

URBAN LEADERSHIP SERIES

MOVING TO A GREENER WORLD—

**THE BUSINESS CASE FOR
SUSTAINABILITY BEGINS WITH A
COMMITMENT TO CSR**

**JANE GARTHSON
ETHICSCAN CANADA
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What is Corporate Social Responsibility?

An organization accepting accountability for the environmental, economic and social impacts of its decisions and activities

The impacts are on the business itself (corporate sustainability), major stakeholders (human and community sustainability) and nature (planetary sustainability)

CSR Principles

- Conscious strategies for organizational responsibility
- Ethical business decisions with impacts considered
- Responsiveness to and engagement of stakeholders
- Accountability for actual performance
- Transparent, meaningful public reporting

CSR Scope

- All organizations can and should address some CSR indicators
- Governments have significant accountability for their environmental, social and economic impact
- Changes in purchasing policies alone could make a tremendous difference
- Only larger governments and nonprofits may be set up to measure and report on impacts, but even small charities can act on CSR

CSR Trends

- Growing use of Global Reporting Initiative guidelines
- Largest initiative may be United Nations Global Compact - over 4000 businesses in 120 countries have voluntarily joined
- We have outgrown the old, narrow focus on corporate philanthropy
- Legal compliance is minimum ethical standard, not sufficient for CSR

What is Included in CSR

- GRI CSR reports cover Economic, Environmental and the following aspects of Social Performance: Labor Practices & Decent Work; Human Rights; Society; and Product Responsibility
- Issues change over time. Current topics include supply chain, customer service, investment practices, biodiversity, freedom of association, governance, workplace safety and corruption

Key Message: Integrity

- Integrate with all aspects of the organization from governance to waste discharge
- Set targets and monitor - e.g., energy saving
- Put CSR performance into CEO compensation
- Use CSR to explain decisions
- Hire and promote people who live CSR
- Work to eliminate inconsistency, e.g., good community relations in Canada, bad in China

Key Message: Stakeholder Engagement

- Proactively consult in a way that allows for influence on decisions and shared actions
- Choose who matters but remove barriers and include critics
- Measure results, e.g. faster capital project development; better applicant pool
- Consumers, investors and regulators want to reward the good, avoid the rest, and punish the irresponsible. The numbers are gradually increasing but sensitive to price/return

Key Message: Triple Bottom Line

- Environmental, social and economic are impossible to separate - must harmonize even if separately audited and reported
- Must make it easy for readers to find what matters to them (esp. money managers/institutional investors)
- Readers can spot spin!

Key Message: Investor Pressure

- Cdn. assets invested according to socially responsible guidelines increased from an estimated \$65.46 billion in 2004 to \$503.61 billion, as of June 30, 2006 - due mostly to major pension funds
- In 06, Cdn. SRI assets represented 19.6 per cent of the combined retail mutual fund market and institutional investment market
- 2 to 3 TRILLION in assets in USA; up 18% in past 2 years

Key Message: Technology Benefits and Risks

- Unlikely to deal well with environmental issues without better technology, BUT:
 - Is ethanol the answer if it precipitates a global food crisis?
 - Carbon tax systems depend on new technologies
- Canada has high expertise but also high risk given weather and geography
- Must diversify technology - hedge “bets”

Key Message: Business Strategy

Consider CSR in the big questions:

- Treat CSR/Triple Bottom Line targets as key
- Should we grow or are we at optimum size?
- Are the returns from problematic products or production methods worth it?
- Can the planet support the environmental costs of more development/wealth in China?
- Are the chances of success of a specific acquisition or merger good enough?

Nature works in cycles - where are we now?

Are You Sustainable?

- Do you empower staff to apply CSR throughout the organization?
- Is CSR integrated into your governance and leadership?
- Are you performing better or just reporting more?
- Have you adopted CSR personally, as a consumer, investor, employee, etc.?





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