BSR’s Mission and Strategy

Our mission: We work with business to create a just and sustainable world.

Our strategy: We develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration with our global network of nearly 300 member companies.

• Insights gained from our research and collaborative partnerships feed our consulting work

• Our real-world experience working closely with member companies informs our research

• Our cross-sector efforts build on our extensive network of members and stakeholders

Global Industry Practices:

• Consumer Products
• Energy and Extractives
• Financial Services
• Food, Beverage & Agriculture
• Health Care

• Information & Communications Technology
• Manufacturing
• Media & Entertainment
• Transport & Logistics
• Travel & Tourism
What is CSR?
CSR is aligning business with the world’s needs

A just and sustainable world is indicated by the wellbeing of:

- **Individual**
  - Individual health, security and wellbeing

- **Society**
  - Societal health, security and wellbeing

- **Ecosystem**
  - Healthy functioning ecosystems, natural resources and biodiversity

**Business**

Business can contribute to individuals, society and ecosystems by:
- Developing solutions
- Innovating
- Creating financial wealth
- Allocating resources

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What is CSR?
A Note on Terminology

Sustainability
How a company / business / market finds harmony between demand and supply within a constrained world.

CSR (Corporate Social Responsibility)
The decisions and interaction a company makes as it works in a changing world.

ESG (Environment, Social, Governance)
The three primary focus areas a company can influence as it integrates sustainability issues into its business model.

All are about the same idea: the decision making of business as it interacts with people, culture and the environment.
Universe of CSR

Community
- Human Rights
- Economic Development
- Responsible SC Management
- Supply Chain
- Conflict Minerals
- Sustainable Communities

Governance & Ethics
- Transparency, Accountability, Reporting
- Safety & Business Continuity
- CSR Strategy Integration

Products
- Stakeholder Engagement
- Design Innovation
- Safety & Toxins
- Sustainable Buildings

Operations
- Worker Capacity Building
- GHG Emissions
- Waste

Employees
- Worker’s Rights
- Professional Development
- Recruitment & Retention
- Diversity & Inclusion

Community
- Sustainability

Human Rights

Economic Development

Responsible SC Management

Supply Chain
- Professional Development
- Recruitment & Retention

Workers' Rights
- Health & Wellness
- Land Use

Operations
- Sustainable

Community
- Economic

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CSR’s Impact on Key Business Drivers

- Employee Recruitment, Retention and Productivity
- Realization of New Markets
- Risk Mitigation
- Company and Brand Reputation
- Access to Capital
- Operational Efficiency
CSR Issues Impact Four Major Areas

**Regulatory & Geopolitical**
- Human Rights
- Indigenous peoples
- Resettlement
- Corruption/bribery
- Community unrest
- Security
- Labor/working conditions
- Labor migration
- Road safety
- Employment
- Local Business Development

**Operational**

**Reputational**

**Financial**
- Climate and Energy
- Material toxicity and chemicals
- Water (scarcity, efficiency, and treatment)
- Waste management
- Land use and biodiversity
- Raw material use
- Noise, dust and related emissions
Business Case Examples

CSR business drivers are evident across all industries.

**Employee Recruitment, Retention and Productivity**

Like many other food, beverage, and agriculture companies, Chiquita was experiencing labor strife in some emerging markets.

**Company and Brand Reputation**

The series of Foxconn worker suicides and subsequent struggles in China have made headline news and increased scrutiny of Apple and other ICT companies.

**Access to Capital**

Increasing transparency of ESG metrics in investor profiles, including Bloomberg’s public identification of CDP scores on financial pages and the explosion of shareholder resolutions are aiding investor awareness.

**Operational Efficiency**

Several BSR members report on their cost savings achieved by being more environmentally efficient.

**Risk Mitigation**

In 2010, the BP oil spill led to a 50% decline in BP’s stock price and could cost as much as $38 billion.

**Realization of New Markets**

ANZ developed WING, an innovative mobile banking and payments solution targeted at low and middle income populations who were left out of the formal financial sector due to geographic and cost barriers.
The CSR Maturity Curve
CSR Integration is an Evolutionary Process

The majority of companies go through a process of CSR maturity.
Companies leverage the 5 indicators to move up the maturity curve.

1. **Governance**
   Internal governance, with responsibility, accountability, and integration

2. **Transparency**
   Credible communications with demonstrated action, including reporting

3. **Stakeholder Engagement**
   Relationship with stakeholders to drive change and transparency

4. **Supply Chain Management**
   Investments in risk mitigation, enabling sustainability, and innovation

5. **Strategy**
   Integrated planning, support, and strategy to achieve vision
Selected Recent CSR Headlines

- U.S. Chamber Foundation names corporate citizenship award finalists
- Equitable Origin certifies first site for responsible oil production
- Hershey and Cargill team up on Ivorian cocoa program
- Apache CEO and Vermont activists build alliance on climate issues
- Colorado drillers tread lightly amid rising tide of resentment
- Total says it will not drill in World Heritage sites
- Fracking Guidelines issued by API to ease community fears
- Occidental won’t drill where not wanted in California
- Three reasons why the world is moving beyond shareholder value
- Hershey uses mobile technology to reach 100% fair trade goal by 2020
### Maturity Curve: Pre-Compliance

**Definition**

*Primary business objective is to bring company into compliance with local, national, and in some cases international regulation. This is a business imperative to function legally.*

<table>
<thead>
<tr>
<th>Governance</th>
<th>Focus on ethics, legal challenges, and compliance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency</td>
<td>Low levels of transparency due to high level of risk.</td>
</tr>
<tr>
<td>Stakeholder Engagement</td>
<td>Little to no engagement. Minimal response to NGO pressure.</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Focused on risk mitigation from a legal perspective.</td>
</tr>
<tr>
<td>Strategy</td>
<td>No CSR strategy or intent. Work is risk-focused.</td>
</tr>
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</table>
## Maturity Curve: Compliance

### Definition

*Company is in accordance with existing regulation, and *understands its risk hotspots*. It is in the *beginning stages of identifying work beyond risk-based approach.*

### Governance

<table>
<thead>
<tr>
<th>Governance</th>
<th>Grassroots approach to CSR, no formal committees or responsibility outside of compliance.</th>
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</table>

### Transparency

<table>
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<tr>
<th>Transparency</th>
<th>Developing systems to measure and report on work. If reporting, lacks goals or commitments.</th>
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</table>

### Stakeholder Engagement

<table>
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<tr>
<th>Stakeholder Engagement</th>
<th>Engaged in risk mitigation efforts with stakeholders, sign agreements to ethical behavior.</th>
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### Supply Chain Management

<table>
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<tr>
<th>Supply Chain Management</th>
<th>Engaged in auditing, with staff to review compliance with company code.</th>
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### Strategy

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<tr>
<th>Strategy</th>
<th>View compliance as opportunity. Work to reduce cost, risk and waste, deliver proof-of-value, focused on eco-efficiencies with a defined ROI.</th>
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BSR Confidential and Proprietary
**Maturity Curve: Beyond Compliance**

**Definition**
Company has **defined their CSR strategy and is actively reporting** and working on key issues with a few examples of **industry leadership**.

<table>
<thead>
<tr>
<th>Governance</th>
<th>CSR work increasingly defined by internal teams with dedicated time to sustainability.</th>
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</thead>
<tbody>
<tr>
<td>Transparency</td>
<td>Reports sustainability activity, with clear, credible, and transparent metrics and efforts that demonstrate progress over time.</td>
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<tr>
<td>Stakeholder Engagement</td>
<td>Engaging stakeholders to deepen their efforts and increase visibility and credibility of important conversations.</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Strong management of supply chain with involvement in leading initiatives and product innovation.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Clear CSR strategy that is tied to the business and the company’s vision for a positive impact.</td>
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## Maturity Curve: Integrated Strategy

### Definition

Company has enhanced organizational value due to their **leading and integrated CSR work**. The company is able to **innovate** in sustainability while **generating business value** in an ever-changing market.

<table>
<thead>
<tr>
<th>Governance</th>
<th>C-Suite accountability and support for CSR, with performance metrics for all levels of employees.</th>
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<tbody>
<tr>
<td>Transparency</td>
<td>Reporting on clear targets and commitments with meaningful achievements and progress, along with accountability.</td>
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<tr>
<td>Stakeholder Engagement</td>
<td>Leads engagement with stakeholders consistently on contentious and opportunistic topics, increasing collaboration.</td>
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<tr>
<td>Supply Chain Management</td>
<td>Responsibly managed supply chain, with investments in relevant key issues such as worker empowerment and resource efficiency.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Integrated CSR strategy throughout the organization that addresses both material as well as high impact issues within a holistic framework.</td>
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### Maturity Curve: Purpose Driven

**Definition**

Company *does the right thing because they are the right things to do* and because they *are good for business, not the other way around.*

<table>
<thead>
<tr>
<th>Governance</th>
<th>CEO and Board deeply value sustainability beyond business benefits and is embedded in company culture.</th>
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<tbody>
<tr>
<td>Transparency</td>
<td>Integrated reporting that offers both financial and sustainability information as equal in importance to the company and its stakeholders.</td>
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<tr>
<td>Stakeholder Engagement</td>
<td>Deep partnerships with strategic parties, while engaging broadly on a variety of material issues.</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Cutting edge supply chain engagement and management on key issues.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Sustainability is embedded in the company’s vision, mission, and strategies and is integral to the company culture.</td>
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Identifying your Current Location

What is your company’s **overall** level of maturity in relation to sustainability today?

Where would you like your company’s maturity level to be in the next 2 years? In the next 5?

- Pre-Compliance
- Compliance
- Beyond Compliance
- Integrated Strategy
- Purpose Driven
CSR Trends
Global Sustainability Challenges

Understanding global trends in sustainability is a key step in preparing for the future. The following are significant challenges that have been emerging and will continue to grow.

1. Health
2. Human Rights
3. Water
4. Economic Well-Being
5. Climate
6. Biodiversity
7. Education
8. Global Security & Peace

(Note that these challenges are adapted from the UN Millennium Development Goals.)
Biodiversity

Despite greater conservation efforts, biodiversity loss is continuing at an alarming rate and increasing the risk of ecological catastrophe.

- 20-50% of nine of the world’s 14 biomes have been transformed to croplands.\textsuperscript{11}

- Over the past century, humans have increased the species extinction rate by as much as three orders of magnitude.\textsuperscript{11}

- Despite increased conservation efforts, deforestation continues at an alarming rate.\textsuperscript{5}

- Biodiversity loss is increasing the likelihood of ecological surprises and catastrophes.\textsuperscript{11}

- Unprecedented efforts in conservation and ecosystem management will be required if the rate of species loss is to be reduced.\textsuperscript{5}
Four CSR Macro Trends Affect Companies’ Ability to Lead

- **Competitors**: Sustainability is seen as driving solutions and competitiveness
- **Corporation**: CSR issues increasingly impact costs and business continuity
- **Civil Society and Government**: NGOs and governments demand more transparency and reporting
- **Customers and Stakeholders**: Increased board, customer, and investor attention necessitates CSR strategy and integration
Key trends in corporate giving

The field of corporate giving is rapidly evolving and becoming a more strategic platform for companies to explore new business models, support innovation and build lasting partnerships with communities.

Trend 1: Making Giving one element of a CSR/Citizenship Strategy
- Giving through Foundations or corporate channels is a cornerstone of many CSR/Citizenship strategies and in doing so, provides a holistic picture of the company’s commitment to its mission/values.

Trend 2: Building “social” businesses
- Leading companies are making Giving a good business investment by exploring new business models designed for social impact which leverage employee skills and business resources in new ways.

Trend 3: Engaging employees and customers as individuals and collectives
- Social networking platforms and new communication channels offer an opportunity for employees and customers to give on their own terms and direct company giving to the causes they care about.

Trend 4: Experimenting with new mechanisms of Giving
- From catalytic philanthropy to venture philanthropy, companies are experimenting with new ways to use their dollars for scale, reach and impact.

Trend 5: Building a signature program or partnership
- Marquis programs are becoming increasingly common ways for companies to reinforce their commitment to giving and key company values. These are often tied to multi-year funding partnerships.
Thank you!