of this is attracted by Brazil's Systema S, as discussed further in Appendix 3.

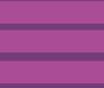
We found Santander was the largest giver to global education, particularly focused in Latin America. Its CSR reporting was excellent and its vision for why it focused on education was clearly articulated over a considerable period of time. What made Santander unique amongst the major banks we assessed was that CSR was not interpreted by default to mean financial inclusion activities in local communities.

Santander works at both school and university levels. In its UK office, Santander and financial education charity PFEG (Personal Finance Education Group) currently work together to turn 40 secondary schools into Centres of Excellence in financial education, integrating the teaching of personal finance into the school curriculum. At the time of writing, four schools had signed up to the free program. More than three-quarters of Santander's CSR spending is towards universities. It has formed a number of long-term strategic alliances to support its agenda of internationalisation and modernisation of universities, student and teacher mobility, greater job creation and entrepreneurial development.

Santander has reported on CSR in a consistent basis from 2002 onwards. With the exception of 2009 (when spending fell by 0.8%), it has increased at a compound annual growth rate of 10% from US\$85m in 2002 to around US\$260m in 2013. A staggering 22,422 scholarships and grants for studies were awarded in 2013 and 15,179,017 employment requests were registered through a jobs portal it runs with 1,262 universities globally.

These scholarships are largely in higher education. The bank maintains 1,135 collaboration agreements with universities and research institutions around the world, with Brazil, Mexico, Argentina and Chile making up 67% of these and Spain a further 14%. The largest country outside Spanish- and Portuguese-speaking nations is the UK, where it has 74 such agreements. In Latin America there is a focus on providing grants to undergraduate and postgraduate students for national and international mobility programs, sometimes developed alongside European academic institutions.

Santander's presence alone in our analysis meant that our results are directionally very different from Brookings (2012), which found that multinational companies based in Latin America with operations throughout the region (multilatinas), multinational companies and national companies spent only a combined US\$282.1m in annual education CSR.



# India



The eight Indian companies in the Fortune Global 500 spent more on CSR than counterparts in China and Japan. The promotion of education and employment-enhancing vocational skills were two key focus areas for Indian companies, especially at primary and secondary levels. These are expected to be increasingly important focus areas given recent legislative changes.

The eight companies spent US\$81m on CSR activities and US\$15m, or 18%, on education CSR activities. Of this, most of the spend was in-country. We were able to obtain data on CSR and education CSR for all eight companies and verify this with information used by the government. However, the spend is likely to be an underestimate because data was not available for all three years for these companies.

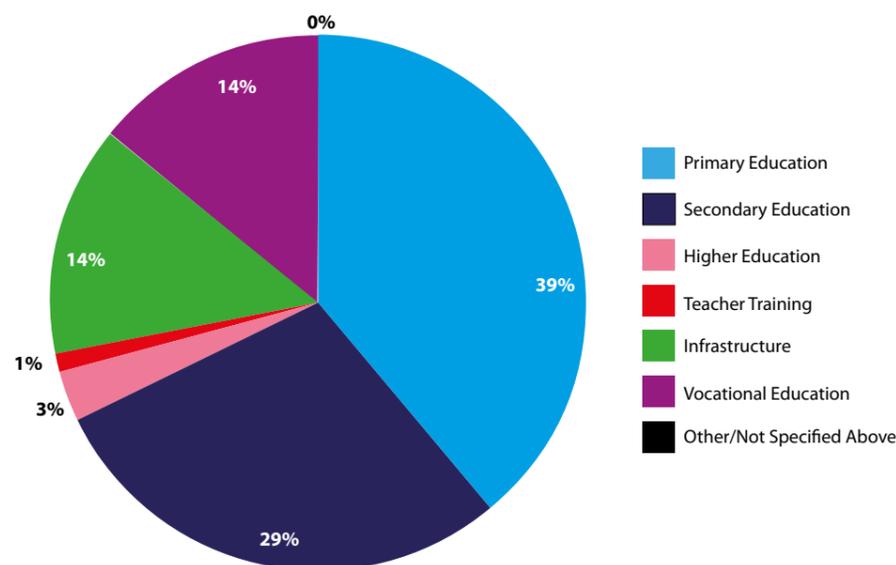
Like Bosch from Germany, Tata is majority owned by trusts. 66% of Tata Sons, the holding company for more than 90 Tata entities, is owned by trusts. Tata Steel is one of the entities represented in the Fortune Global 500 companies and has carried on a large and established set of CSR activities for over around 100 years. For such companies it is difficult to fully estimate the extent of CSR spending.

## Schooling in priority areas is a priority for Indian companies

The figure below shows the importance of primary and secondary education spending in India. Spending on education by companies in India is often institutionalised, long-term, and needs-based. Most of the companies in the list had built and run schools for several years, particularly in urban areas for underprivileged children (and many had done the same for hospitals targeted at the underprivileged).

Figure 4.29

### Distribution of education CSR spend (2011-13) - India



Source: EPG analysis.

A Reference Note to inform the CSR provisions in the Companies Act 2013. Lok Sabha Secretariat (2013).

## Several third party sources of data available

Given that education and other CSR data was so easily available, it indicated that reporting in India, although not usually following global reporting standards such as LBG, was ingrained into long-term business strategies. In Zadek's (2004) terms, there is broad industry participation in corporate responsibility, and societal values are ingrained into the core business.

The table below shows a consolidation of several sources of information. We found that the largest 100 companies in India based on net sales, plus information from the government on Maharatna and Navratna Public Sector Undertakings (PSUs), showed an actual corporate spend of US\$57.9m annually on education-related CSR.

Table 4.31

### CSR spending on education (2011-12) - India

2011-12	CSR spend (US\$)	Contribution of PSUs to overall CSR spend (%)	Education CSR spend (US\$)
<b>Government of India - Top 21 PSUs by CSR spend</b>	<b>157.9</b>	<b>N/A</b>	<b>22.6</b>
<b>Forbes - Top 100 companies inc 12 PSUs</b>	<b>359.6</b>	<b>32%</b>	<b>51.5</b>
<b>Deloitte - Top 91 companies inc 13 PSUs</b>	<b>395.6</b>	<b>58%</b>	<b>56.7</b>
<b>Total - Top 100 companies plus 21 PSUs</b>	<b>57.9</b>		

Source: CSRIidentity.com; Deloitte; EPG analysis; Forbes India; Lok Sabha Secretariat (2013); World Bank.

This data, however, is based on a consolidation of several data sources. Deloitte (2013) used data from the top 50 National Stock Exchange (NSE) listed companies (on the basis of market capitalisation), the top 28 multinationals operating in India and 13 PSUs. Their annual reports found that the education and skill development sector was the most popular category of CSR spending (79.1% of companies engaged in this spending). Based on this, we found that 14.3% of CSR spending was on education.

However, the Deloitte data was incomplete in its explanation of many of these figures. Instead, research by CSRIidentity.com and Forbes India showed CSR spending individually for the largest 100 companies in India based on net sales for 2012. Of these, 12 were PSUs, for whom we used data from government sources in our final total. The public sector contributed approximately 58% of the total CSR expenditure reported in the Deloitte (2013) data, and 32% in the CSRIidentity.com and Forbes India data. The greater contribution of the public sector is the result of the CSR guidelines issued for Central PSUs by the Department of Public Enterprises, which have been effective from the financial year 2010-11.

The official figures showed both pledged and actual spending by PSUs. The pledged figure for the year 2011-12 was US\$322.8m, but as the table immediately above shows, actual spend was US\$157.9m. Therefore, only 49% of the pledged monies were spent. This underspend was almost entirely due to significant underspends by Coal India, Oil and Natural Gas Corporation and Bharat Heavy Electrical. Many power companies spent more than pledged, such as the Power Grid Corporation of India, Neyveli Lignite Corporation Limited and National Thermal Power Corporation Limited.

PSUs are corporations owned by the federal or state Governments of India. When the government has a majority equity ownership, a company is a PSU. Maharatna and Navratna (along with Miniratna) are financially autonomous PSUs that are entitled to perform investments up to a limit (depending on the status) without seeking government permission. These companies are selected on various economic criteria such as net profit, net worth, and production cost.



## Conclusion and Recommendations

## Conclusions and Recommendations

Corporations around the world have enormous potential to contribute to global education. There are commendable corporate examples that, if followed, would help potentially millions of people. Moreover, contributing more is in companies' own best interests as well as that of their local communities.

To recap, our report highlighted the following salient results for current global spending on education CSR:

- **Where companies spent outside their own country, they tended to do so where their business interests aligned with corporate responsibilities.**
- **Most countries in Western Europe and North America made short-term commitments to CSR compared to Asia-Pacific and Latin American companies.**
- **The largest proportion of global CSR spending comes from, specifically, in-kind donations of free software to universities and schools, and free pharmaceutical products and drugs from a handful of US companies.**
- **Two trends dominate the share of giving to the education sector: North American companies give higher education scholarships and financial services firms provide financial literacy programs. These may not be priority areas from a global standpoint.**

These findings, and others already discussed, suggest that in order to engage in CSR that helps those who need it most, corporations need to:

- **Integrate their philanthropy more strategically into their business models, making sure their CSR activity is connected up;**
- **Think long-term;**
- **Focus on needs-based initiatives; and**
- **Coordinate effectively with external entities.**

We will now finally discuss the ways in which companies can realistically pursue these goals.

## Investments in education are in the best interests of the company

Strategic education investments can have a direct positive impact on the company, benefit the local community and lead to a better-educated, more productive and economically active society. Approaching the education challenge in this way means thinking about shared value in corporations more generally, rather than simple measures of philanthropic spending.

Investments in partnerships to address underlying barriers to education (such as strengthening infrastructure strategically and capacity building) were some of the most effective projects we encountered. Companies operating in developing countries and many parts of Asia had CSR programmes more closely aligned with their business strategies. These programmes have evolved over time so that key local challenges are identified and addressed.

## Effective reporting often indicates a well-thought-out approach to CSR

Simple measures of corporate philanthropy may be a narrow metric for some companies in developed nations, for whom a more holistic consideration of shared value is of greater relevance. However, companies are often unable to articulate an overarching strategy in their corporate philanthropic activity. When targets and formats change between reporting cycles, business units and countries, CSR strategies seem uncoordinated and do not show a deep understanding of the social impact they aim to create. In countries where CSR reporting is a relatively new phenomenon, there are signs that compelling companies to report more consistently will drive them to establish a clearer internal philosophy of social responsibility.

## The private sector has unique skills to foster innovative solutions

Companies can use their unique skills to foster innovation in the way they tackle education challenges. They can also involve their employees more in the decision-making process of who to help and where. Fostering innovation involves large sums of money and a bold, strategic vision for CSR that may require coordination between several delivery partners. Engaging employees is an organic process that promotes dialogue with internal stakeholders and ensures limited funds are diverted to the most needy in the local community. Otherwise, there is a risk that small, short-term philanthropic support is fragmented and ultimately low-impact.

Both of these approaches require long-term commitments to causes and/or processes. The first may require increasing the pot available to education, which is undoubtedly important. But the second deals with improving the way the current pot is spent, so that social impact is maximised.

## Companies must combine long-term commitments with strategic thinking

Long-term commitments in isolation, without considering innovative approaches, may fail to produce the desired impact. Companies are keen to invest in skill development and provide scholarships for higher education to help bridge the talent gap. The allure is clear: such schemes are easy to run, outcomes are straightforward to measure, and the schemes provide potential recruitment avenues for the company.

However, it may be 'soft skills', such as communication, team and conflict management (which can be cultivated much earlier in a person's life) that will be more useful in producing the multidimensional, skilled labour force of the future. Investing in these skills earlier and for longer may produce greater dividends.

The only way to expand scholarship programs is to spend more. Instead, the same resources could be targeted at scalable, innovative solutions that use technology, develop enterprise skills and take advantage of NGO support to create truly transformative initiatives. In-kind support and corporations' expertise may be more valuable here than cash.

## Companies need to coordinate with external entities

Even within the priority area spending we identified, it was unusual to come across a company contributing to

education in difficult-to-reach areas such as Sub-Saharan Africa. Working in China or India carried a lower risk for companies, as partners were easier to access and both countries were important for business operations.

There was also an indication of a lack of systematic coordination between corporate donors, multilateral agencies, NGOs and others. Companies often operated independently of each other even within their own sectors, despite having similar CSR initiatives. Companies can achieve more by acting in partnership with each other and with governments, NGOs and multilateral agencies such as the UN.

To enable this, the education community must be better able to articulate how innovations would be able to help them, and align itself with companies' interests. Corporations must be more willing to spend time understanding the comparative advantage external entities offer in running or advising on such programmes.

Some of the leading companies must showcase models of best practice to others, demonstrating that engaging in the education sector is beneficial for all. The burden of supporting global education is borne by too few companies today.

If companies allocated 20% of their CSR budgets towards education, and spent those funds efficiently, it would enable more than 3 million additional children per year worldwide to study in primary school.

While the amount of funding is undoubtedly important, the direction of that funding is equally vital. There is a need, particularly amongst North American and West European companies, to reorient their spending from visible scholarship programs towards initiatives directly linked to development objectives – or alternatively find a way to work with governments or NGOs who have the expertise to tackle the most pressing long-term education issues. Companies can spend more, but without focusing on the impact of this spending, it is unlikely that several million more children will be able to pursue schooling for the first time.

## Appendix 1 : Data tables

Figure A1.1  
Top 100 companies by CSR spend

Average 2011-13	Fortune Global 500 rank	Sector	Country	Total CSR spend	Total education CSR spend
Oracle	294	Technology	US	2,261.5	17.3
AstraZeneca	413	Health care	UK	1,190.0	-
Halliburton	410	Energy	US	1,177.7	16.8
Microsoft	110	Technology	US	920.0	86.5
Wal-Mart Stores	2	Consumer	US	851.5	16.7
Merck	214	Health care	US	738.6	5.4
Wells Fargo	78	Financials	US	340.8	81.6
Samsung Electronics	14	Consumer	South Korea	315.7	31.4
Abbott Laboratories	261	Health care	US	306.4	-
Rio Tinto Group	195	Materials	UK	305.7	81.6
Total	10	Energy	France	301.6	11.6
Johnson & Johnson	132	Health care	US	297.0	-
Exxon Mobil	3	Energy	US	292.9	115.5
Cisco Systems	220	Technology	US	275.1	68.8
Target	113	Consumer	US	260.2	95.2
Chevron	11	Energy	US	251.3	46.3
Banco Santander	58	Financials	Spain	249.7	196.5
Telstra	444	Technology	Australia	244.4	-
BHP Billiton	115	Materials	Australia	226.0	50.9
Toyota Motor	8	Industrials	Japan	205.2	83.5
Goldman Sachs Group	254	Financials	US	202.1	75.0
IBM	62	Technology	US	200.4	144.0
Telefonica	97	Technology	Spain	199.3	129.9
Barclays	177	Financials	UK	190.6	22.8
Glencore Xstrata	12	Materials	Switzerland	171.8	13.4
GlaxoSmithKline	253	Health care	UK	160.0	86.6
Novartis	162	Health care	Switzerland	158.5	-
Westpac Banking	237	Financials	Australia	139.6	69.8
Prudential	84	Financials	UK	137.2	-
Petrobras	25	Energy	Brazil	136.3	21.6
Commonwealth Bank of Australia	207	Financials	Australia	133.7	-
Anglo American	399	Materials	UK	131.4	35.9
HSBC Holding	60	Financials	UK	129.9	55.7
Migros Group	438	Consumer	Switzerland	127.2	59.3
General Electric	24	Industrials	US	126.7	22.8
Electricite de France	77	Utilities	France	119.8	-
Banco Bilbao Vizcaya Argentaria	193	Financials	Spain	113.7	5.1
Deutsche Bank	130	Financials	Germany	113.1	31.3
Gazprom	21	Energy	Russia	110.8	0.9
Lloyds Banking Group	85	Financials	UK	110.2	2.6
AT&T	34	Technology	US	109.3	36.8
Robert Bosch	131	Technology	Germany	107.1	-

Average 2011-13	Fortune Global 500 rank	Sector	Country	Total CSR spend	Total education CSR spend
Ecopetrol	280	Energy	Colombia	106.4	-
Hewlett Packard	43	Technology	US	101.8	-
Sanofi	219	Health care	France	100.0	-
China National Petroleum	5	Energy	China	98.1	19.6
Royal Bank Of Canada	282	Financials	Canada	97.0	9.6
Enel	52	Utilities	Italy	94.1	-
Rabobank Group	314	Financials	Netherlands	91.4	0.3
Banco do Brasil	116	Financials	Brazil	86.0	10.3
Walt Disney	248	Consumer	US	84.7	1.8
Royal Dutch Shell	1	Energy	Netherlands	82.3	24.6
Wesfarmers	153	Consumer	Australia	82.3	5.8
Itausa-Investimentos Itau	366	Consumer	Brazil	82.2	11.8
Rosneft Oil	99	Energy	Russia	80.4	11.4
Verizon Communications	48	Technology	US	77.5	19.8
Hyundai Motor	104	Industrials	South Korea	73.5	13.7
3M	382	Industrials	US	69.7	-
United Parcel Service	179	Industrials	US	68.3	0.6
BASF	65	Materials	Germany	68.1	17.0
Toronto Dominion Bank	378	Financials	Canada	67.4	13.6
Banco Bradesco	168	Financials	Brazil	67.0	-
National Australia Bank	205	Financials	Australia	66.1	22.0
JP Morgan Chase & Co	55	Financials	US	64.4	-
Anheuser-Busch InBev	264	Consumer	Belgium	62.5	5.1
China Minsheng Banking Corp.	411	Financials	China	61.4	0.9
Lukoil	46	Energy	Russia	60.3	3.1
UniCredit Group	188	Financials	Italy	59.5	5.0
Accenture	385	Industrials	Ireland	59.4	-
GDF Suez	37	Utilities	France	58.9	-
Royal Bank of Scotland	211	Financials	UK	58.5	14.6
Hess	279	Energy	US	57.9	19.0
Morgan Stanley	350	Financials	US	57.7	2.1
Intel	183	Technology	US	56.8	22.4
POSCO	167	Materials	South Korea	56.8	20.6
Bank of America Corporation	66	Financials	US	56.5	16.9
Woolworths	159	Consumer	Australia	55.3	-
A.P. Møller-Mærsk Group	157	Industrials	Denmark	53.0	-
Vale	210	Materials	Brazil	52.5	9.0
Samsung Life Insurance	427	Financials	South Korea	51.1	0.7
Pertamina	122	Energy	Indonesia	49.4	26.2
E.ON	15	Utilities	Germany	49.3	10.2
Bayer	194	Materials	Germany	48.8	6.4
Iberdrola	234	Utilities	Spain	48.2	4.8
GS Caltex	239	Energy	South Korea	48.0	4.3
Comcast	145	Consumer	US	48.0	-
Guangzhou Automobile Industry Group	483	Industrials	China	45.7	-
L'Oreal	396	Consumer	France	45.1	-
Intesa Sanpaolo	221	Financials	Italy	44.4	3.5
Ford Motor	28	Industrials	US	43.1	6.2
Citigroup	79	Financials	US	43.0	7.8
Boeing	95	Industrials	US	42.1	20.1
Siemens	53	Industrials	Germany	40.3	24.0
Emerson Electric	478	Technology	US	40.2	9.9
George Weston	344	Consumer	Canada	40.1	0.1

Average 2011-13	Fortune Global 500 rank	Sector	Country	Total CSR spend	Total education CSR spend
Societe Generale	61	Financials	France	39.4	-
Safeway	232	Consumer	US	39.4	6.7
PepsiCo	137	Consumer	US	38.5	-
Prudential Financial	90	Financials	US	38.0	24.3
Philip Morris International	361	Industrials	US	37.2	11.6
<b>TOTAL FOR TOP 10</b>				<b>8,408</b>	
<b>TOTAL FOR TOP 20</b>				<b>11,011</b>	
<b>TOTAL FOR TOP 100</b>				<b>17,735</b>	

Source: Bloomberg; EPG analysis.

Figure A1.2

## Top 100 companies by education CSR spend

Average 2011-13	Fortune Global 500 rank	Sector	Country	Total CSR spend [A]	Total education CSR spend [B]	% of CSR spent on education [B]/[A]
Banco Santander	58	Financials	Spain	249.7	196.5	79%
IBM	62	Technology	US	200.4	144.0	72%
Telefonica	97	Technology	Spain	199.3	129.9	65%
Exxon Mobil	3	Energy	US	292.9	115.5	39%
Target	113	Consumer	US	260.2	95.2	37%
GlaxoSmithKline	253	Health care	UK	160.0	86.6	54%
Microsoft	110	Technology	US	920.0	86.5	9%
Toyota Motor	8	Industrials	Japan	205.2	83.5	41%
Rio Tinto Group	195	Materials	UK	305.7	81.6	27%
Wells Fargo	78	Financials	US	340.8	81.6	24%
Goldman Sachs Group	254	Financials	US	202.1	75.0	37%
Westpac Banking	237	Financials	Australia	139.6	69.8	50%
Cisco Systems	220	Technology	US	275.1	68.8	25%
Migros Group	438	Consumer	Switzerland	127.2	59.3	47%
HSBC Holding	60	Financials	UK	129.9	55.7	43%
BHP Billiton	115	Materials	Australia	226.0	50.9	23%
Chevron	11	Energy	US	251.3	46.3	18%
AT&T	34	Technology	US	109.3	36.8	34%
Anglo American	399	Materials	UK	131.4	35.9	27%
Samsung Electronics	14	Consumer	South Korea	315.7	31.4	10%
Deutsche Bank	130	Financials	Germany	113.1	31.3	28%
Pertamina	122	Energy	Indonesia	49.4	26.2	53%
Royal Dutch Shell	1	Energy	Netherlands	82.3	24.6	30%
Prudential Financial	90	Financials	US	38.0	24.3	64%
Siemens	53	Industrials	Germany	40.3	24.0	59%
AXA	20	Financials	France	31.0	22.9	74%
General Electric	24	Industrials	US	126.7	22.8	18%
Barclays	177	Financials	UK	190.6	22.8	12%
Intel	183	Technology	US	56.8	22.4	39%
National Australia Bank	205	Financials	Australia	66.1	22.0	33%
Petrobras	25	Energy	Brazil	136.3	21.6	16%
POSCO	167	Materials	South Korea	56.8	20.6	36%
Boeing	95	Industrials	US	42.1	20.1	48%
Verizon Communications	48	Technology	US	77.5	19.8	26%
China National Petroleum	5	Energy	China	98.1	19.6	20%
Hess	279	Energy	US	57.9	19.0	33%
Oracle	294	Technology	US	2,261.5	17.3	1%
BASF	65	Materials	Germany	68.1	17.0	25%
Bank of America Corporation	66	Financials	US	56.5	16.9	30%
Halliburton	410	Energy	US	1,177.7	16.8	1%
Wal-Mart Stores	2	Consumer	US	851.5	16.7	2%
Royal Bank of Scotland	211	Financials	UK	58.5	14.6	25%
Hyundai Motor	104	Industrials	South Korea	73.5	13.7	19%
Toronto Dominion Bank	378	Financials	Canada	67.4	13.6	20%
Glencore Xstrata	12	Materials	Switzerland	171.8	13.4	8%
Group BPCE	133	Financials	France	12.6	12.6	100%
BP	6	Energy	UK	18.1	12.1	67%
Itausa-Investimentos Itau	366	Consumer	Brazil	82.2	11.8	14%

Average 2011-13	Fortune Global 500 rank	Sector	Country	Total CSR spend [A]	Total education CSR spend [B]	% of CSR spent on education [B]/[A]
Philip Morris International	361	Industrials	US	37.2	11.6	31%
Total	10	Energy	France	301.6	11.6	4%
Lockheed Martin	216	Industrials	US	25.2	11.5	46%
Rosneft Oil	99	Energy	Russia	80.4	11.4	14%
Banco do Brasil	116	Financials	Brazil	86.0	10.3	12%
E.ON	15	Utilities	Germany	49.3	10.2	21%
Emerson Electric	478	Technology	US	40.2	9.9	25%
Royal Bank Of Canada	282	Financials	Canada	97.0	9.6	10%
Vale	210	Materials	Brazil	52.5	9.0	17%
BNP Paribas	41	Financials	France	35.3	8.8	25%
Daimler	23	Industrials	Germany	15.5	8.5	55%
Sony	94	Technology	Japan	30.2	8.1	27%
MetLife	129	Financials	US	19.9	7.9	40%
Bank Of Nova Scotia	431	Financials	Canada	31.1	7.8	25%
Toshiba	126	Industrials	Japan	23.6	7.8	33%
Citigroup	79	Financials	US	43.0	7.8	18%
Travelers Cos	454	Financials	US	7.4	7.4	100%
Repsol	112	Energy	Spain	24.7	7.3	29%
Northrop Grumman	465	Industrials	US	13.5	7.0	52%
Panasonic	83	Technology	Japan	12.2	6.9	56%
Shenhua Group	178	Materials	China	33.6	6.8	20%
Safeway	232	Consumer	US	39.4	6.7	17%
Bayer	194	Materials	Germany	48.8	6.4	13%
Ford Motor	28	Industrials	US	43.1	6.2	14%
UBS	263	Financials	Switzerland	18.7	6.1	33%
Wesfarmers	153	Consumer	Australia	82.3	5.8	7%
ArcelorMittal	91	Materials	Luxembourg	28.5	5.6	20%
Kia Motors	252	Industrials	South Korea	26.3	5.6	21%
Wilmar International	224	Consumer	Singapore	9.5	5.6	59%
Liberty Mutual Insurance Group	296	Financials	US	5.6	5.4	96%
Merck	214	Health care	US	738.6	5.4	1%
Reliance Industries	107	Energy	India	34.1	5.4	16%
Allianz	31	Financials	Germany	15.5	5.3	34%
Tesco	63	Consumer	UK	31.0	5.2	17%
ConocoPhillips	144	Energy	US	8.2	5.2	63%
Banco Bilbao Vizcaya Argentaria	193	Financials	Spain	113.7	5.1	5%
Anheuser-Busch InBev	264	Consumer	Belgium	62.5	5.1	8%
Aviva	109	Financials	UK	15.6	5.1	32%
UniCredit Group	188	Financials	Italy	59.5	5.0	8%
Iberdrola	234	Utilities	Spain	48.2	4.8	10%
Old Mutual	346	Financials	UK	25.8	4.7	18%
Hitachi	54	Technology	Japan	26.8	4.5	17%
Oil & Natural Gas Corporation	369	Energy	India	21.7	4.4	20%
GS Caltex	239	Energy	South Korea	48.0	4.3	9%
Air France KLM Group	340	Industrials	France	11.7	4.1	35%
China Resources National	187	Consumer	China	9.3	3.8	41%
International Paper	416	Materials	US	11.7	3.7	32%
State Grid	7	Utilities	China	18.6	3.7	20%
Cathay Life Insurance	499	Financials	Taiwan	12.7	3.7	29%
Vodafone Group	124	Technology	UK	26.6	3.5	13%
Intesa Sanpaolo	221	Financials	Italy	44.4	3.5	8%
Johnson Controls	251	Industrials	US	14.6	3.4	23%

Average 2011-13	Fortune Global 500 rank	Sector	Country	Total CSR spend [A]	Total education CSR spend [B]	% of CSR spent on education [B]/[A]
<b>TOTAL FOR TOP 10</b>				<b>1,101</b>		
<b>TOTAL FOR TOP 20</b>				<b>1,631</b>		
<b>TOTAL FOR TOP 100</b>				<b>2,511</b>		

Source: Bloomberg; EPG analysis.

## Appendix 2 : Data Availability and Benchmarking

This study took a global view of the role of business in supporting education, and was based in part on Brookings (2011), which focused only on US companies. While the global coverage introduced complexity in terms of standardisation of data, the coverage of a diverse range of corporations allowed a broader discussion about business involvement in global education and highlighted the difference in practice within organisations from different countries.

The primary focus of this study was the Fortune Global 500 companies, a grouping that consisted of representation from 37 countries, including 132 US companies, 95 Chinese, 62 Japanese and 31 French companies, as illustrated in the table below.

Figure A2.1  
Breakdown of Fortune Global 500 by country

Country	Companies	Country	Companies
US	132	Australia	8
China	95	Spain	8
Japan	62	Brazil	8
France	31	India	8
Germany	29	Russia	7
UK	28	Arab States	2
Korea	14	Other North America and Western Europe	31
Switzerland	14	Other Asia and Pacific	5
Netherlands	10	Other Latin America	5
		Other Eastern Europe	3
<b>Total Fortune Global 500 companies</b>			<b>500</b>
Other UK companies	1,310	Other Indian companies	113
Other Korea companies	189	Other Japan companies	358
<b>Total other companies</b>			<b>1,970</b>

Source: EPG analysis. China includes 6 Republic of China companies. Arab States includes: Saudi Arabia, UAE. includes: Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy Luxembourg, Netherlands, Norway, Sweden, Switzerland. Other Asia and Pacific includes: Indonesia, Malaysia, Singapore, Thailand. Other Latin America: Colombia, Mexico, Venezuela. Other Eastern Europe: Russia, Hungary, Turkey.

45 of these companies had responded to formal questionnaires about their CSR activities, and we obtained further data through email, phone and in-person meetings with some of them.

This study also covered the 26 companies that joined the GBC-Education, which include a number of non-US non-Fortune Global 500 companies, because of their expressed commitment to the cause of global education. The GBC-Education brings the business community together to accelerate progress in delivering quality education for all of the world's children and youth. Of these, nine were in the Fortune Global 500.

From Japan, the study included 358 companies that the Japanese Business Federation (JBF) and Keidanren surveyed on their CSR activities. The results were part of extensive annual corporate philanthropy surveys in 2013 and 2014 conducted by Keidanren. The overall sample that responded to the survey was 420 in the 2013 edition, which included 62 companies in the Fortune Global 500.

From Korea, the study included 189 companies from similar corporate philanthropy research performed by the Federation of Korean Industries (FKI). The overall sample that responded to the FKI survey was 203, which included 14 companies in the Fortune Global 500.

From India, the study included 121 companies, including the largest 21 Public Sector Undertakings (PSUs, or State Owned Enterprises), which reported extensive CSR programs. Eight of these were in the Fortune Global 500.

From the UK, we surveyed members of the membership organisation the Institute of Directors (IoD) via an online survey of their members. 1,297 responded to a questionnaire of a similar format to that which we disseminated to Fortune Global 500 members. 12 key UK professional services firms and law firms were additionally included due to their data availability.

The sum of the data from various countries meant that this study assessed the CSR and education contributions of 2,470 companies from around the world.

The research included some business-backed foundations, in recognition of the practice that businesses often coordinate their activities through foundations, set up exclusively to execute and monitor their sustainability and social responsibility activities. However, we excluded the philanthropic foundations set up by individuals or families (e.g. the Bill and Melinda Gates Foundation) as well as foundations that pool third party resources (e.g. The Clinton Foundation) because of the extensive coverage their work received in other research. We avoided looking at social investment unless a company specifically included it as part of its philanthropic reporting, such as Deutsche Bank. In making these distinctions, we covered fewer US organisations than van Fleet (2012).

However, the study covered a greater number of large global companies, made the addition of a substantial number of Asian corporations and used multiple sources of third party data. The table overleaf shows a breakdown of those companies by sector.

Figure A2.2

### Breakdown of Fortune Global 500 by sector and data availability

Sector (Rank in brackets)	Companies	CSR data available	Education CSR data available
<b>Financial Services</b>	<b>104</b>	<b>82% (1)</b>	<b>55% (2)</b>
<b>Consumer Business</b>	<b>90</b>	<b>62% (6)</b>	<b>28% (6)</b>
<b>Industrials</b>	<b>88</b>	<b>80% (2)</b>	<b>49% (4)</b>
<b>Energy</b>	<b>64</b>	<b>73% (3)</b>	<b>58% (1)</b>
<b>Technology</b>	<b>58</b>	<b>71% (4)</b>	<b>41% (5)</b>
<b>Materials</b>	<b>53</b>	<b>60% (7)</b>	<b>49% (3)</b>
<b>Healthcare</b>	<b>25</b>	<b>56% (8)</b>	<b>12% (8)</b>
<b>Utilities</b>	<b>18</b>	<b>61% (5)</b>	<b>17% (7)</b>
<b>Total</b>	<b>500</b>	<b>71%</b>	<b>44%</b>

Source: EPG analysis. Same sector breakdowns used as Brookings (2011).

The breakdown by sector shows that financial, consumer and industrial companies make up the greatest proportion of the Fortune Global 500. The Financial Services sector has the best data availability (often the CSR is related to providing financial literacy and inclusion to local communities). The industrial and energy sectors are also both good at providing data, similar to the findings of Brookings (2011).

Geographically, we found Asia Pacific companies reported data well. Although where US companies reported on CSR they offered significantly more detail than their Chinese counterparts, prima facie raw data availability was similar between the US and China. Reporting across Western Europe was consistently good, as it was for Australian, Brazilian and Indian companies. Australian companies reported CSR in a clear and consistent manner year-on-year. Although Japan ranks poorly here, some Japanese companies such as Japan Post reported exceptionally well.

Just over half of companies that reported on CSR also reported on their education CSR. It may be safe to assume that if a company did not report on education CSR spending, it likely does not engage in it, or if it does it is of low priority.

Figure A2.3

### Breakdown of Fortune Global 500 by geographical area and data availability

Country	Number of companies	CSR data available	Education CSR data available
US	132	70%	37%
China	95	67%	40%
Japan	62	52%	47%
France	31	84%	29%
Germany	29	76%	45%
UK	26	96%	54%
Korea	14	79%	79%
Switzerland	14	79%	36%
Netherlands	12	75%	50%
Australia	8	100%	63%
Spain	8	100%	75%
Brazil	8	88%	63%
India	8	100%	100%
Russia	7	57%	57%
Other North America and Western Europe (10 countries)	31	68%	39%
Other Asia and Pacific (4 countries)	5	80%	80%
Other Latin America (3 countries)	5	20%	0%
Other Eastern Europe (3 countries)	3	33%	0%
Arab States (2 countries)	2	50%	0%
<b>Total (37 countries)</b>	<b>500</b>	<b>71%</b>	<b>44%</b>

Source: Bloomberg; EPG analysis.

## Challenges in data collection

A general lack of consistent and comparable information made it difficult to robustly measure total education CSR contributions. Determining materiality in reporting was the main challenge we faced to robust data collection.

There was a lack of consistency in reporting between years, between business units and between pledged and actual spend. To mitigate this, it was important to record data not for just the latest available year. We looked at the spend in the years 2011, 2012 and 2013, but often also in 2010 if data was not readily available for the other years. We then reported a mean average for the years 2011-13 inclusive.

There were three years' worth of figures available across 46%, two years across 15% and one year across 16% of companies which reported CSR spending. We found no data for the remaining 23% of companies. However, for education CSR spending, we had three years of data for far fewer companies. If reporting changes between years made it difficult to compare figures, we would have under-reported companies' spending.

In some instances, companies reported multi-year commitments to CSR spending such that the same pledged/target figure would be quoted in successive years. However, when reporting or marketing formats (or perhaps targets) changed, a new figure would be reported that was either a single-year actual, or a multi-year pledged, or a combination. This means that the data was a mix of mostly actual figures, but some pledged as well. In some cases, such as with the Indian PSUs we assessed, we found the pledged and actual amounts were closely aligned. In other countries such as Korea and Australia, significantly detailed information about actual local community spending was provided. Both GRI and ISO 26000 define materiality as a key principle of reporting. In particular, reporting should substantively influence the assessments and decisions of stakeholders.

Companies often provided a headline CSR figure, but the breakdown was available only through selected qualitative case studies. It was therefore difficult to assess the breakdown of the headline figure into sectors or priority areas and to assess materiality. Case study - based reporting gives an excellent insight to the type of priorities and impact generated for the organisation – it makes the CSR numbers come alive and provides context for a company's stakeholders. However, it is a challenge to convert it into quantitative data. Sometimes the most well-documented case studies are not the largest ones by funding, but either the most innovative ones, or largest by impact. We therefore may have over-reported spending in priority areas in these instances.

Likewise, where companies reported on CSR activities closely aligned to their supply chain or potential customer base, such as large-scale financial literacy programs in the local community run by banks, it was difficult to ascertain whether this was vocational, other educational CSR activity, or simply a cost of being commercially active. In these cases, we may have over-reported education CSR spending.

Many companies did not aggregate their CSR spending across business units. This was particularly true of financial services firms, or companies which have undergone recent mergers. Occasionally, companies report an initial endowment made to their foundation, but do not necessarily report annual spending from the foundation. In these cases, we may have under-reported CSR spending.

For the UK companies we included in our data from the IoD survey, we may have over-reported CSR figures. This is because IoD members completing the survey are individual members, rather than officially reporting on their company data. There may be several individuals from the same company filling in the survey, and there may be some duplication between the 1,297 survey responses and the other companies we researched. The level of this potential duplication is not possible to ascertain, but we have tried to be conservative with how we use the data (as described in the UK Country Focus in Section 4).

KPMG (2013). GRI (2014).

## Common standards used for CSR reporting

KPMG (2013) state that companies used the terms ‘Corporate Responsibility’ (14%), ‘Corporate Social Responsibility’ (25%), or ‘Sustainability’ (43%) to report, and accordingly we looked at reports under these headings to compile the data. Bloomberg collates Environmental, Social and Governance (ESG) data, of which the specific relevant metric is called Community Spending.

As KPMG (2013) reported, we found that reporting such information is increasingly common among large corporations. The report observed that 78% of the companies surveyed (which included 100 largest companies across 41 countries) use sustainability reporting GRI as their reporting standard. We note that GRI is increasingly popular, and its popularity among emerging market companies has grown rapidly (90% of Korean companies use GRI).

Many companies also used ISO 26000, which provides guidance on how businesses and organisations can operate in a socially responsible way. Both GRI and ISO 26000 guidelines have a significant overlap and convergence in terms of the topics they cover, and therefore we found data collection easier for companies that followed such guidance. We used reports from the GRI’s Sustainability Disclosure Database. Many companies also used London Benchmarking Group (LBG) standards.

## Benchmarking to existing data

As the starting point of our analysis, we looked at ESG data available on Bloomberg. As part of its ESG reporting, it provides Community Spending information on companies. We used this as a ‘Total CSR spend’ figure. Throughout our data collection we compared our independently-gathered figures to Bloomberg’s, given that finding a total CSR spend figure was the first step to determining the total global education CSR spend. Bloomberg does not break down its figures further. We found data for the Fortune Global 500, as well as some subsidiaries (a common complaint in our data gathering was that reporting was not aggregated centrally across subsidiaries with regards to CSR). Community Investment data from Bloomberg was available for 199 of the Fortune Global 500 companies at the time of data collection. The following table shows a summary of how these figures compare to our research.

Figure A2.4

### Summary results for annual CSR spend - Comparison with Bloomberg results

US\$m	Bloomberg (latest available year)	EPG (Average 2011-13)	Variance (%)
<b>Fortune Global 500 companies</b>	<b>500</b>	<b>500</b>	<b>-</b>
<b>Total CSR spend</b>	<b>21,809</b>	<b>19,929</b>	<b>8.6%</b>
<b>Total education CSR spend if 20% of CSR spend was on education</b>	<b>4,362</b>	<b>3,986</b>	<b>-</b>

Source: Bloomberg; EPG analysis.

This data acted as a check to show we were able to obtain robust information on CSR. In instances where we did not have data on companies, but Bloomberg did, we used Bloomberg data. Our less than Bloomberg’s because we sometimes made adjustments as per those outlined in Section 3.

GRI uses the term ‘materiality’ while ISO 26000 uses the term ‘significance’. GRI uses the terms ‘relevance’ and ‘materiality’ in the context of reporting and communication to identify the issues that are important enough to be reported on. ISO 26000 uses the terms ‘relevance’ and ‘significance’ for identifying issues to be managed, improved and communicated. Source: GRI and ISO (2014).

## Appendix 3 : Legislative provisions for CSR worldwide

### North America and Western Europe

The US Department of State has a CSR team in the Bureau of Economic and Business Affairs, which encourages the department’s engagement with US businesses in the promotion of responsible and ethical business practices. The team lays out significant areas of responsible corporate conduct, and provides guidance to various companies on driving CSR initiatives.

Private individuals in the US lead the world in philanthropic giving through tax breaks. Charitable contribution tax deductions have been available since 1917. The Charities Aid Foundation’s World Giving Index consistently ranks the US as the most charitable country in the world. Similar tax breaks are available in the corporate sector to drive philanthropic behaviour.

The Canadian government provides CSR-related guidance to Canadian corporations, including through Canadian embassies and missions abroad. It promotes CSR multilaterally through various mediums including the OECD, and bilaterally through the inclusion of voluntary CSR provisions in its most recent Foreign Investment Promotion and Protection Agreements (FIPAs) and Free Trade Agreements (FTAs), including those with Peru, Colombia, Panama and Honduras. CSR here is generally about promoting responsible business practices which contribute to the sustainable development of local communities, particularly for extractive companies such as those in the energy sector.

The key drivers for continental European companies to invest in CSR are generally governments. The key issues CSR initiatives seek to address are domestic. European government policies for CSR are also designed to improve collaboration between governments, businesses and civil society stakeholders (Albareda et al, 2007). Where North American models of giving tend to be corporate- and individual-led, Scandinavian models are government-led. Global issues, rather than domestic, take increased importance in the UK and Scandinavian countries.

Section 172 of the UK Companies Act 2006 outlines various environmental and social impacts that a corporation must include in its Annual Accounts and Director’s Report. Company directors are mandated to consider matters concerning environmental sustainability and the welfare of local communities, in order to achieve success for the shareholders. This approach is termed Enlightened Shareholder Value.

In Scandinavian models such as in Sweden, there is a strong government-led culture where infrastructure and skills are already well provided; corporate-led CSR is less needed in these areas.

CSR reporting became mandatory for publicly traded Dutch companies by 2010. The percentage of companies in the Netherlands reporting on their CSR activities increased from 63% to 82% between 2008 and 2011. Furthermore, in order to promote CSR in the core activities of Dutch companies, especially those trying to extend their business to emerging nations, the Dutch Ministry of Economic Affairs founded an expert network organisation for CSR in 2004 called Maatschappelijk Verantwoord Ondernemen (MVO).

Similarly, since 2009, the 1,000 largest businesses in Denmark are required to supplement their management’s review with a report on CSR. Since the establishment of this requirement, the number of CSR initiatives reported increased from 44% before 2009 to almost 60% two years later.

In France, the progress of the Socially Responsible Investment (SRI) movement and the pressure from consumers

US Department of State website (2014). Government of Canada website (2014). Nottingham University Business School (2010). Medhurst, D. (2010).

who expect goods and services that are representative of socially and environmentally responsible business behaviour encourages companies to improve their CSR initiatives.

German companies have to abide by the Corporate Governance Code – directors have to secure compliance with laws and codes of conduct, but there are no laws dealing specifically with CSR. Even though German CSR policies may seem weak as compared to other European countries, it is important to note that most German companies are SMEs: there are specific regulations to promote sustainability as an in-built practice in these German Mittelstand companies, as an alternative to philanthropic requirements which may not be appropriate.

In Russia, a survey concluded that 21% of the companies cite government regulations as a major influence for active CSR investments. About 60% of the major Russian companies that participated in the poll have a formal CSR policy. Russian companies divert 6-17% of the corporate profits towards corporate social investments, which is a large figure in global terms (Polishcuk 2006, Blagov 2008).

A key reason for such high levels of investment is that CSR enhances a company's ability to compete internationally: 31% of survey participants cited global competitiveness as a reason for adopting sustainability policies.

On the Istanbul Stock Exchange (ISE), the perceived CSR practice areas of 30 companies had education as the most popular area with 31% of companies saying they engaged in this sector, followed by 22% for Art & Culture. Health was much lower, at 9%.

## Asia-Pacific

Reporting rates for CSR are high in many of the Asian countries. In figures compiled by KPMG (2013), Malaysia, Japan and Indonesia displayed higher reporting rates than the UK and US. The reporting rates for all three countries were above 90% in 2013. India showed a considerable improvement from 2011 to 2013, while only about half of the 100 largest companies reported their CSR activities in Korea.

Such reporting standards are commendable and surprising, particularly for Japan, as reporting and disclosure requirements of Japanese companies usually do not include any obligation to reveal information on the extent and impact of their CSR operations. According to several papers (Wokutch, 1990; Wokutch & Shepard, 1999; Lewin et al, 1995), the pursuit of self-interest is a greater driver for Japanese CSR initiatives than ethical considerations. As a result, Japanese firms give a priority to CSR areas in which they can see a clear connection with profit and return on investments.

Our research findings, however, depict a more mixed picture for Japan.

One of the few countries in the world with a law for mandatory spend on CSR is India. Spending on CSR activities was first made mandatory for Central Public Sector Enterprises (CPSEs) in April 2010. Thereafter, Clause 135 of the Companies Act 2013 introduced a mandatory requirement for large companies to spend a minimum of 2% of their average net profits CSR-related activities. Schedule VII of the Act presents a non-exhaustive list of activities that may be incorporated in their CSR policies, including the promotion of education and employment-enhancing vocational skills. The anticipation of the introduction of this Act has been one of the reasons for the Indian CSR reporting improvement in the KPMG (2013) survey.

Other forms of CSR have also long been prevalent in India. One of the Fortune Global 500 companies, Tata Steel, has had a large and established set of CSR activities for over around 100 years, while 66% of Tata Sons, the holding company for more than 90 entities, is owned by trusts. For such companies it is difficult to fully estimate the extent of the CSR spending through a report such as this.

In Malaysia, all registered companies have had to publish CSR information since 2007. The government's 10th

Malaysia Plan also makes explicit reference to CSR and emphasises education, environment conservation and children. Furthermore, it encourages CSR expenditure through tax incentives – donations made from income earned are usually non-deductible, as they are not wholly incurred in the production of income. Private sector contributions are also recognised and awarded through the Prime Minister's CSR Awards Sponsorship, awarded four times since 2007.

Nevertheless, less than 10% of Malaysian companies have adopted a CSR agenda and the impact remains limited as such, wherein CSR is primarily a form of corporate philanthropy limited to charitable donations, and there is only a limited understanding of the potential of a multidimensional approach to CSR.

Indonesia's Regulation No. 47 of 2012 (GR 47/2012) requires companies that utilise or manage natural resources businesses to conduct CSR activities. The motivation is to encourage companies to bear a social and environmental responsibility; however, the amount a company needs to set aside as part of their CSR budget is often not stipulated. This often applies to resources - or industrial-focused companies setting up in Indonesia.

CSR in neighbouring Thailand is primarily philanthropic with concentration in health and education. Additionally, CSR has been an important factor in promoting employee involvement. According to an older survey from 2002, spending on education is the most popular CSR category, ahead of disaster, environment and healthcare. Although CSR is not supported through government regulation in the same manner as in Malaysia, Thailand has the concept of "gotong royong", which translates to "social responsibility lies within the community".

From 2006, Article 6 of the Companies Law of the People's Republic of China has required companies to "undertake social responsibility" while conducting business (Lin, 2010), and a mandatory CSR spend like India, although for a different purpose. With respect to education, entities and individuals pay a national-level Educational Surcharge of 3% on their indirect tax (VAT, business tax and consumption tax) and a provincial 2% Local Educational Surcharge. The raised revenue is used for local educational needs, although the breakdown for this is not available. It could therefore be thought of as a joint social contribution for companies.

NGOs are playing an increasingly significant role in encouraging companies to disclose in a more transparent manner. In April 2010 for example, the Institute of Public and Environmental Affairs (IPE) submitted a report to Hong Kong Stock Exchange, revealing that 175 of the listed companies had failed to disclose the penalties they were subjected to for environment pollution.

## Latin America

National Bank of Ukraine (Undated). This applies to companies with a net worth of US\$ 85m or more, turnover of US\$ 170m or more or net profit of US\$0.85m or more. Average net profit is the average of annual net profits of preceding three financial years. Sidy, D. (2009). Economic Planning Unit, Malaysia (2010), pp. 25, 178. In particular, PU (A) 247/2008 Income Tax (Exemption) (No. 5) Order 2008 allows for tax exemption for schools for children with learning disabilities, and S 34 (6) (f) of the Income Tax Act 1967 provides incentives for student scholarships. Economic Planning Unit, Malaysia (2010), p. 72

Workiva (2013). DanWatch (2011). Ararat, M; Göcenoğlu, C. (Undated). KPMG (2013), p. 23, Figure 9.

Societal contributions in Latin America generally remain confidential, and unlike many other countries there are no legal provisions to encourage charitable donations towards education, such as tax incentives and frequent audits. Even though the CSR culture in Latin American corporations doesn't promote altruistic charitable spending, many companies make major social investments in education in lieu of potential commercial returns.

A Brazilian initiative designed in the 1950s called Sistema S (or System S) is a business-driven approach to CSR that has contributed significantly to public welfare. It is a joint system of social contributions paid by companies in order to finance the Autonomous Social Services. It is a skill-development initiative that offers free professional training in key sectors, supplemented by a network of schools, laboratories and technology centres around the country. Depending on the sector and therefore the apprenticeship scheme, this is charged at 1-3% of wages.

In other Latin American countries, although there are few formal rules, companies implement CSR as a result of public ethics laws such as the Buenos Aires law 2594, which requires local and international firms with over 300 employees to produce annual sustainability reports. This operates as an ethical and reputational criteria in the exercise of a company's functions. According to Rodriguez and Peterson (2008), 87% of companies implementing CSR in Argentina focus efforts on education and environment.

As an example of its System S spending, Petrobras signed an agreement in 2013 with the state government to train 103 instructors on courses for industrial plumbers, mechanical fitters, boilermakers, structural welders and other vocational areas. Brazil's Oil and Gas Mobilization Program (locally known as Prominp) provided training courses to ensure that the skilled workforce could meet the labour demands of supplier industries.

Since 2004, Bradesco Bank has implemented an apprentice program across Brazil that seeks to hire adolescents and young adults from the ages of 16 to 22 to provide them with personal and professional development. In 2013, the scheme covered 1,668 apprentices.

CSR initiatives in Mexico are highly influenced by the role of NGOs. The Mexican Center of Philanthropy, a popular NGO for the promotion of CSR, introduced the CSR Distinctive Award in 2001, which incentivises companies that comply with CSR best practices in Mexico and Latin America. Various Mexican institutions have launched publications to outline CSR standards and guidelines for businesses.

In 2005, the Mexican Standards Institute (IMNC) officially issued the CSR standard NMXSAST-004-IMNC and in November 2010, Mexico officially launched the ISO 26000 Guidance on Social Responsibility. Government-owned Mexican companies such as Pemex implement regular CSR activities and have published CSR reports since 1999. Pemex's Mutual Benefits Projects encourage CSR through in-kind public infrastructure works such as building roads, improving drainage and electricity systems.

## Appendix 4 : IoD survey questions

The following survey questions were sent to IoD members during the week commencing 7 July 2014.

1. What is your company's total Corporate Social Responsibility (CSR) spend? (In UK Sterling).
  - Less than £1m
  - £1m - £4.9m
  - £5m - £9.9m
  - £10m - £19.9m
  - £20m - £49.9m
  - £50m or above
  - Don't know
  
2. What is your company's total corporate social responsibility (CSR) spend as a proportion of your turnover? [Answer using scale slider grid which would mean that the response would be provided as a % of total turnover. Include a Don't Know answer option for members who do not have these numbers readily available to them.]
  
3. How much of this CSR spend is allocated to the following? (Approximate %)
  - Education
  - Arts / Culture
  - Environment (local)
  - Environment (national/international)
  - Poverty / Social Exclusion
  - Sports
  - Other (please specify):
  - Don't know
  
4. [If Education is selected, then ask the following] What educational priority areas does your contribution go to?
  - Primary Education
  - Secondary Education
  - Higher Education
  - Teacher Training
  - Infrastructure, Library, Technology etc.
  - Vocational Education
  - Other (please specify):

- Don't know
5. What is the geographical distribution of your contribution?
- Mostly in home country
  - Mostly in other developed countries
  - Mostly in developing countries
  - Other (please specify):
  - Don't know
6. What are the various methods used to make your CSR contributions? (tick all that apply)
- Direct cash contributions
  - Cash given to company's operating Foundation or trust
  - In-kind donations, such as pro-bono services
  - Volunteering activities from employees
  - Matched funding to employees for their own charitable fundraising
  - Other (please specify):
  - Don't know
7. What is the typical length of your CSR commitment?
- One-time contributions
  - Short-term (less than 1 year)
  - 1-3 years in duration
  - More than 3 years in duration
  - Don't know
8. How do you determine who receives your CSR contributions?
- Determined by CSR people within my firm
  - Determined by employees
  - Determined by senior executives within my firm
  - Determined by educational groups for whom we contribute money
  - Other (please specify):
  - Don't know

## Appendix 5 : Sources of information

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The background of the entire page is a photograph showing the silhouettes of several people running across a field. The scene is set against a bright, hazy sky at sunset or sunrise, with the sun low on the horizon creating a strong backlight effect. The runners are in various stages of their stride, conveying a sense of motion and energy. The overall mood is one of optimism and forward movement.

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