

CSR: Does it cost or pay? How can you tell?

Presented by:

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CORPORATE SOCIAL RESPONSIBILITY

Roadmap for ASEAN Community (2009-2015)



- ASEAN Political-Security Community
- ASEAN Economic Community
- ASEAN Socio-Cultural Community

Blueprint for the Socio-Cultural Community



Strategic objective:

Ensure that Corporate Social Responsibility (CSR) is incorporated in the corporate agenda and to contribute towards sustainable socio-economic development in ASEAN Member States.

Blueprint for the Socio-Cultural Community



Actions:

- Develop a model public policy on CSR or legal instrument for reference of ASEAN Member States by 2010. Reference may be made to ISO26000 titled “Guidance on Social Responsibility”
- Engage the private sector to support the activities of sectoral bodies and the ASEAN Foundation, in the field of corporate social responsibility

Blueprint for the Socio-Cultural Community



Actions:

- Encourage adoption and implementation of international standards on social responsibility
- Increase awareness of Corporate Social Responsibility in ASEAN towards sustainable relations between commercial activities and communities where they are located, in particular supporting community based development.

ASEAN CSR NETWORK



Agenda of the Network:

- Platform for networking and exchange at the regional level
- Repository of ASEAN knowledge on CSR
- Capacity-builder
- Advocate for CSR in the region

A “network of networks” – the founding members are:

- Indonesia Business Links
- International Chamber of Commerce – Malaysia
- League of Corporate Foundations (Philippines)
- Singapore Compact for CSR
- CSR Club of the Thai Listed Company Association

Outline of Presentation

1. What is CSR?
2. Why CSR? – trends and response
3. The business case
4. Putting it to practice
5. What can I do?

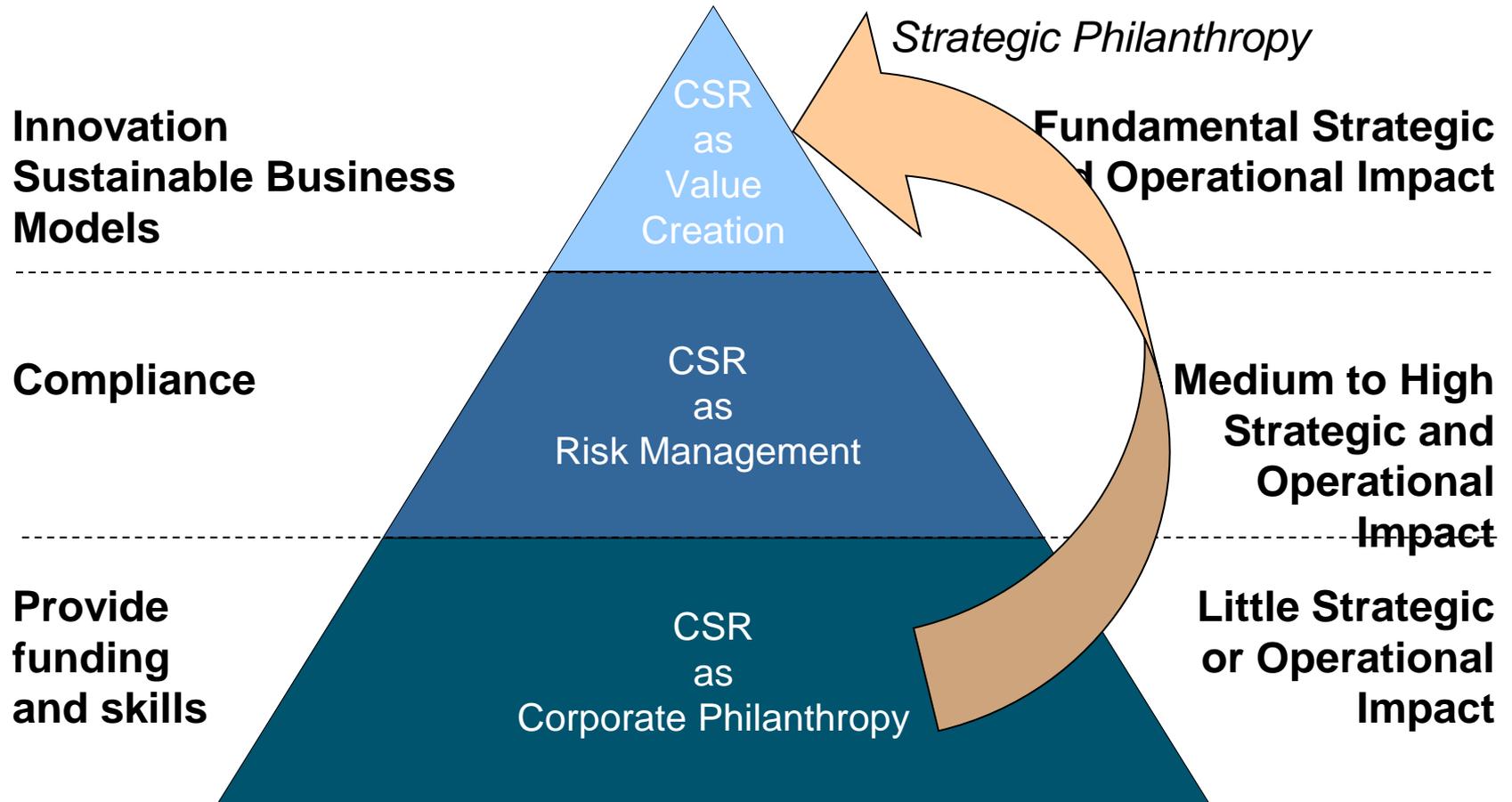
What is CSR?

“Corporate Social Responsibility is not about how money is spent, it’s about how money is made.” -- *Anonymous*

Corporate social responsibility is, first and foremost, a long-term strategy.

- *How you do business and make profits, not what happens after*
- Aligning business strategy and operations with universal values
- Proactive strategic planning, not defensive communication
- Can bring a fundamental transformation of relationships, corporate culture and identity.

Three Stages of CSR

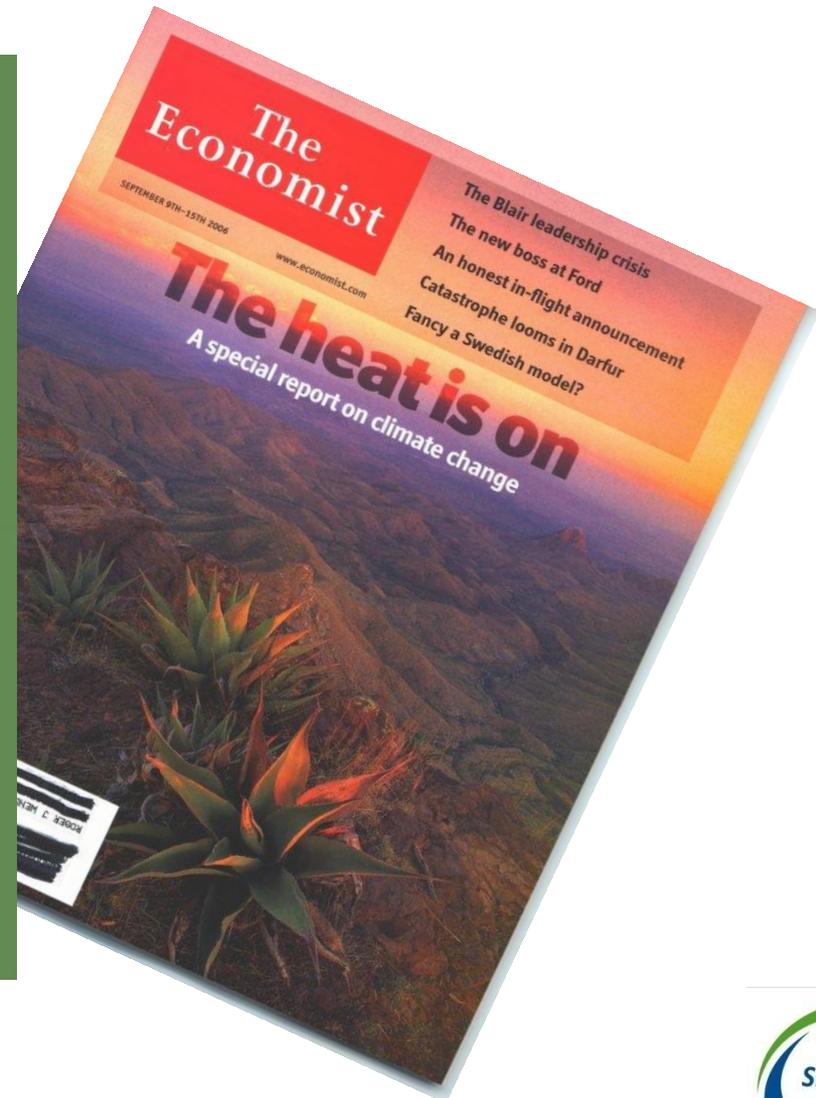


What is CSR?

“We do not just operate today without any thought for tomorrow.”

- Sam I. Oluwabunwa, Neimeth International Pharmaceuticals Plc

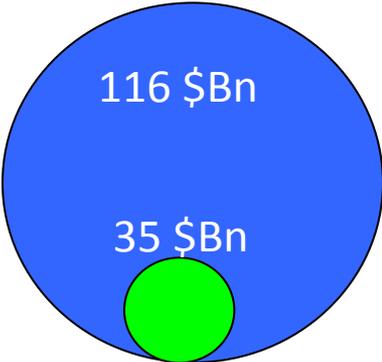
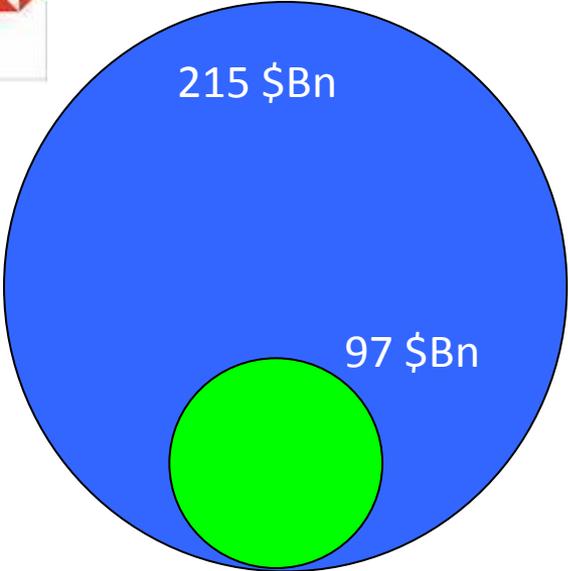
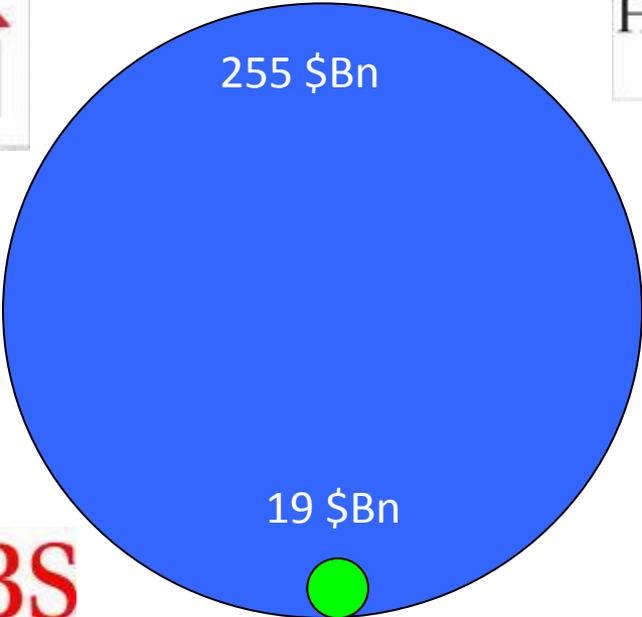
Environmental crisis



Ethical crisis



Economic crisis



Banks: Market Cap

- Market Value as of January 20th 2009, \$Bn
- Market Value as of Q2 2007, \$Bn

Source: Bloomberg, 2009

Increasing turbulence: Social inequality

The poor have always been with us

- True, but....
- **59%** of the World's people living in countries with **worsening inequality**

World Commission on Social Dimensions of Globalisation

The choice in front of us

Stabilization of GHG's and temperatures
Adaptation to new Climate Conditions
Preserved ecosystems

Rule based Trade System
Open Markets
Expanding Opportunities
Diffusion of new technologies



Hunger, water stress, mass displacement, instability, forced migration, increased poverty

Protectionism
Discrimination
Trade Anarchy
Barriers to innovation

Common good

Multilateralism

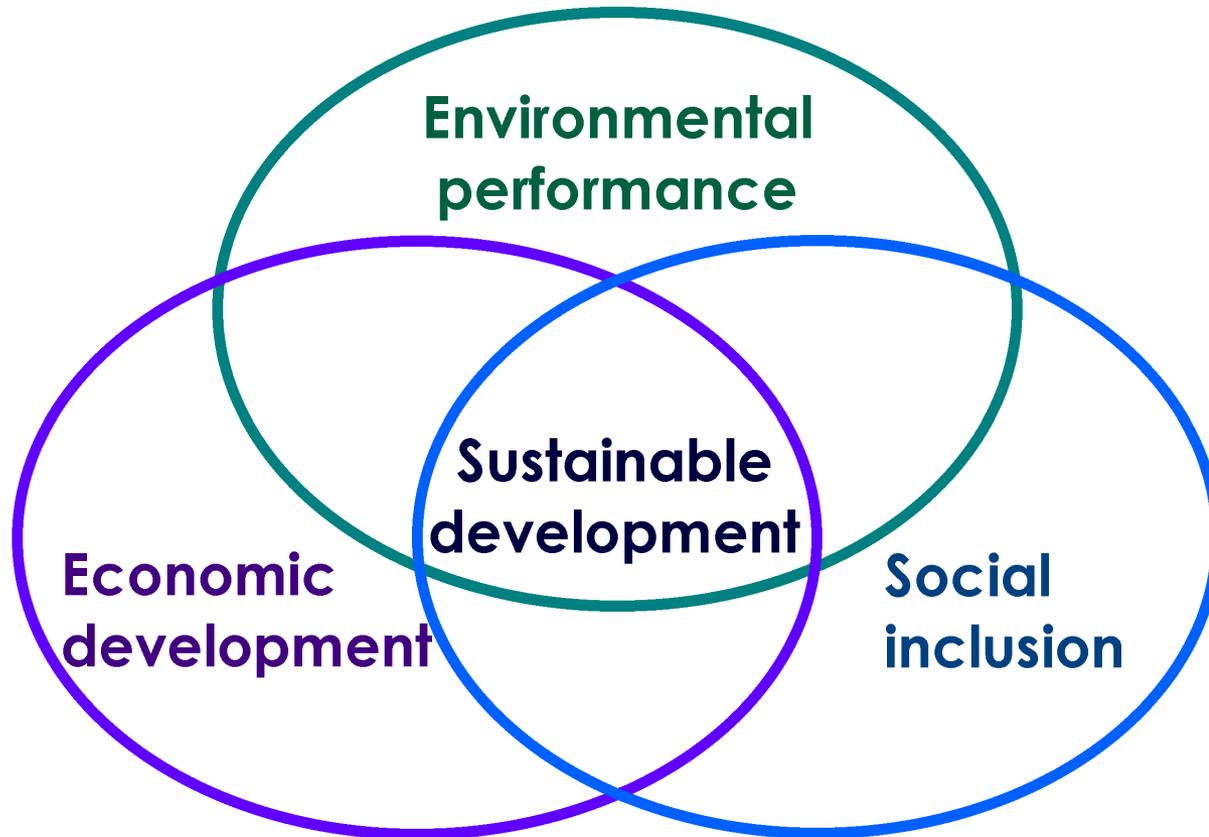
Global Leadership

National interests

Unilateralism

Local Populism

Need for integration



Social Responsibility Definition

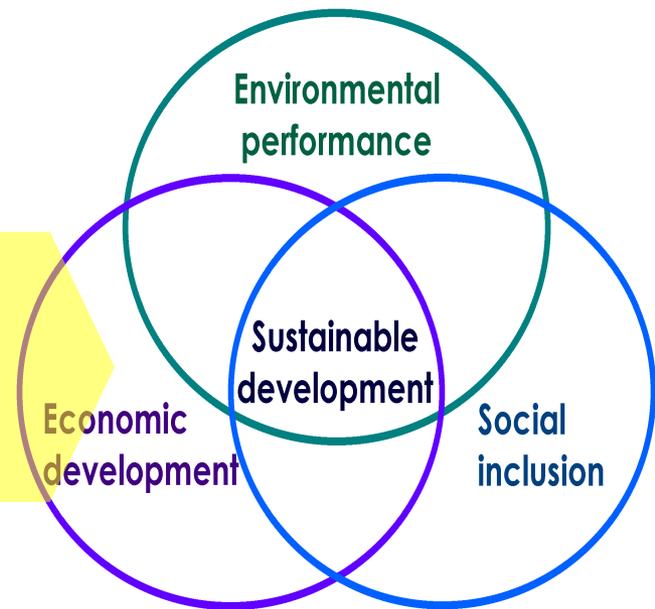
ISO 26000

Social Responsibility definition



It is the **responsibility** an organization has for the impacts of its decisions and activities (which includes products, services and processes) on society and the environment, through **transparent and ethical** behavior that:

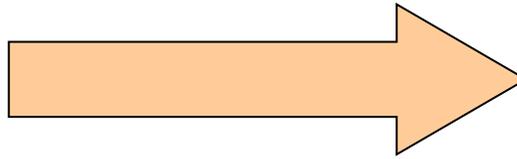
- Contributes to sustainable development, health and the **welfare of society**;
- Takes into account the expectations of **stakeholders**;
- Is in compliance with applicable law and consistent with **international norms** of behavior;
- Is integrated throughout the organization and practiced in its relationships.



target

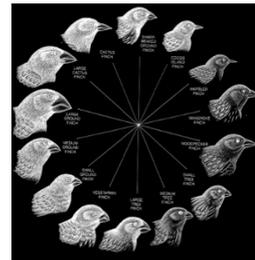
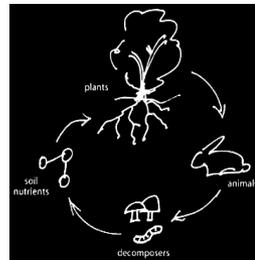


Traditional industrial capitalism



Towards a regenerative economy

- Creates prosperity by digging up or cutting down natural resources and then burying or burning them
- Produces some materials so dangerous that they will require constant vigilance by future generations
- Requires thousands of complex regulations, not to keep people and natural systems safe, but rather to keep them from being poisoned too quickly
- Measures productivity by how few people are working
- Erodes the diversity of species and cultures



Maintaining a critical stock of natural capital

- Adopting biologically inspired production models
 - Use current solar income
 - Waste equals food
 - Celebrate diversity
- Dramatically increase resource productivity

Developing social and human capital

- Eliminate poverty and reducing inequality
- Encourage development of full human potential
- Change our definition of wealth

Responding to the crisis

A focus on responsible investment and good corporate practice will help build trust and confidence in markets and ultimately generate better returns for investors

- Enhance transparency, accountability and disclosure
- Deeper analysis and better risk management by investors
- More active monitoring of companies
- Investor engagement in public policy
- Collaborative investor action

Beyond moral reasons

Rationale behind CSR:

- It is beyond the right thing to do

“We have lost trust and we need to regain it with a culture of responsible behaviour.”

- Kaspar Villiger, UBS AG

“The financial community is increasingly looking at companies and rewarding those that think smartly about their use of resources.”

- Paul Polman, Unilever

Misconceptions

- Traditionally: narrowly-defined short-term success
 - cut costs to make profit
 - e.g. reduce to minimum number of staff; cheapest supplies not quality
- Social Responsibility = Cost \neq Investment: expense rather than strategy
- CSR = charity \neq systemic integration into business

Perspective

- Risk management; Reputational resilience
- Investment: immediate input \rightarrow long term benefits
- Quality of staff \rightarrow raised morale and productivity
- Responsibility for own operations and products
- Long term productivity and profits: sustainable for business and society

CSR and Competitiveness

- Have a positive impact at firm level competitiveness
- Strongest impact for cases of human resources, risk and reputation management
- CSR not static but growing stronger
- Business case increasingly based on value creation
- For increasing number of industries, CSR becoming a competitive necessity
- To make the difference, it has to be part of business strategy

Source: European Competitiveness Report 2008: Links between CSR and competitiveness

Value creation in the CSR business case

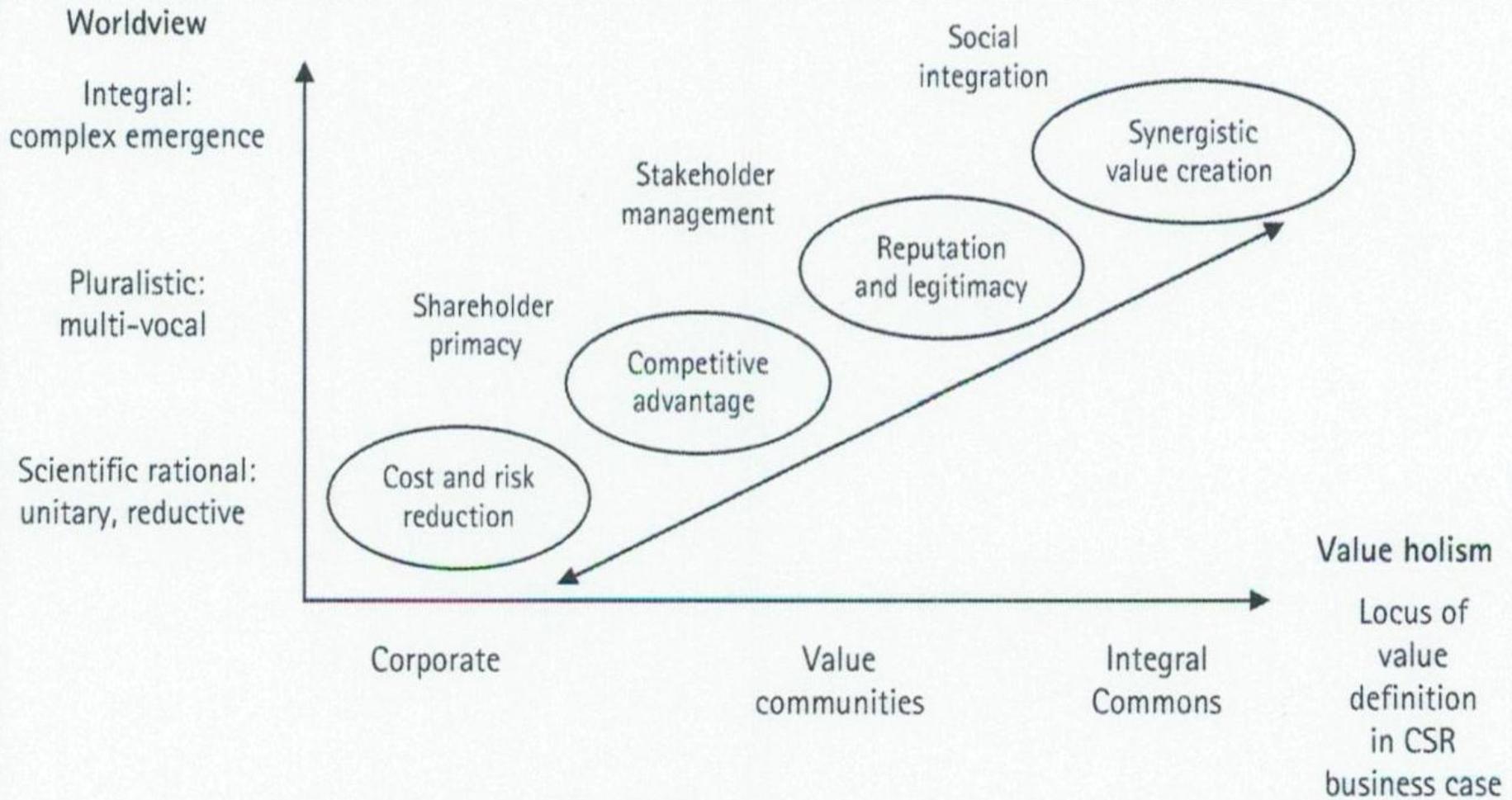


Fig. 4.2 Four modes of value creation in the CSR business case

The Oxford Handbook of Corporate Social Responsibility, 2008, Oxford University Press

CSR: The Emerging Sustainability Megatrend

- Fundamentally altering business landscape and capabilities
- Other megatrends
 - Quality: Toyota and Honda Total Quality Management methods
 - Quality as central strategy not mere tactical tool; “made in Japan” a core value
 - Led to technology breakthroughs
 - IT: American Airlines’ Sabre reservations system
- Environmental issues  in importance to business capacity
 - Environmental pressures over past decade
 - Globalisation  liabilities,  intensified competition
 -  government regulation; investor/consumer pressure

“The Sustainability Imperative”, David A. Lubin and Daniel C. Esty

The Sustainability Imperative

- Staying ahead of the curve:
Risk, cost reduction → value creation
- Driver of innovation: organizational and technological creativity and advancements
- Investment discipline taking into account ESG factors: stronger ESG policies evidence of smarter management
- Evidence of “Eco-Premium”:
Academic studies/Investment analyses (e.g. UNEP (FI)-Mercer Joint Report; Watson Wyatt; Innovest) increasingly show evidence of higher alpha value: greater financial returns for companies incorporating ESG factors
- Better social, environmental performance:
Lower risk → lower capital costs

First mover advantage ↔ clear, executable strategy.

Facts and Figures

96% of CEOs in 2010 believe that sustainability issues should be fully integrated into company strategy and operations

98 % in Asia-Pacific believe that sustainability issues will be critical to the future success of their business.

80% believe the economic downturn has raised the importance of sustainability for top management.

72% see “brand, trust and reputation” as the biggest motivator in taking action on sustainability; next most important reason is revenue growth/cost reduction potential.

Consumers and employees are the most important stakeholder groups with the biggest impact on businesses.

From a UN Global Report survey of 766 CEOs conducted by Accenture Sustainability Services

“Sustainability started as a moral obligation, but has now become a key differentiator for consumers.”

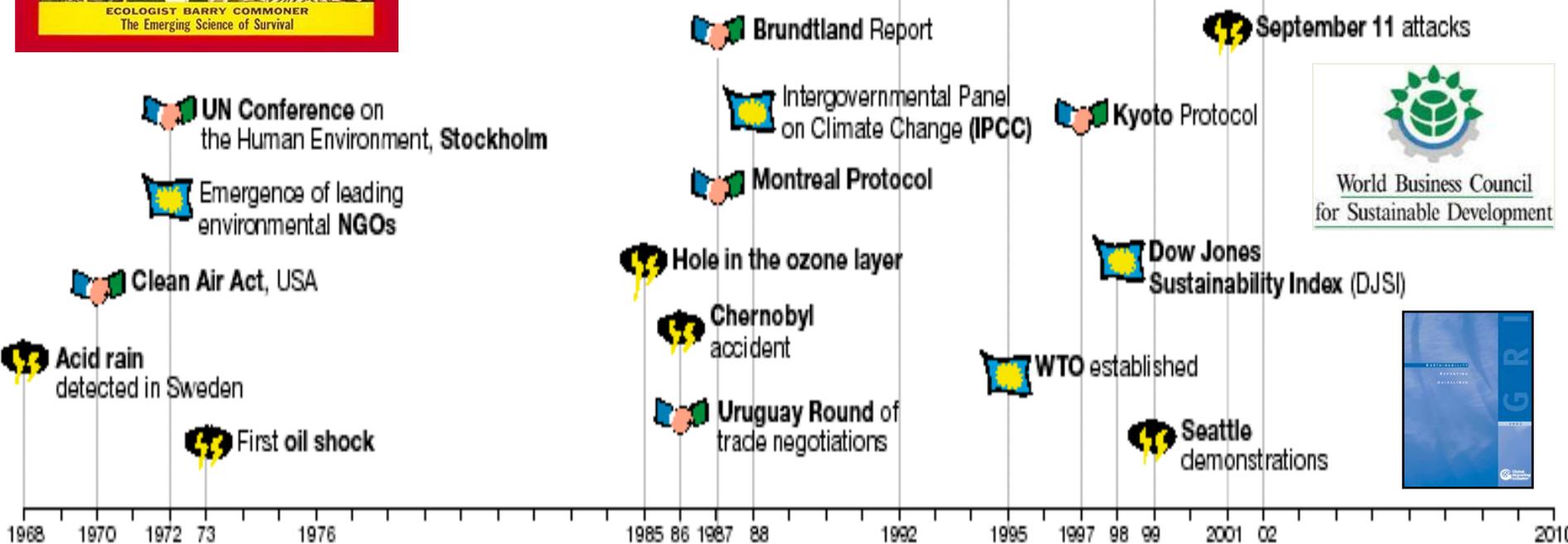
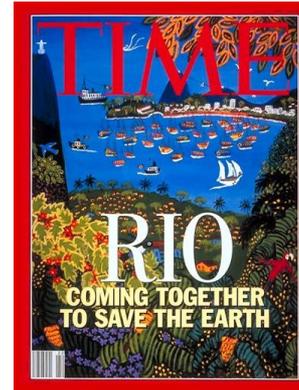
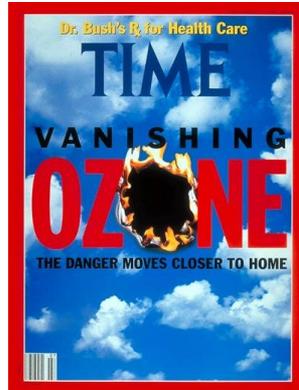
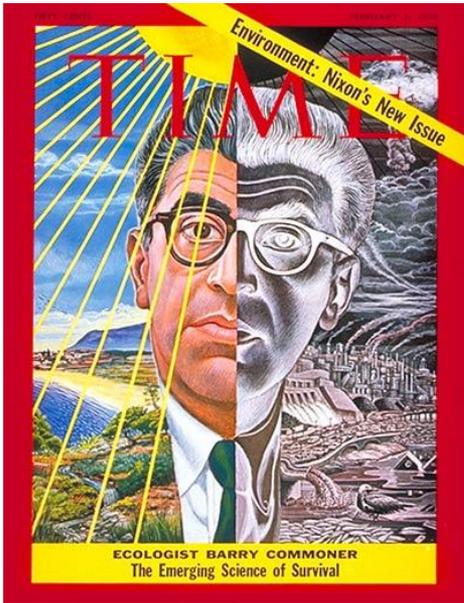
- Sung-joo Kim, Sungjoo Group

CSR BENEFITS FOR THE COMPANY

- Brand, Reputation
- Informed Decisions, broader Vision, Learning
- Talent retention and management
- Motivation, productivity, innovation
- Customers/ Society Expectations
- Relations with Governments / Regulators
- Financial Markets

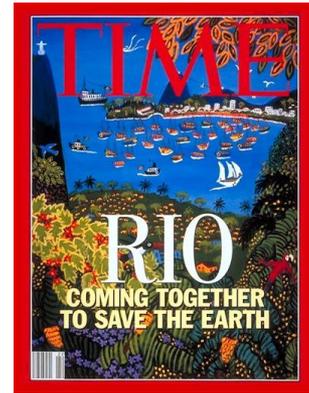
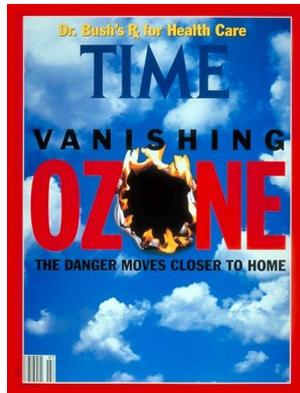
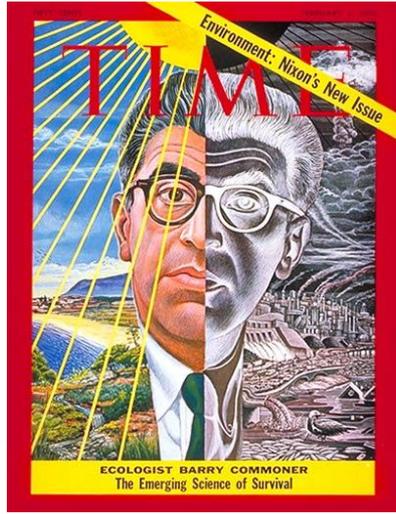


The changing waves of business drivers



The changing waves of business drivers

BUSINESS ENGAGEMENT



I: BLISSFUL IGNORANCE

II DENIAL/CONFRONTATION

III COMPLIANCE

IV BEYOND COMPLIANCE

V PARTNERSHIPS FOR SUSTAINABILITY



Significant growth in SR initiatives



The CEO Water Mandate



GeSI
GLOBAL e-SUSTAINABILITY
INITIATIVE



Principles
for Responsible
Investment

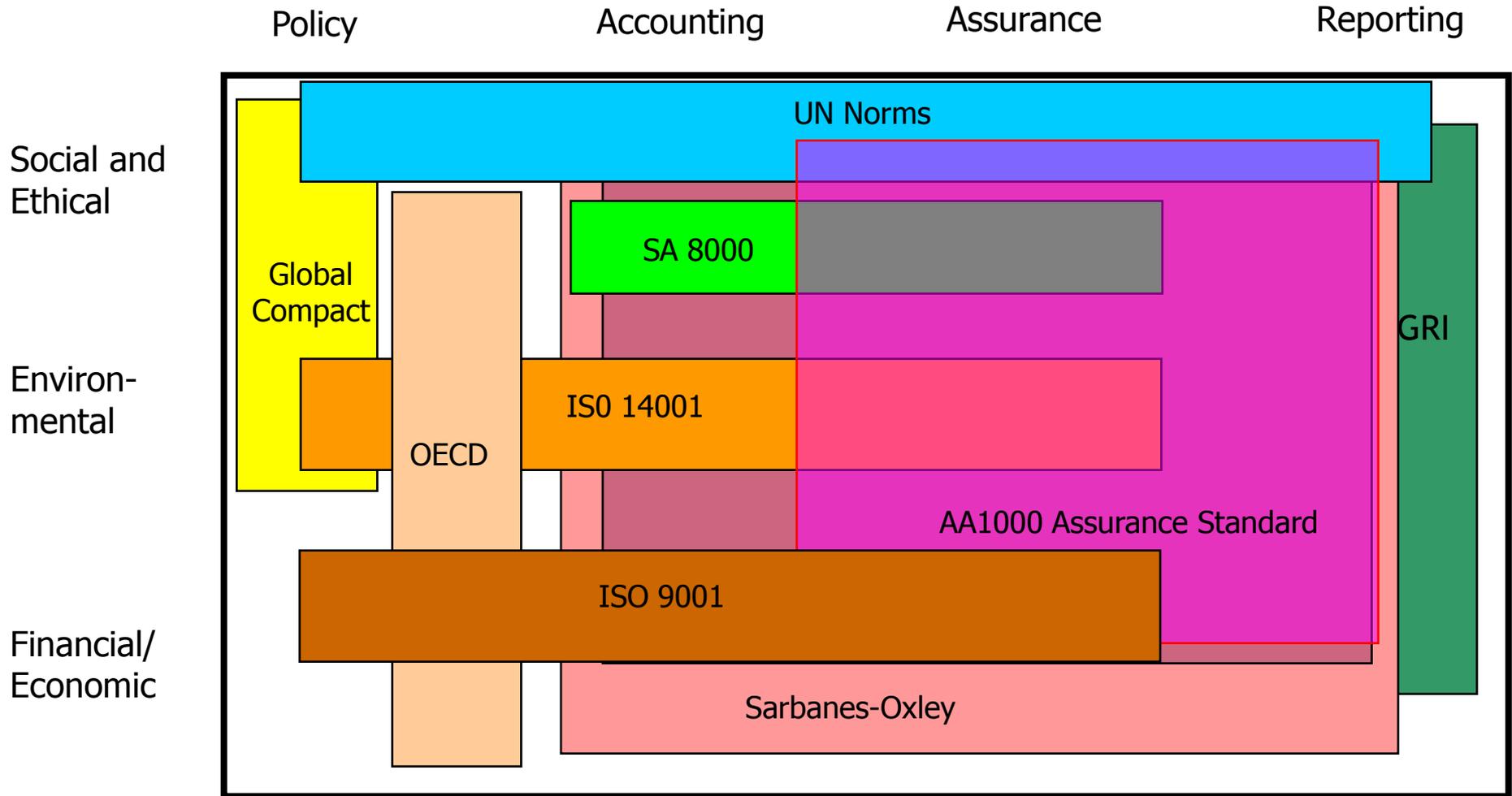


We protect
children from
sex tourism.



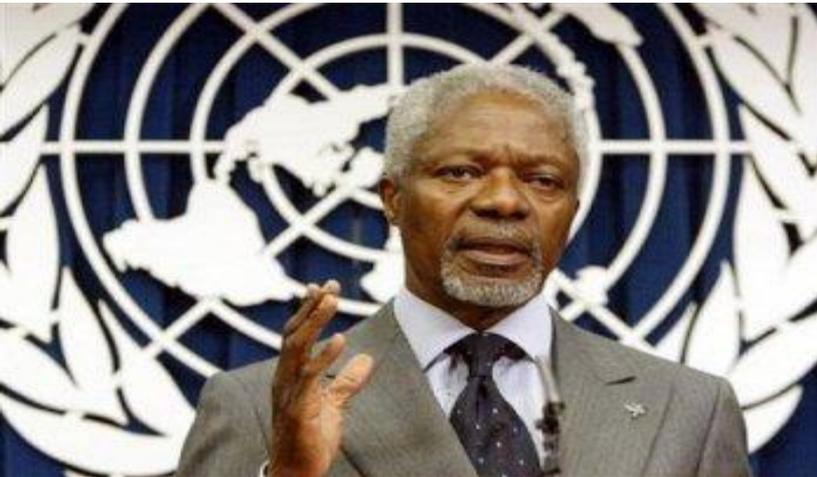
Ethical Trading Initiative
Respect for workers worldwide

Growth in Tools and Initiatives



Source: WBCSD

Background of Global Compact



The former UN Secretary General Kofi Annan at the World Economic Forum in Davos, Switzerland on 31 January 1999

“I propose that you, the business leaders, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.”

The Global Compact – Overview

Launched on 26 July 2000 in New York with roughly 40 businesses

“A more sustainable and inclusive global economy”

Multi-stakeholder platform

Rooted in universally accepted conventions:

Universal Declaration of Human Rights

ILO Declaration

Rio Declaration

UN Convention Against Corruption

The 10 Global Compact Principles

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

- Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.



ISO 26000: Key characteristics

- It addresses a full range of **core subjects** relating to social and environmental issues - aimed at promoting sustainable development
- An ISO standard providing **guidance**
- It is **not** intended for third-party certification
- It is being developed to be applied by **all types of organizations**
- Potential to be future indicator for global business partners/investors



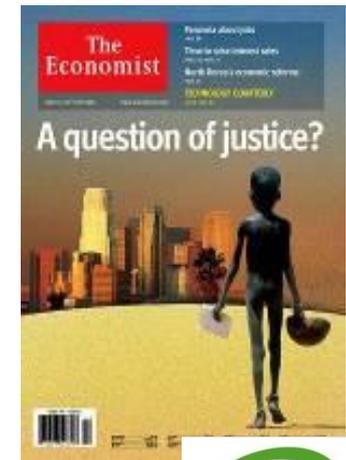
A small image in the top left corner showing a world map with a green field and a small building in the foreground under a blue sky.

ISO 26000 – Principles of SR

- **Accountability**: an organization should be accountable for its impacts on society and the environment
- **Transparency**: an organization should be transparent in its decisions and activities that impact on society and the environment
- **Ethical behaviour**: an organization should behave ethically at all times
- **Respect for stakeholder interests**: an organization should respect and consider the interests of its stakeholders
- **Respect for the rule of law**: an organization shall respect the rule of law
- **Respect for international norms of behaviour**: an organisation should respect international norms of behaviour, whilst adhering to the principle of respect for the rule of law
- **Respect for human rights**: an organization should respect human rights and recognize both their importance and their universality

ISO 26000 – CORE SUBJECTS OF SR

- Organisational governance
- Human rights
- Labour practices
- Environment
- Fair operating practices
- Consumer issues
- Community involvement and development



“To be successful and sustainable business, we must fulfil our social responsibilities and build trust with our stakeholders.”

- Andrew Witty, GlaxoSmithKline.

Taking the journey: what can I do?

- Leadership
 - Committing to long-term strategy
 - Management integration
- Form networks
 - Platform for resource sharing
 - Building local data and connections
- Join the ASEAN CSR Network
 - Regional commitment and

Working together, doing well, doing good



15km² of rain forest disappears every minute





*“We do not inherit the earth
from our ancestors,
we borrow it from our
children.”*

-Native American Proverb





“Thank you!”