BROWN FLYNN

Harnessing the Benefits of Corporate Accountability and the Triple Bottom Line

October 2, 2008

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ABOUT BROWN FLYNN

BrownFlynn is a corporate responsibility and sustainability consulting firm. We advise companies on how to integrate responsible practices into their business strategies, and how to communicate these practices internally and externally for bottom-line impact.

WHAT I HOPE TO ACCOMPLISH TODAY…

1. Share a bit of history/context regarding corporate responsibility and sustainability
2. Discuss why it's relevant and important to all of you
3. Talk about non-financial reporting and the GRI

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TERMINOLOGY

Corporate Social Responsibility: continuing commitment by business to behave ethically & contribute to economic development while improving the quality of life of the workforce and their families, the local community & society at large

Triple Bottom Line: expanding traditional company reporting framework to account for environmental & social performance, as well as financial performance

People, Planet, Profit: an expanded spectrum of values & criteria for measuring organizational (and societal) success—economic, environmental & social

Sustainability: an attempt to provide the best outcomes for the human & natural environments both now & into the indefinite future

Corporate Citizenship: the role of a company in considering its responsible involvement within the wider community

Corporate Health: concept that organizations, especially commercial businesses, have a duty of care to all of their stakeholders in all aspects of their operations

Corporate Responsibility: how companies manage the business processes to produce an overall positive impact on society

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TERMINOLOGY

Sustainable Development: Development that meets the needs and aspirations of the current generation without compromising the ability to meet those of future generations

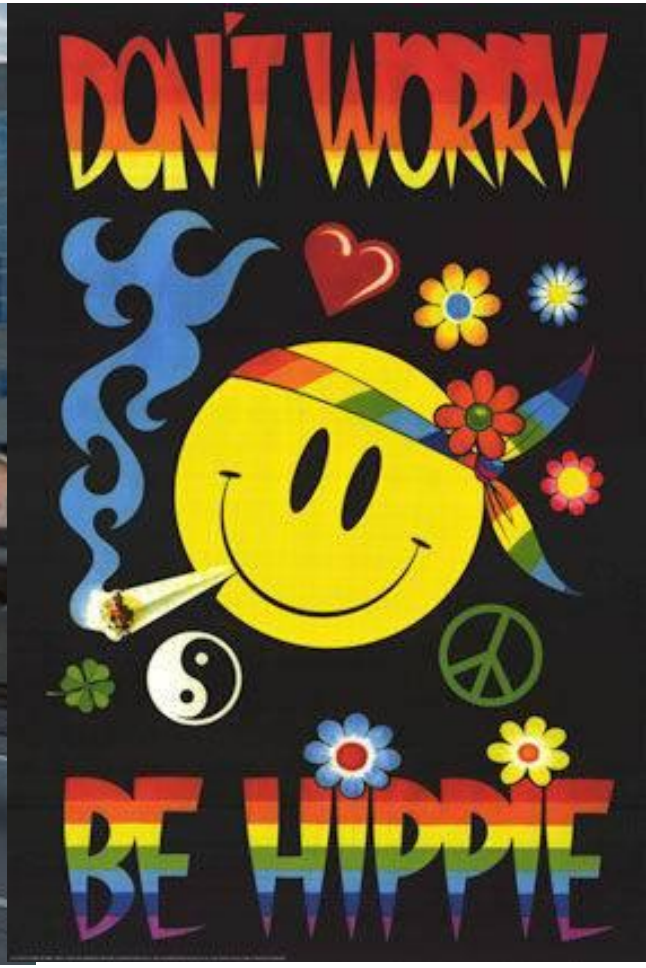
– UN Brundtland Commission 1987

Globally, the three strategic pillars of sustainable development are Environmental, Social and Economic (The 3 Ps)

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TERMINOLOGY



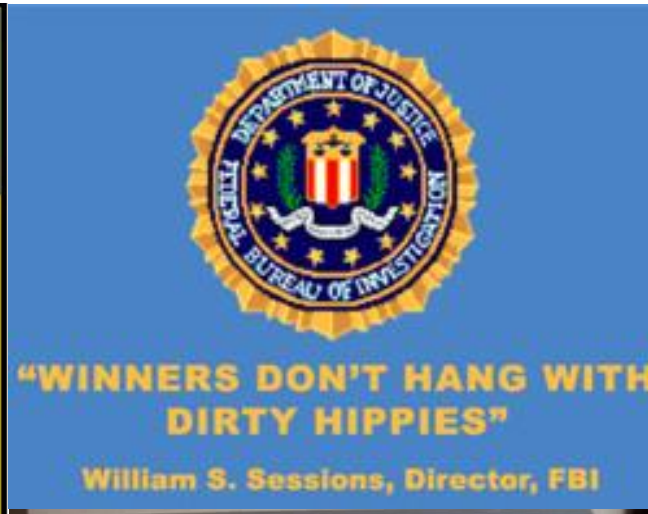


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TERMINOLOGY

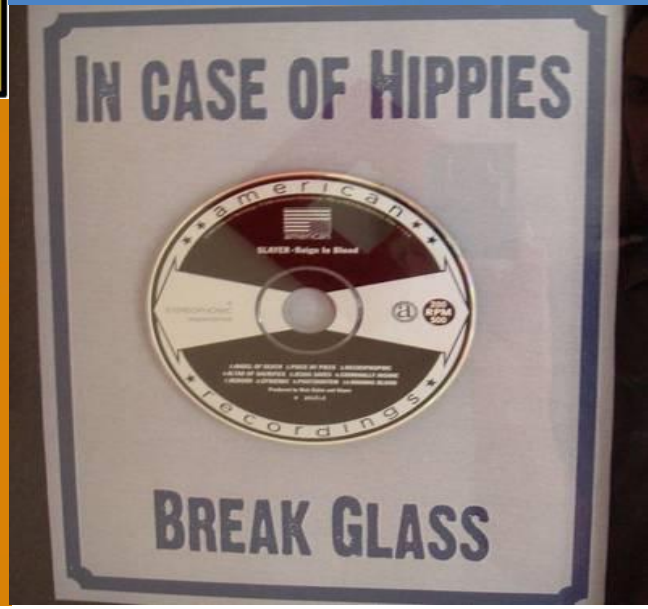












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TERMINOLOGY

THE ‘HIPPIES’ USING THESE TERMS AND TRANSLATING THEM INTO ACTION ARE:



FORTUNE















DOWJONES

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Why Care?

- Investors seeking Socially Resposible Investment (SRI) Funds
  - Grown 324% since '95 to $2.71 trillion* in '07
  - In 2005 – 2007 alone, SRI assets increased more than 18 percent while broader universe of professionally managed assets increased less than 3 percent
- Growing number of Funds (small- to large-cap): Dow Jones, Calvert, Domini, etc.

** Based on one or more of the three core socially responsible investing strategies—screening, shareholder advocacy, and community investing. Source: Social Investment Forum*

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Why Care?

--Principles of Responsible Investment (PRI)

- Investor partnership with the UNEP-Finance Initiative and UN Global Compact
- More than 200 major institutional investors with $13 trillion in assets under management pledged to begin considering environmental, social and governmental factors in their investment process.

Source: Calvert: "The Link" 2008

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Why Care?

--Investor Network on Climate Risk (INCR)

- Network of more than 70 institutional investors and financial institutions with collective assets of more than $7 trillion

- Promotes better understanding of the financial risks and investment opportunities posed by climate change.

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Why Care?

– Shareholder advocacy

- 2005 – 2007: Record high increase (57%) in average level of shareholder support for resolutions on social and environmental issues
- Total number of resolutions increased from 360 in 2005 to 367 in 2006.
- Institutional investors filing or co-filing resolutions on social or environmental issues controlled $739 billion in assets in 2007—more than 5% rise over the $703 billion in assets counted in 2005.

Source: Social Investment Forum

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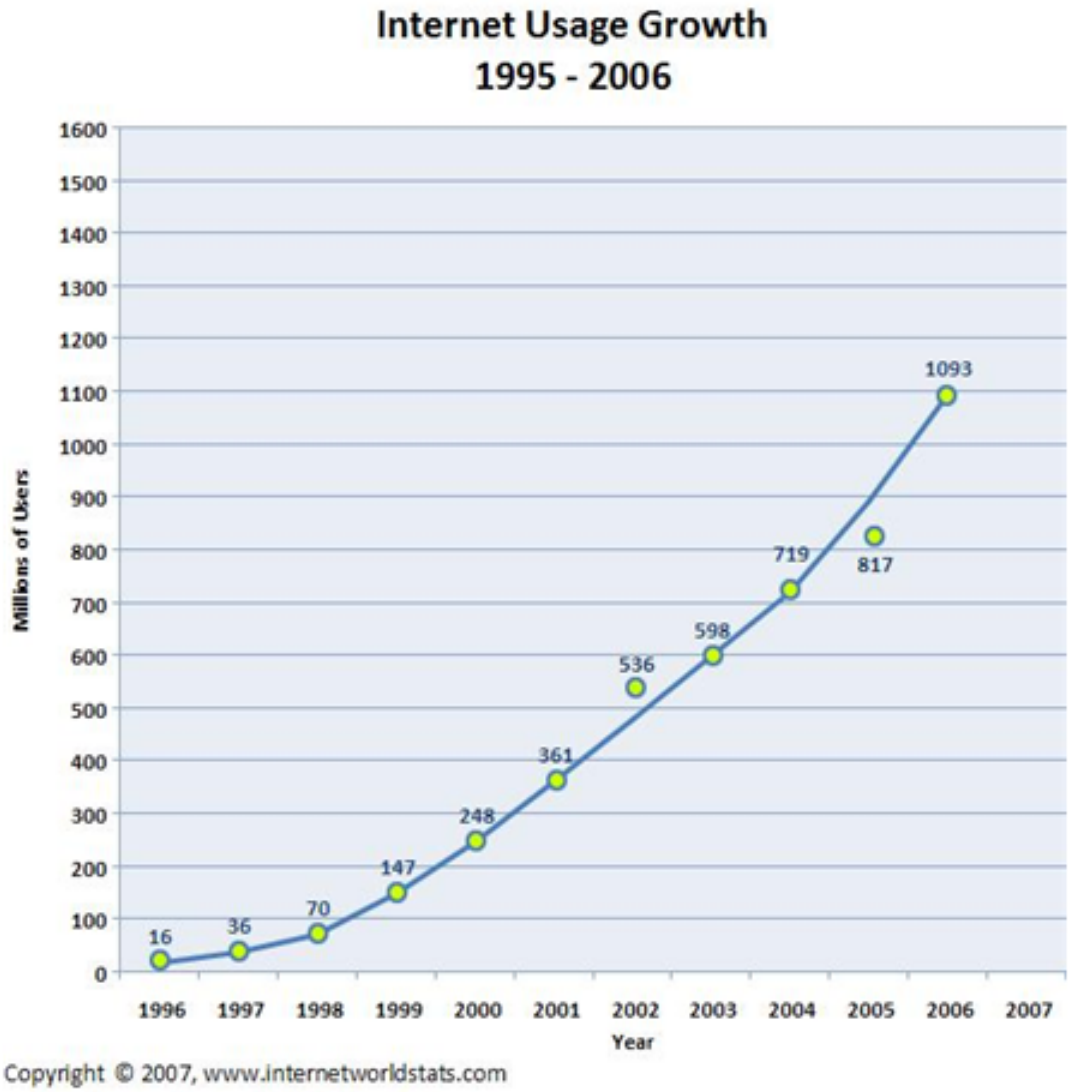
Why Care?

"Organizations that demonstrate a commitment to sustainability are fast becoming the employers of choice. In 2007, 69% of job-seeking respondents in a global employee satisfaction and motivation survey labeled corporate responsibility as an important factor when deciding which company they wanted to work for."

Source: Environmental Jobs Network

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Why Care?



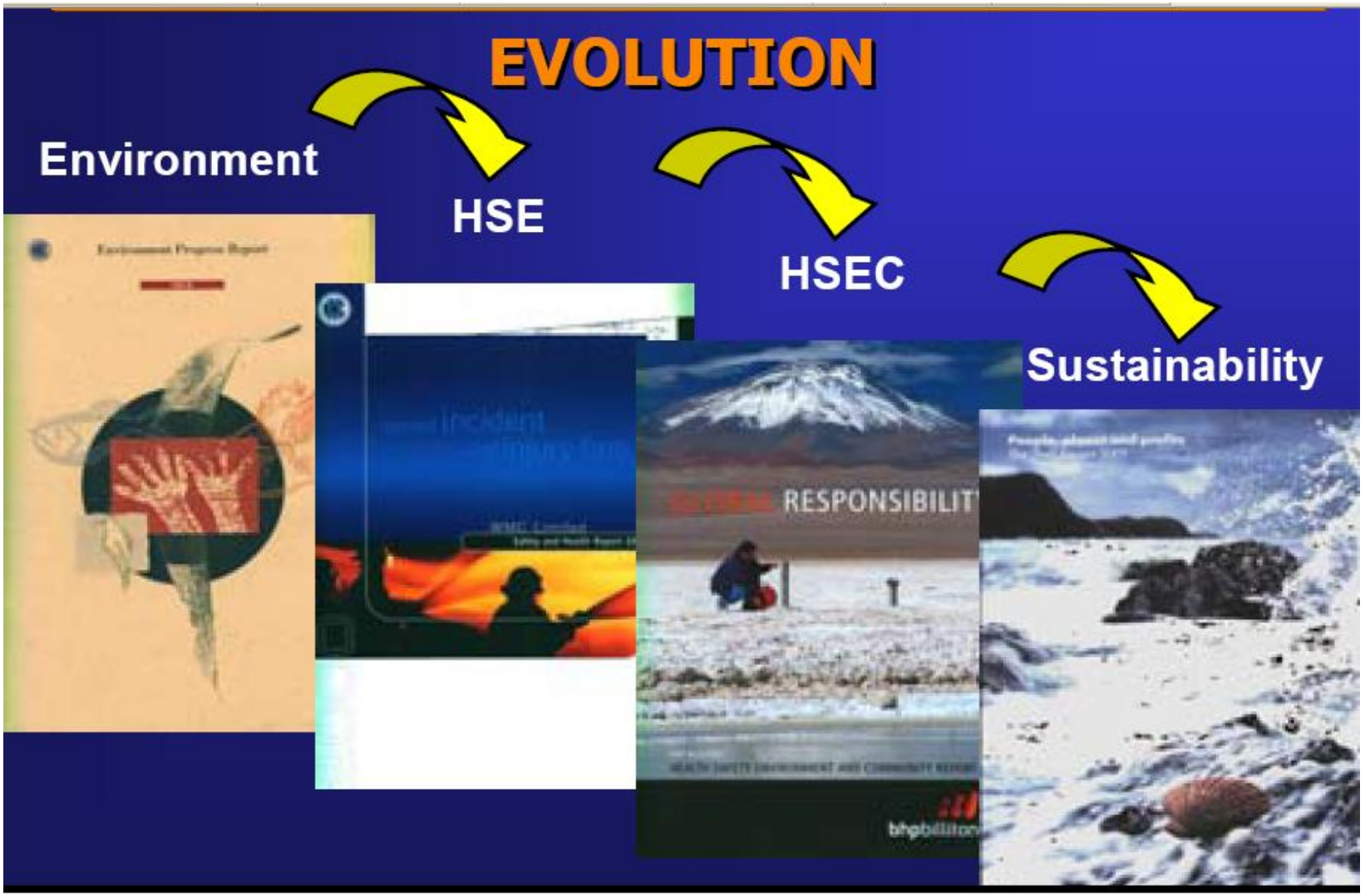
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Why Care?



Source: Wuppertal Institute, 2004

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Courtesy of URS Corporation

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The Sustainability Reporting Process

- Focus on ***process*** rather than *document*

- With proper framework of objectives, targets and stakeholder engagement the reporting process can:
  - Drive organizational change
  - Reduce resource use, waste and operating costs
  - Improve: community support, customer confidence, relationship with regulators, attractiveness to investors, competitive advantage, global exposure and supply chain advantage

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What is GRI?

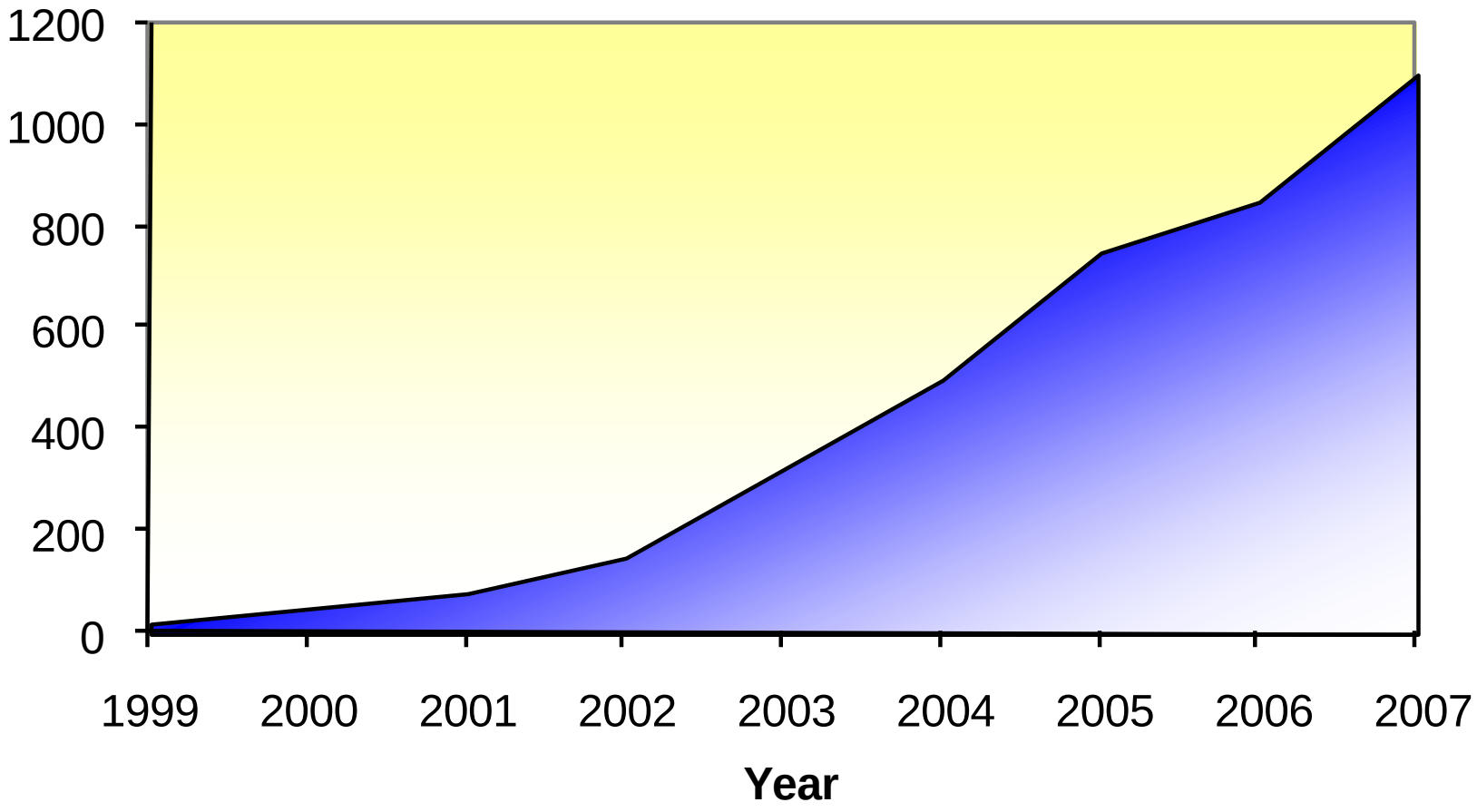
- A multi-stakeholder governed institution collaborating to provide the global standards in sustainability reporting.

- G3—
  - Most recent set of guidelines
  - "Gold standard" in reporting globally
  - Provides financial, social and economic indicators on which companies can choose to report

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Who is using GRI?

Companies Reporting Using GRI



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Why do we need GRI?

- To ensure sustainability reporting maintains credibility, consistency and comparability in the same way as financial reporting.
- To identify those components of a company's value that are not always apparent when simply assessing financial performance.

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Why do we need GRI?

- Sustainability Reporting Guidelines provide basis to:
  - Benchmark organizational performance with respect to laws, performance standards and voluntary initiatives;
  - Demonstrate organizational commitment to sustainable development; and
  - Compare organizational performance over time.

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GRI Performance Indicators

Environmental

- Materials Use
- Energy Consumption and Efficiency
- Water Consumption and Efficiency
- Biodiversity Impacts
- Emissions, Effluents and Waste Data

Human Rights

- Investment and Procurement Practices
- Non-discrimination
- Freedom of Association and Collective Bargaining
- Child Labor
- Forced and Compulsory Labor
- Security Practices
- Indigenous Rights

Labor Practices and Decent Work

- Workforce Size and Turnover
- Labor/Management Relations
- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity

Society

- Community
- Corruption
- Public Policy
- Anti-Competitive Behavior
- Compliance

Product Responsibility

- Customer Health and Safety
- Product and Service Labeling
- Marketing Communications
- Customer Privacy
- Compliance

Economic

- Economic Performance
- Market Presence
- Indirect Economic Impacts

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Materiality

"Topics and indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders."

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Why Materiality Matters?

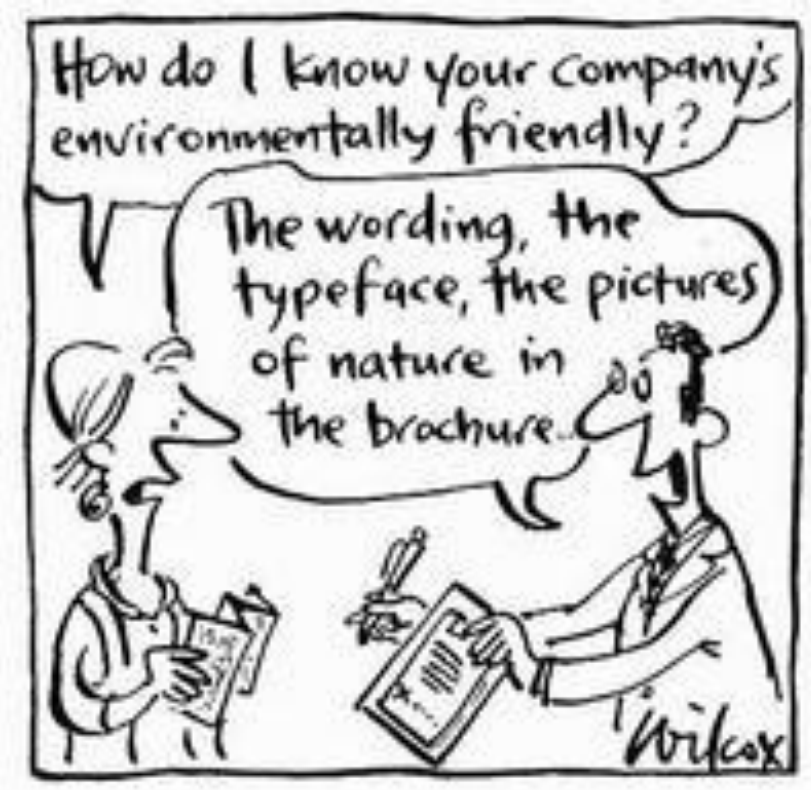
As a strategic tool:

- Identify, prioritize, and address opportunities and risks
- Align sustainability and business strategies
- Build and maintain a strong brand and reputation
- Gain competitive advantage
- Anticipate and manage change
- Assess performance over time

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Why Materiality Matters?

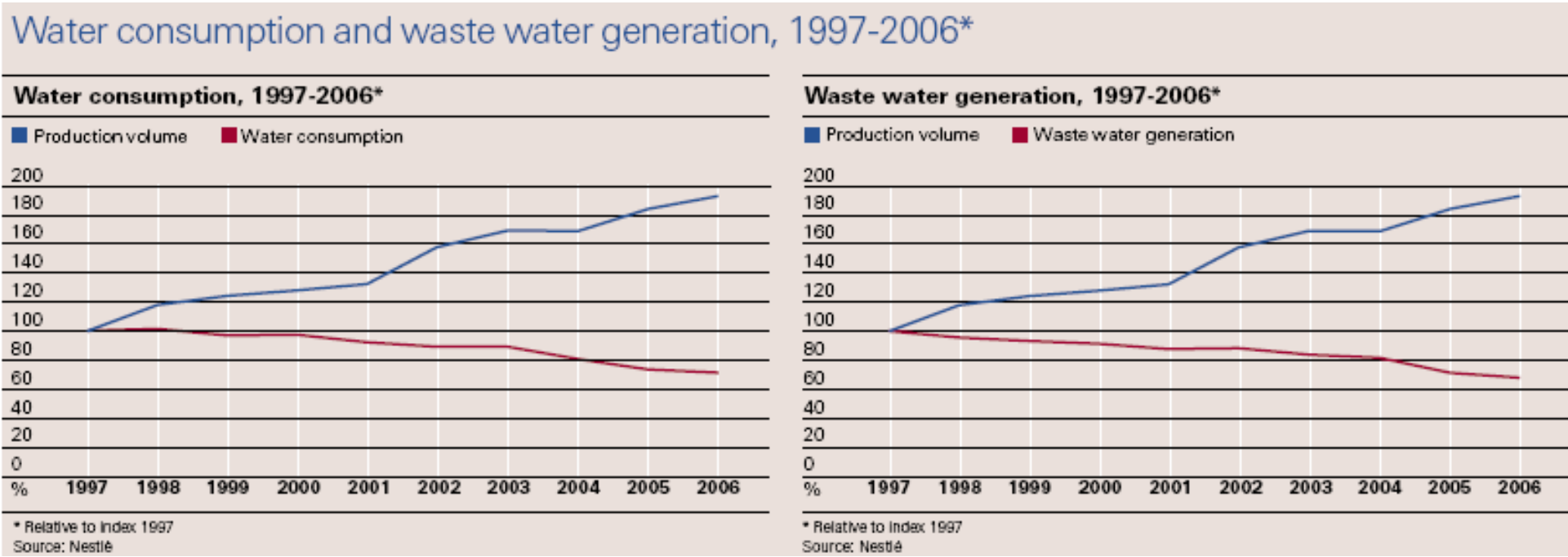
"GREENWASHING" v. CREDIBLE COMMUNICATIONS



- Be honest
- Don't lie through omission; hiding through excessive pages
- Don't be afraid to 'toot your own horn'
- Address difficult issues 'head on'
- Admit limitations
- Be consistent

Communications

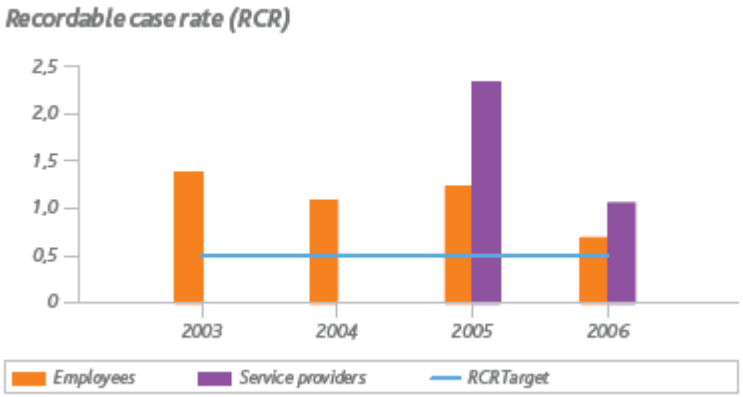
DON'T BE AFRAID TO 'TOOT YOUR HORN'

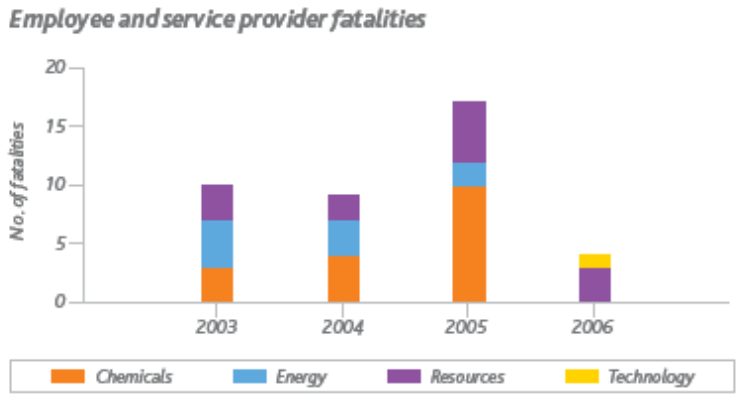


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Communications

ADDRESS DIFFICULT ISSUES 'HEAD ON'





Employee and service provider fatalities

August 2005

Sasol Mining, South Africa – Molamo Thabo Mmako, a service provider, was killed when he was struck by a makeshift conveyer belt sling that failed under tension.

September 2005

Project Turbo, Secunda, South Africa – Zabathini Ntinta, a service provider, died after falling from scaffolding.

December 2005

Sasol Mining, South Africa – Roger Ben Mhlanga died instantly when an unsupported roof fell on top of him.

May 2006

Irenedale Shaft site, South Africa – Abram Moditse, a service provider, was killed when a fire extinguisher ruptured while being serviced on site.

sasol
reaching new frontiers

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Report Assurance

- Internal Assurance
- External Assurance
- GRI Application Levels
- Most important: Be transparent about who, if anyone, is verifying that you're doing what you say you're doing!

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Conclusions

- Focus on the reporting process rather than the document itself
- Define the audience for the report
- Identify what to benchmark
- Establish reporting/benchmarking process framework

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Conclusions

- Understand what you are benchmarking against
- Tailor to your audience; big is not always best
- Reporting process has the potential to drive cultural change

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Final Thoughts

- The Pressure Will Not Subside Any Time Soon”
- Ad-Hoc Will Not Do The Trick
- Going ‘Green’ is an Outcome, Not a Goal Unto Itself
- “Carpe Diem”

Deloitte Industry Report – June 2007

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Questions?

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