Developing and Implementing CSR Strategy and Commitments

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§1 Introduction

Hohnen and Potts noted that there is no "one-size-fits-all" method for pursuing a CSR initiative and that each company must consider its own unique characteristics and circumstances when implementing, expanding or modifying its CSR programs and policies.[1] Among other things, these characteristics and circumstances include the company's overall mission and purpose, organizational culture, external environment and risk profile, operating conditions and existing relationships with stakeholders. Available resources for CSR activities are also an important constraint, although even when resources are scarce companies can take modest steps to integrate CSR concerns and principles into their core decision making, strategy, management processes and activities. However, notwithstanding the contextual contingencies of CSR, companies can take advantage of the extensive work that has gone into creating international instruments that provide a basic framework for designing and implementing an effective and comprehensive CSR initiative and which have been vetted and endorsed by governments and civil society alike. Among the sources to choose from are the following:

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
- The International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and Core Labour Standards;
- The UN Global Compact Principles;
- The Global Reporting Initiative ("GRI") Sustainability Reporting Guidelines;
- The International Organization for Standardization ("ISO") standards;
- The AccountAbility AA1000 Series; and
- The Social Accountability International SA8000 standard.[2]

Hohnen and Potts proposed a CSR implementation framework that begins with "planning", and the first step in this phase is conducting a CSR assessment by assembling a CSR leadership team; developing a working definition of CSR; identifying legal requirements; reviewing corporate documents, processes and activities and internal

[1] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 18.

[2] Id. at vii. Companies can also refer to guidelines prepared by local and regional governments which presumably were prepared with reference to specific local conditions and societal values and generally benefit from participation by representatives of business, government and labor (e.g., the Singapore Compact; the Thailand Labour Standard; the 2006 CSR Beijing Declaration; and the Confederation of Indian Industries). Id.

capacity; and identifying engaging key stakeholders.[3] Once the assessment is completed attention turns to developing a CSR strategy, a process which includes building support with CEO, senior management and employees; researching what others are doing, and assessing the value of recognized CSR instruments; preparing a matrix of proposed CSR actions; developing ideas for proceeding and the business case for them; and deciding on direction, approach, boundaries and focus areas.

Once the CSR strategy has been completed it is time to move forward with developing and implementing CSR commitment. Developing CSR commitments involves doing a scan of CSR commitments; holding discussions with major stakeholders; creating a working group to develop the commitments; preparing a preliminary draft; and consulting with the affected stakeholders. In order to implement the CSR commitments steps must be taken to develop an integrated CSR decision-making structure; prepare and implement a CSR business plan; set measurable targets and identify performance measures; engage employees and others to whom CSR commitments apply; design and conduct CSR training; establish mechanisms for addressing problematic behavior; create internal and external communications plans; and make commitments public. Once the company is actively engaged in implementing the CSR strategy it is essential to measure and assure performance, engage stakeholders and report on performance, both internally and externally. The CSR leadership team must evaluate performance, identifying opportunities for improvement and engage with stakeholders on implementing changes and improvements.

Taken together, the steps described above—which Hohnen and Potts called “plan”, “do”, “check” and “improve”—should be seen as a “cycle” of implementation that should be mastered and improved and repeated in line with a reasonable and appropriate schedule. Hohnen and Potts emphasized that companies should approach CSR as a process of continual improvement, being constantly alert to new issues and considerations. Their implementation framework, which they noted was based on well-known initiatives such as the quality and environmental management systems promulgated by the International Organization for Standardization (“ISO”), is intended to provide a path for companies to follow; however, flexibility should be exercised in order to be sure that the specific needs and circumstances of the firm are taken into account. The goal of the process is to create and maintain a CSR implementation framework that integrates economic, social and environmental decision making throughout the company, from the board of directors to front-line employees to supply chain partners, and thus enhances the overall corporate governance effectiveness of the company.[4]

Another framework was suggested by Willard, who recommended that companies engage in a multi-step process for ensuring effective implementation of sustainability initiatives that includes “wake up and decide”, “inspire visions”, “assess current realities”, “develop

[3] Id. at 19.
[4] Id. at 19.

strategies", "build case(s) for change", "mobilize commitment" and "embed and align".[5] He explained how this works as follows:

> "[A process that ensures a successful implementation of any significant sustainability change initiative] begins with sustainability champions deciding to make a difference on a pressing environmental or social issue that is relevant to the company. It could be reducing the company's carbon footprint to avoid climate destabilization, mitigating the water or food crisis, or improving the wellbeing of the local community. With a few kindred spirits, they the sustainability champion crafts an inspiring shared vision of how great it would be if the company were a leader on that issue. Then they identify performance gaps between where the company is now on the chosen sustainability issue and where it could or should be. They engage appropriate internal and external stakeholders to map out strategies to close the performance gaps. The next "build case(s) for change" step is pivotal. Some progress can be made without senior management support, but to get real traction and mobilize sustained commitment to the desired sustainability initiative throughout the organization, the executive team needs to provide visible and active support. Only they have the position power to allocate appropriate resources and to make the necessary changes to the measurement, management, recognition, and reward systems to imbed any required new policies, processes, and behaviors into the company's culture and DNA. It's time to craft a compelling business case."[6]

While both of the frameworks suggested above are organized and described as an orderly continuum of steps, the reality is that developing and implementing a CSR initiative requires that a number of activities be carried out at once. One of the first things that should be done is to getting a good idea about what the company stands for and how it operates, a process which includes document review, interviews and observation. Concerns of internal stakeholders, such as employees, need to be identified and analyzed. At the same time, it is essential to determine who the company's most important external stakeholders are and collect information on how those stakeholders have interacted with the company and what their expectations might be with respect to the company's CSR programs. Community concerns are particularly noteworthy even though the company's relationships with other stakeholders, such as investors, customers, lenders and supply chain partners, have a more direct impact on economic performance. Companies need to reach out to members of their communities through publications, open houses and workshops to develop and implement ideas about how the company can be a better community member. Finally, the interests and concerns of society-in-general and regulators should be monitored on a continuous basis and companies should establish and

[5] B. Willard, "Introduction" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

[6] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 19.

maintain contacts with NGOs, advocates for civil society, legislators and representatives of regulatory agencies with influence over topics that are relevant to the company.

Businesses seeking to incorporate CSR and sustainable development into their strategic planning and operations face a number of practical challenges such as the following[7]:

- Both CSR and sustainable development are concepts that are not amenable to simple and universal definitions, rather they are fluid and subject to changes over time in response to increased information and society's evolving priorities. There are so many issues that can reasonably be placed under the umbrellas of environment and social responsibility and the apparent importance of any one of those issues can change almost overnight in light of political events and acts of nature. The challenge for any single business is to select an issue or cause that will resonate over a long period of time, which is one reason why it is frequently recommended that the mission or purpose of a sustainability-focused business be broadly defined, as opposed to a niche.
- While there is a growing consensus that businesses need to be involved in sustainable development and embrace CSR in order for the entire movement to have an impact, the precise role of business in contributing to sustainable development remains indefinite. Moreover, the form and size of contribution that a particular business can make will vary depending on the sector in which the organization is operating and the size of the organization. Each business needs to assess its own core competencies and determine how they can best be deployed through CSR initiatives in order to make an impact on a sustainable development problem.
- While most business leaders know how to steer a business when profitability is the sole objective, there is no consensus among those leaders as to best balance between narrow self-interest (i.e., increasing shareholder value, regardless of the impact on other stakeholders) and acting in ways that are for the good of society as a whole. Being a sustainable business and a socially responsible enterprise does not mean abandoning the profit motive, since profits are needed in order for the business itself to survive and provide the goods and job opportunities expected from its customers and workers, but it does mean that the leaders of the business will need to adopt different approaches to financial profitability and accept and measure additional "bottom line" objectives (i.e., the environmental and social dimensions of the so-called "triple bottom line" used to measure sustainability).
- Businesses must confront and overcome difficult tradeoffs as they implement CSR and sustainable business practices. For example, an existing business may decide that it wants to invest in manufacturing technologies and processes that will ultimately result in drastic improvements in energy use efficiency and significant reductions in pollution; however, since it may take several years for a new plant using these technologies and processes to be built the question for the company is whether to shut down its existing plant immediately, and risk losing market share and displacing

[7] Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

hundreds of workers, or continue to operate the plant using technology and processes that cause substantial harm to the environment.

- One of the advantages of focusing on the financial performance of a business is that there are a wide array of quantitative and objective measures that can be used to determine if the business in the right track; however, when it comes to environmental and social issues business leaders are often confronted with a dizzying and technically ambiguous array of terms that make it difficult to settle on the approach course of action. For example, while "sustainable forest management" sounds like a worthy objective, many critics argue that simply replacing trees that have been used for commerce is not sufficient since it does not make up for the harm to the biodiversity of the forest caused by the original harvesting. Additional research on these issues is necessary and the result will influence how businesses act in the future; however, businesses seeking to engage in CSR can take advantage of a number of tools for measuring and reporting performance.
- The path toward become sustainable development is a long one and businesses need to set reasonable expectations for any given point in time along the journey. For example, improving environmental performance is generally a reasonable way to start the process as opposed to ambitious and costly investments to achieve full sustainability development within a short period of time. In order to fend off criticism about the speed of the process, businesses need to be transparent about their CSR plans and communicate regularly with stakeholders regarding the impact of current initiatives and planning for new projects that will be implemented in the future. Stakeholder engagement of this type is also a good opportunity to proactively explain the tradeoffs that the company is making, such as a decision on the issue described above to keep an older and less eco-efficient plant open to maintain employment in the community while at the same time working on the new facility that will be operated with advanced technology that drastically reduces damage to the environment and the community surrounding the facility and enhances the wellbeing of the company's employees.

A "Top 10" List of CSR Mistakes

Blok et al., who have consulted a wide range of companies on strategy and sustainability, argued that while growing numbers of companies appeared to be take social and environmental responsibility more seriously and announcing grand plans for corporate social responsibility ("CSR") initiatives, most of those companies were undertaking CSR projects without a firm idea of what corporate responsibility really meant for their businesses. As a result, they believed that many companies would ultimately need to unlearn the practices and activities that they believed to be socially responsible when it becomes clear that their CSR initiatives were not living up to the expectations of stakeholders and were actually eroding the value of their businesses. In an effort to get companies on the right path from the beginning of their journey toward social responsibility, Blok et al. outlined what they believed to be the ten most frequent areas where companies make CSR mistakes:

Lack of vision: Most companies place too much emphasis on the past when developing their CSR strategy. The recommended approach is to first ask "What does this company want to be in ten years' time?". This encourages the creative development of a vision for the company and its long-term role in the world. Once that question is answered, the company can return to "Where are we now?" and bridge the gap between the answers to the first two questions by brainstorming on "What and how do we need to change to bring about our vision?".

Poor understanding of the scope of required change: Most companies fail to realize and appreciate that effective implementation of CSR will require an enormous amount of organizational change and development based on completely new managerial perspectives. It is not sufficient for companies to selectively modify existing business practices, but rather they must be committed to finding and executing new, more responsible and smarter ways to create wealth.

Managing CSR at the sub-strategic level: In many cases, CSR is managed as a staff function, at a sub-strategic level, meaning that there is at best a loose connection to the overall strategy of the business, its core technologies and management know-how. While this approach can create an appearance of CSR commitment, it generally fails to adequately address the emerging social and environmental pressures that companies are facing. CSR needs to be recognized as a strategic imperative to be managed at the highest levels of the organization by board members and senior executives who are in a position to implement sweeping changes to incentive systems, the focus of decision-making, and management systems.

Unsophisticated view of CSR: Companies fails to recognize and adopt a strategic view of CSR and its role in protecting the value of current assets and creating new value. The preferred approach is selecting and implementing more responsible practices to protect the value of existing assets (i.e., management systems, performance indicators, reporting, adherence to codes and standards) and selecting and implementing activities where CSR plays a role in innovation and change that leads to creation of new value.

Inability to hear outside voices: While stakeholder engagement is a central premise for developing and implementing a CSR strategy, many companies fail to take the best advantage of stakeholder input because they are unable to engage stakeholders in appropriate ways, to ask them appropriate questions and to listen and understand their suggestions. For example, when seeking stakeholder input on a sustainability report companies need to pose focused questions so that stakeholders know what is expected of them (e.g., providing ideas for improving the report, suggesting ways to improve the relationship between the company and the stakeholder or identifying opportunities for innovation).

Sticking with old managerial competencies: Many companies cling to the traditional focus on "hard" analytical skills when selecting and training their managers; however, these skills, while still valuable, are not sufficient to effectively manage CSR initiatives that will require interactions with various stakeholders in product development and strategic planning. Companies pursuing CSR will need to modify their recruiting and training practices, as well as their organizational culture, to develop the managerial competencies appropriate for CSR initiatives.

One worldwide approach: Companies typically rush to adopt a single uniform worldwide approach to CSR, generally pursuing an agenda that is based on priorities and practices in their home countries. While this may be efficient and make it easier to launch a CSR initiative, it fails to take into account real differences among the CSR agendas across countries. For example, while Germans believe that environmental sustainability and good community relations should be prioritized, the Nordic countries are more concerned about how companies operate in developing economies.

Uneven approach: A number of companies make grand pronouncements about broad CSR initiatives; however, when it comes to implementation they focus their action on a limited set of divisions, localities and functional areas while continuing to ignore other problems, an approach that eventually brings the integrity and value of the entire program into question. For example, while it has become popular for companies to announce carbon-neutrality pledges to generate good publicity, many of them drag their feet in engaging in the hard work necessary to clean up the unsafe working conditions and use of child labor in their supply chains.

Non-participative management: While the board of directors and members of the senior management team need to be actively involved in CSR initiatives by setting the proper "tone at the top" and proactively developing a comprehensive CSR strategy and accompanying CSR commitments, the process should not be entirely top-down directives. Companies need to involve employees at all levels to make CSR part of company culture and procedures and identify internal "change champions". Ideas drawn from employees and put into practice build commitment to the initiative which can be leveraged in communications and other dealings with external stakeholders.

Failure to see corporate responsibility as innovation: Blok et al. felt that many of the mistakes mentioned above were part of a larger and more fundamental problem they observed at many companies: failure to see that adopting and practicing CSR is best based on a continuous innovation process that links corporate responsibility to the company's business model. They noted that while companies do recognize innovation as being important to creating and maintaining competitive advantage, they have been slow to acknowledge that CSR initiatives can and should be framed as innovative methods for protecting existing assets and value and creating new value that will make the company as a whole more sustainable.

Source: Adapted from M. Blok, V. Jennings, D. Leipziger and N. Roome, “A how-not-to guide: top ten corporate responsibility mistakes”, Ethical Corporation (December 2006), 40.

§2 Conducting a CSR assessment

In order to make informed decisions about the content of a new CSR initiative, or changes to an existing program, the board of directors and members of the senior management team must have an accurate picture of the current state of the company’s efforts and activities with respect to social responsibility. The information should be collected and analyzed through a formal CSR assessment process that covers the company’s products, services, decision making processes and activities and culminates in a thorough gap analysis that takes into account risks and opportunities and focuses attention on the company’s strengths and weaknesses and how its CSR profile aligns with its strategic and business goals, peers and best practices. Specifically, the CSR assessment should provide decision makers with an understanding of the following[8]:

- The company’s values and ethics;
- The internal and external drivers motivating the company to undertake a more systematic approach to CSR;
- The key CSR issues that are affecting or could affect the company;
- The key stakeholders who need to be engaged, and their concerns;
- The current corporate decision making structure and its strengths and inadequacies in terms of implementing a more integrated CSR approach;
- The human resource and budgetary implications of such an approach; and
- Existing CSR-related initiatives.

While the overall CSR framework is based on the implicit assumption that the company is new to the process of developing and implementing a CSR initiative, the assessment often uncovers existing social responsibility processes and activities even though they have not been incorporated into a formal program. It is not uncommon, for example, for companies to take a number of steps with respect to issues such as quality control, environmentally sound manufacturing processes and occupational health and safety in order to comply with basic legal requirements and the specific conditions in contractual relationships with major customers. The assessment process provides an opportunity to systematically inventory all that is already being done and use those processes and activities as the foundation for a broader and more comprehensive initiative. At a minimum, companies can determine if similar processes and activities can be combined and made more efficient and scalable.

[8] Id. at 22.

The goal of the assessment is to collect as much information as possible to move to the next step of developing a new CSR strategy or making necessary changes to an existing strategy. How that information is collected depends on firm-specific factors such as available resources, products and services and the legal and other external environments and some issues may require more attention than others. While there is no universal assessment template, best practices indicate that companies should incorporate five stages identified by Hohnen and Potts: assemble a CSR leadership team; develop a working definition of CSR; identify legal requirements; review corporate documents, processes and activities; and identify and engage key stakeholders.[9] While presented in order, companies can obviously vary the stages and there will be overlap. For example, stakeholder engagement often begins early in the assessment process.

Assessment is a time-consuming process, it will be difficult to put together a leadership team and synchronize their schedules so that they can collaborate on the other tasks such as reviewing documents and existing processes and engaging with stakeholders. In fact, many companies stumble on the path toward integrating CSR into their businesses at the very beginning because the assessment seems to be so difficult. In order to reduce these potential problems, companies can consciously take a more modest approach along the lines generally suggested for smaller businesses and focus their efforts on one or two key areas at the very beginning. Even a small project can make a difference and provides the company with the experience and confidence to expand its CSR activities as time goes by.

Companies may use independent outside consultants to assist in the assessment process; however, this approach should be used sparingly since it is important for company personnel to become directly involved in the CSR mindset. Business for Social Responsibility (www.bsr.org) is one of many firms that offer sustainability services to companies interested in implementing a CSR initiative including assistance with assessments, stakeholder engagement, development and implementation of CSR strategies and designing internal management systems that integrate CSR into the company's organization and culture.

Numerous self-assessment tools are available to assist companies in conducting an internal assessment; however, care should be taken to avoid bias and conflicts when the assessment is being done by company personnel. One resource to consider is available from Ceres, a non-profit organization advocating for sustainability leadership (www.ceres.org), which has developed and disseminated its Ceres Roadmap as a resource to help companies re-engineer themselves to confront and overcome environmental and social challenges and as a guide toward corporate sustainability leadership.[10] The Roadmap was first released in 2010 and has been subsequently revised to take into account rapidly emerging changes such as the following:

[9] Id. at 23.
[10] Ceres, The Ceres Roadmap for Sustainability (www.ceres.org/ceresroadmap)

- Businesses had come to realize that ecological and social threats were becoming an increasingly bigger part of the environments in which they are operating and that they must be better prepared to confront climate change and a global water crisis.
- The international community, often under the auspices of global organizations such as the United Nations, had come together to develop sustainable development goals and negotiate multi-national agreements on important environmental and social issues such as reducing carbon emissions and reliance on fossil fuels and providing decent work and economic growth for all segments of the population.
- The roles and responsibilities of companies to protect human rights had been defined in instruments such as the Guiding Principles on Business and Human Rights and guidance for companies on how to report on human rights had become widely available.
- Interest in sustainable companies was increasing among investors and data indicated substantial increases in the use of environmental, social and governance ("ESG") metrics among mutual fund managers.
- Promising, albeit incremental, improvements were being made with respect to how companies were integrating sustainability into their decision making processes, particularly in areas such as board oversight of material sustainability issues, proactive corporate engagement of investors on ESG risks and opportunities, and heightened focus on the environmental and social performance of their suppliers.
- Companies have become more and more aware of the opportunities associated with engaging and overcoming sustainability challenges included improving competitiveness, achieving savings through energy productivity initiatives, accessing and retaining top talent, strengthening values chains and realizing benefits from investments in clean technology and energy.

The revision of the Roadmap announced during the mid-point of the 2010's laid out 20 expectations in the areas of governance for sustainability, stakeholder engagement, disclosure and performance that Ceres believed that companies should seek to meet by 2020 in order to transform into truly sustainable enterprises. The first three areas fell under the general principal of "accountability", which Ceres explained as follows: "In order to realize meaningful and long-lasting sustainability performance improvements, companies must institute accountability mechanisms that integrate sustainability considerations into core business systems and decision making." Ceres noted that the expectations in those areas are focused on companies establishing and formalizing accountability for sustainability across the entire enterprise. As for performance, Ceres explained that it was "about achieving on-the-ground results, reducing carbon emissions, conserving water and other natural resources, protecting human rights, building a supply chain that meets high environmental and social standards, designing products that not only minimize sustainability impacts throughout their lifecycle, but also serve as solutions to key sustainability challenges, and proactively engaging a diverse workforce". The performance-related expectations focused on building systems across the company's value chain to enable ongoing performance improvements in key areas including climate change, natural resources and fair, safe and equitable workplaces.

In addition, a number of CSR tools are available at the website of the World Business Council for Sustainable Development (www.wbcsd.org) including tools for measurement and assessment and guides on managing CSR projects. The Global Environmental Management Initiative (www.gemi.org) has an expansive library of publications and interactive tools to assist companies in their efforts to achieve environmental, health and safety excellence including materials on engaging employees in sustainability, integrating sustainability into the organizational culture, supply chain sustainability and social responsibility reporting. The Caux Round Table (www.cauxroundtable.org) ("CRT"), an international network of principled business leaders working to promote moral capitalism, has developed a number of toolkits, publications, codes, standards and guides to help companies cope with growing expectations for responsible business conduct including self-assessment and improvement tools and guides to CSR and business ethics codes and "best practices" standards. The CRT website also contains links to materials available from other leading sustainability organizations.

An important and useful source of reference for organizations looking to perform assessments is ISO 26000:2010 promulgated by the International Organization for Standards.[11] ISO 26000:2010 provides guidance for all types of organization, regardless of their size or location, on:

- Concepts, terms and definitions related to social responsibility
- Background, trends and characteristics of social responsibility
- Principles and practices relating to social responsibility
- Core subjects and issues of social responsibility
- Integrating, implementing and promoting socially responsible behavior throughout the organization and, through its policies and practices, within its sphere of influence
- Identifying and engaging with stakeholders
- Communicating commitments, performance and other information related to social responsibility

The specific clauses of ISO 26000 can be described as follows:

- Clause 1 defines the scope of ISO 26000 and identifies certain limitations and exclusions.
- Clause 2 identifies and provides the definition of key terms that are of fundamental importance for understanding social responsibility and for using ISO 26000.
- Clause 3 describes the important factors and conditions that have influenced the development of social responsibility and that continue to affect its nature and practice. It also describes the concept of social responsibility itself: what it means and how it applies to organizations. The clause includes guidance for small and medium-sized organizations on the use of ISO 26000.

[11] The description of ISO 26000 in this section is adapted from International Organization for Standardization, ISO 26000 Guidance on Social Responsibility: Discovering ISO 26000 (2014). See also Handbook for Implementers of ISO 26000, Global Guidance Standard on Social Responsibility by Small and Medium Sized Businesses (Middlebury VT: ECOLOGIA, 2011).

- Clause 4 introduces and explains the principles of social responsibility: accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior and respect for human rights.
- Clause 5 addresses two practices of social responsibility: an organization's recognition of its social responsibility, and its identification of, and engagement with, its stakeholders. It provides guidance on the relationship between an organization, its stakeholders and society, on recognizing the core subjects and issues of social responsibility, and on an organization's sphere of influence.
- Clause 6 explains the core subjects and associated issues relating to social responsibility including organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement and development. For each core subject, information is provided on its scope, including key issues; its relationship to social responsibility; related principles and considerations; and related actions and expectations.
- Clause 7 provides guidance on putting social responsibility into practice in an organization. This includes: understanding the social responsibility of an organization, integrating social responsibility throughout an organization, communication related to social responsibility, improving the credibility of an organization regarding social responsibility, reviewing progress and improving performance and evaluating voluntary initiatives for social responsibility. This involves making social responsibility integral to its policies, organizational culture, strategies and operations; building internal competency for social responsibility; undertaking internal and external communication on social responsibility; and regularly reviewing these actions and practices related to social responsibility.

Organizations interested in improving their practices with respect to social responsibility, including engagement with their stakeholders, may refer to ISO 26000; however, ISO 26000 is not a management system standard, does not contain requirements and thus does not facilitate certification in the manner that often occurs with other ISO standards. Instead, ISO 26000 explains the core subjects and associated issues relating to social responsibility including organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement and development (see box below). For each core subject, information is provided on its scope, including key issues; its relationship to social responsibility; related principles and considerations; and related actions and expectations. For example, with respect to labor practices, one of the core subjects, organizations are reminded to integrate consideration of the following issues into their policies, organizational culture, strategies and operations: employment and employment relationships; conditions of work and social protection; social dialogue; health and safety at work; and human development and training in the workplace.

Core Subjects and Issues of Social Responsibility Addressed in ISO 26000

Clause 6 of ISO 26000 explains the core subjects and associated issues relating to social responsibility and, for each core subject, provides information on its scope, its relationship to social responsibility, related principles and considerations; and related actions and expectations. Set forth below are the core subjects and the issues associated with each of them.

Core Subject: Organizational Governance

Core Subject: Human Rights

- Issue 1: Due diligence
- Issue 2: Human rights risk situations
- Issue 3: Avoidance of complicity
- Issue 4: Resolving grievances
- Issue 5: Discrimination and vulnerable groups
- Issue 6: Civil and political rights
- Issue 7: Economic, social and cultural rights
- Issue 8: Fundamental principles and rights at work

Core Subject: Labor Practices

- Issue 1: Employment and employment relationships
- Issue 2: Conditions of work and social protection
- Issue 3: Social dialogue
- Issue 4: Health and safety at work
- Issue 5: Human development and training in the workplace

Core Subject: The Environment

- Issue 1: Prevention of pollution
- Issue 2: Sustainable resource use
- Issue 3: Climate change mitigation and adaptation
- Issue 4: Protection of the environment, biodiversity and restoration of natural habitats

Core Subject: Fair Operating Practices

- Issue 1: Anti-corruption
- Issue 2: Responsible political involvement
- Issue 3: Fair competition
- Issue 4: Promoting social responsibility in the value chain
- Issue 5: Respect for property rights

Core Subject: Consumer Issues

- Issue 1: Fair marketing, factual and unbiased information and fair contractual practices
- Issue 2: Protecting consumers' health and safety
- Issue 3: Sustainable consumption
- Issue 4: Consumer service, support, and complaint and dispute resolution
- Issue 5: Consumer data protection and privacy
- Issue 6: Access to essential services
- Issue 7: Education and awareness

Core Subject: Community Involvement and Development

- Issue 1: Community involvement
- Issue 2: Education and culture

- Issue 3: Employment creation and skills development
- Issue 4: Technology development and access
- Issue 5: Wealth and income creation
- Issue 6: Health
- Issue 7: Social investment

While the main purpose of the assessment is to set the stage for developing an overall CSR strategy, some larger companies have made the assessment an end result in its own right and have made reports including the key results of the assessment and input from stakeholders available to the public. Extensive information on sustainability reporting is available from GRI (www.globalreporting.org), an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.[12]

§3 --Assembling a CSR leadership team

CSR is like any other important management initiative and requires leadership from the top of the organization and active support and participation from key personnel at all other levels within the company. Hohnen and Potts recommended that the CSR leadership team initially be composed of representatives from the board of directors and senior management or owners, as well as representatives from each of the business units within the company who are either affected by or involved in CSR issues and projects. Other members of the team should include senior personnel and front-line personnel from human resources, environmental services, health and safety, community relations, legal affairs, finance, marketing and communications.[13] Having front-line personnel on the team from the beginning is important because the success of many of the activities depends on the performance of employees who deal with customers and other business partners on a day-to-day business and are actively involved in the design and manufacturing of the company's products. As the CSR initiative is implemented the composition of the leadership team may change as it becomes clearer what types of skill are needed for the initiative to be successful. Each member of the team should be enthusiastic about CSR and knowledgeable about some aspect of the CSR strategy. Directors and senior executives on the team, as well as all the other members, should be expect to be champions and ambassadors of CSR throughout the organization and in communications with the company's stakeholders.

§4 --Developing a working definition of CSR

[12] For detailed discussion of sustainability reporting, see "Sustainability Reporting and Auditing" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[13] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 23.

The starting point for developing a CSR strategy is defining exactly what the term "CSR" means for the company. The leadership team should work with people from all levels of the organizational hierarchy of the company to develop a working definition, a process that not only ensures that all relevant issues and stakeholders will be incorporated into the definition but also builds a foundation for broad support of the initiative throughout the organization. The definition is usually somewhat general and refers to the overall goals and objectives of the company, the company's stakeholders, key elements of CSR and the key values that motivate the company. Hohnen and Potts provided several examples of working definitions of CSR which included the following illustrative clauses[14]:

> "CSR is the way the company integrates economic, environmental and social objectives while, at the same time, addressing stakeholder expectations and sustaining or enhancing shareholder value."
>
> "CSR is the overall relationship between the company and its stakeholders, which include customers, employees, communities, owners/investors, government, the general public, communities where the company operates, suppliers and competitors."
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> "Elements of CSR include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance."
>
> "CSR means that the company's products and services create value for customers and contribute to the wellbeing of society; the company operates using ethical business practices and expects the same from its suppliers and partners; the company minimizes the environmental impact of its facilities and products; the company provides jobs, pays taxes and makes a profit while supporting philanthropy and community involvement; and the company treats employees with respect and acts as a good neighbor to the people next door as well as those half a world away."

Another way to look at CSR is through the perspective of sustainable development for businesses. The International Institute for Sustainable Development, in a book on business strategy for sustainable development published in the early 1990s in collaboration with Deloitte and the World Business Council for Sustainable Development, offered the following definition of "sustainable development" in the context of business enterprises[15]:

> "For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders

[14] Id. at 24.
[15] Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

> today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future."

The definition not only captures the traditional concerns of business enterprises with respect to preserving and maximizing the value of their financial capital, but also introduces several additional elements that would need to factor into the strategic planning, management information and control and measurement systems for the enterprise: the interests of, and greater accountability to, stakeholders other than shareholders, such as lenders, customers, employees, suppliers and communities impacted by the enterprise's activities; the preservation and enhancement of the human and natural resources that everyone, not just the individual enterprise, will need in the future; and continuous improvement of reporting practices. Embracing sustainable development, or CSR, need not constrain economic activities; however, those activities must be carried out in a manner that not only avoids irreparably degrading or destroying human and natural resources but actually makes them stronger and more sustainable. In other words, it is not sufficient to reduce wasteful uses of natural resources, what is needed are innovative eco-efficient products and processes that actually improve the environment that also open up profitable business opportunities that put more people to work doing things that improve their wellbeing and the lives of those who depend on them and share their communities.

Some companies incorporate one or more the internationally recognized standards and instruments of social responsibility into their working definition of CSR to enhance the legitimacy of the initiative and incorporate widely understood and consistently applied standards of conduct. For example, the working definition of CSR may reference a commitment to adhere to the Ten Principles of the UN Global Compact and may even include brief descriptions of each of the Principles that with an explanation of the ways that the company intends to integrate them into its business operations. Whatever method is used to create the working definition, the process is extremely important since it sets a course for all of the activities that will follow during the implementation process and provide a reference point to ensure that all of the policies and practices that are put in place are aligned with the company's goals and objectives.

§5 --Identifying legal requirements

While CSR is more than an organized effort to comply with minimum legal and regulatory standards applicable to a company's business, the company must nonetheless be sure that it identifies all of the laws and regulations applicable to it and that it already has in place policies and practices designed to ensure compliance. While laws and regulations usually extend beyond the traditional subject matter of CSR efforts, particular emphasis should be placed on assessing compliance in areas such as governance, taxation, bribery and other corrupt practices, conflicts of interest, labor and employment laws, health and safety laws and environmental laws. Public disclosures of actual or alleged violations of laws and regulations can quickly undermine even the best intended CSR initiative, destroy hard earned goodwill and cause long-term reputational damage.

§6 --Reviewing corporate documents, processes and activities

A good deal of time during the assessment process will be devoted to reviewing all of the key corporate documents, processes and activities of the company to identify actual and potential implications of those items to the company's CSR initiative. The scope of the review will depend on the specific circumstances and the previous actions taken by the company. In general, the review should consider existing mission statements, policies, codes of conduct, principles and other operating documents; external documents associated with programs or initiatives which the company subscribes, such as sector-wide standards, principles or guidelines; existing decision-making processes and associated decision-making bodies created by the company to address particular aspects of operations such as worker health and safety and environmental protection; activities of the company that relate directly to providing its products or services to users; activities in other jurisdictions, since operating in foreign countries often carries different challenges in terms of security and conflicts; and activities of business partners, particularly members of the company's supply chain. This is also a good point in the assessment process to collect and review available documents and information on processes and activities for competitors and firms that have been recognized for their CSR efforts in order to benchmark the company's current CSR profile.

Hohnen and Potts mentioned several considerations that should be kept in mind during the review process[16]:

- To the extent that documents such as mission statements, policies and codes of conduct already reference CSR topics such as worker relations or customer satisfaction, consideration should be given to why they were included in the first place and how initiatives in those areas have been working.
- If existing documents do not refer to a particular CSR topic that review of documents from other firms indicated should be covered, it should be asked why that is the case and what changes in culture and operational and decision making practices will be needed in order to address the topic in the future.
- The roles and authority of decision-making bodies in CSR areas should be carefully analyzed to determine whether they have sufficient resources and are appropriately staffed. Specific activities of these bodies, such as implementing training programs and disseminating information throughout the organization, should also be reviewed.
- Organization of, and communications among, decision-making bodies should also be critically assessed in order to be sure that decisions about issues that have a societal dimension are made in coordinated manner. For example, several different groups may need to be consulted when developing a coordinated policy regarding oversight of supply chain partner's practices with respect to training, wages and worker health and safety.

The review process should be overseen by members of the leadership team with appropriate experience and expertise in specific CSR-related topics. It is important for

[16] Id. at 25-26.

reviewers to be aware of best practices in the area including the standards included in international instruments and used by companies that have developed and implemented sophisticated and comprehensive programs and policies in the area. For example, members of the leadership team might use international instruments and the standards of other companies to compile a list of the elements that should be included in a CSR initiative and then compare the company's current practices to this list. This process helps to identify gaps in current practice and also provides the company with a menu of choices that can be used to develop the CSR strategy and identify specific initiatives for each of the company's key stakeholder groups.

In addition to reviewing documents and reports, the team should conduct interviews with key personnel to gain insights into how policies and practices are really working and should also passively observe activities of company personnel to draw independent conclusions. The review process overlaps with the next step in the assessment process—engaging with key stakeholders—and discussions with stakeholders should include a review of how they are being impacted by the company's current policies and practices.

§7 --Identifying and engaging key stakeholders

One of the foundational principles of CSR is engaging and improving relationships with the company's key stakeholders. As such, the assessment must include "stakeholder analysis" through proactive engagement with key stakeholders to gauge their feelings about the company's CSR-related activities, identify their interests and concerns about their relationship with the company going forward and elicit ideas about improving CSR practices. Stakeholder analysis involves identifying all of the parties that are or will be directly or indirectly affected by the operational activities and engaging with each of them to identify all of the issues, concerns and information needs of those stakeholders with respect to the proposed CSR activities of the business. The need for stakeholder analysis differentiates sustainable entrepreneurship from traditional entrepreneurship in that it recognizes that the business is not just accountable to its shareholders, but also to a wider range of groups and constituencies that not only includes shareholders but extends outward to creditors, regulators, employees, customers, suppliers, governments, the scientific community and educational institutions, the communities in which the business operates and public interest groups and other members of civil society who are affected, or who consider themselves affected, by the impact that the business activities of the company on the biosphere and social capital.[17]

When identifying and engaging with stakeholders, the company must consider each distinguishable line of business and each community in which the company will be operating. While the shareholders may be the same for every line of business and location, the interests and concerns of local communities will certainly be different from place to place. Dialogue, often referred to as "engagement", is the key to collecting information and forging a relationship with stakeholders and companies need to identify

[17] Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

and implement the best ways to communicate. With respect to local communities, for example, establishing a community advisory board is often a good solution. Similar types of "working groups" can be used for discussions regarding the expectations of employees, suppliers and investors.[18]

The byproduct of the initial engagement process with the various stakeholders should be a detailed description of the needs and expectations, both short- and long-term, of each of the groups with respect to sustainability-related outcomes of the activities of the company. The description should provide a foundation for analyzing how the activities of the company impact each of the stakeholder groups, either positively or negatively, and allow the company to create a scorecard for its stakeholder relationships that can provide ideas for specific initiatives and serve as a tracking system for performance.

Stakeholder analysis is also a valuable tool for identifying and, hopefully, remediating in advance, potential conflicts among the expectations and needs of the different stakeholder groups. For example, consumers and activist groups will generally expect the company to design their products so that they can be built and used in an eco-friendly manner; however, this approach may require manufacturing methods that employees fear may cost them their jobs. Investors may also be worried about the costs associated with eco-design and how their returns on investment will be impacted. Having these potential conflicts surface at an earlier stage allows the sustainable entrepreneur to seek out innovative solutions and explain them to each of the groups involved. In the scenario described above it may well be that consumers would be willing to pay a premium for the properly designed product, thus addressing the concerns of investors, and that the company win over employees to the design changes by offering additional training and emphasizing the psychic benefits of being involved in the development and distribution of products that promote sustainable development.

The goal of stakeholder engagement during the assessment phase is to identify both potential opportunities and problems that the company will need to address in formulating its CSR strategy. It should be noted that while companies are usually genuinely interested in making their stakeholders as happy as possible, it is not necessary that companies accede to all the wishes of their stakeholders and engagement should include respectful exchange of ideas and explanations of why the company may not be able to do everything that a stakeholder group wishes to be done. In other words, dialogue during the assessment stage is the first step in forging a long-term relationship based on communication and transparency and the goal at this point should be to reach agreement on what constitutes "success" for both sides of the relationship. Stakeholder relationships will need to be monitored on an ongoing basis. The strategies for collecting information and engagement mentioned above, such as the community advisory boards and other working groups, should be formalized and integrated as permanent pieces of

[18] Dialog with investors is important since the implementation of sustainable development necessarily involves tradeoff between pure profit-seeking and environmental/social objectives and the company needs to be sure that investors understand and accept the actions that the company may take with respect to sustainability that might have an adverse impact on traditional return on investment metrics.

the company's strategy process. In addition, the company's business plans and reports should have separate discussions of stakeholder engagement strategies and outcomes based on the scorecards that have been created for measuring stakeholder relationships.[19]

§8 Developing a CSR strategy

The collection and analysis of information during the assessment stage is valuable in and of itself in that it necessarily increases awareness of the potential role of social responsibility in the company's business activities and allows the company to benchmark its CSR profile against the efforts of competitors and learn more about the needs and expectations of its stakeholders. However, the primary purpose of the assessment is to provide the leadership team with the information necessary for it to develop a CSR strategy. Like any other strategy, a CSR strategy reflects decisions among multiple potential CSR projects and provides a path for implementation, assigns roles and responsibilities throughout the organization, establishes timetables for completion of various tasks and incorporates metrics to measure progress and performance. The CSR strategy should reflect consideration of the company's strengths and weaknesses and opportunities and threats identified during the assessment phase and must also be aligned with the company's core values and standards.

According to Hohnen and Potts, a good CSR strategy typically identifies the overall direction for where the firm wants to take its CSR work; the stakeholders and their perspectives and interests; a basic approach for moving ahead; specific priority areas; a time line for action, responsible staff, and immediate next steps; and a process for reviewing and assuring outcomes.[20] As for the process of developing a CSR strategy, Hohnen and Potts suggested the following steps[21]:

- Build support with the CEO, senior management and employees
- Research what others (including competitors) are doing and assess the value of recognized CSR instruments
- Prepare a matrix of proposed CSR actions
- Develop options for proceeding and the business case for each of them
- Decide on direction, approach, boundaries and focus areas

§9 --Building support with senior management and employees

CSR initiatives will not be successful with the strong and continuing support of senior management and employees. Hopefully the collection of information during the assessment process, including dialogue among the members of the leadership team and between those team members and employees and other stakeholders, has built an

[19] For detailed discussion of stakeholder engagement, see "Stakeholders and Stakeholder Engagement" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[20] Id. at 32-33.
[21] Id. at 33.

awareness of the potential opportunities associated with socially and environmentally responsible business activities. This awareness should serve as the foundation for support of the development and implementation of the actual CSR strategy. In particular, support needs to be gathered for sometimes difficult changes in product and service offerings and changes to decision making processes and organizational structure. Change management is the responsibility of senior management and senior managers must be willing to add CSR activities to their already busy schedules. One way to create "buy in" among senior managers is to get them involved in stakeholder engagement at a very early stage since those conversations generally uncover opportunities that senior management will be eager to integrate into their strategies.

People at all levels of the organizational hierarchy may be asked to take on new roles and responsibilities and, as noted above, the leadership team must be prepared to "make the case for change" and provide incentives to employees for wholehearted participation in the CSR initiative. Some of those incentives will be actual changes and improvements to the day-to-day experience of employees such as more training and mentoring opportunities and implementation of work-life balance policies. Other steps that should be taken to build employee support include involving employees in business decisions that affect them and improve the work environment. Particular attention should be paid to engaging middle management personnel, many of whom may be skeptical of the importance and relevance of CSR, and steps that should be taken include sharing the business case for proposed CSR actions with impacted middle managers to demonstrate how the actions will have a positive influence on the resources they oversee. The business case should also describe the support that middle managers can expect to receive to help them carry out their new CSR-related responsibilities.

§10 --Researching CSR activities of other firms and existing CSR instruments

Information from research on CSR activities of other firms and existing CSR instruments should have been collected during the assessment phase discussed above as a means for measuring how the company's current CSR efforts compare to similar companies and recognized international standards and best practices. When attention turns to developing the CSR strategy, these same sources of information should be viewed as valuable precedents from others with substantial experience in the area and should be mined to identify the areas of greatest import and gather ideas that can be incorporated into the company's own CSR strategy.[22]

The leadership team should closely assess the CSR activities of two types of companies: companies that operate in the same countries and markets (i.e., competitors) and companies that have gained a reputation for sound CSR practices even though they cannot reasonably be considered competitors of the company. In each case, the goal is to figure out what those companies are doing with respect to CSR and identify similarities and differences between those firms and the company. Information should be available

[22] One useful tool for researching CSR activities of other firms is Pivot Goals, which is a database of the sustainability goals of the world's largest and leading companies (http://www.pivotgoals.com/about.php).

from public statements regarding vision, values and policies; codes of conduct; marketing materials for products and services and social responsibility reports prepared and published as part of the firm's governance program. While other firms will not disclose all the details of their various projects, the leadership team should be able to get a good sense of the benefits, costs and projected outcomes of a particular initiatives, assess how they might be implemented by the company and identify key changes in organizational practices that will be needed in order for a comparable project to be launched.

Research on what other companies are doing should be carried out by members of the leadership team that already have operational experience in developing and implementing comparable CSR initiatives as they are the people best situation to "fill in the gaps" given that it is generally not feasible to get all the information necessary to fully understand what other companies are doing. Looking at what competitors might be doing makes sense from a broader strategic perspective since it is always important to be scanning the moves of other firms and it is generally easier to make comparisons with competitors since many aspects of their operational activities are similar and already known to the company. As for information from non-competitive companies, the goal is to expand the leadership team's knowledge of "best practices" and then figure out what specific lessons can be drawn and put to work in the company's particular situation. Several organizations regularly publish lists of companies considered to be leaders in corporate responsibility and sustainability.

Information on best practices relating to CSR can also be collected from industry associations and CSR specialist organizations such as the World Business Council for Sustainable Development (www.wbscd.org), Business for Social Responsibility (www.bsr.org) and the Conference Board (www.conference-board.org), all of which conduct research, hold conferences and workshops and issue newsletters and other publications on CSR issues.[23] In addition, the leadership team should carefully examine the existing CSR instruments that have been developed by governmental organizations, the business community, non-governmental organizations and other experts and which reflect a consensus regarding international norms and standards with respect to various areas covered by comprehensive CSR initiatives. These instruments, which often are chosen as the foundation for CSR programs by companies of all sizes, include the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact, standards established by the International Standards Organization and the Global Reporting Initiative. Sector- and industry-specific codes and guidelines may also be available for companies depending on their line of business (e.g., tools, codes and standards on sustainable development and CSR for the mineral exploration industry developed by the Prospectors and Developers Association of Canada).

Environmental, Social and Governance Resources

Climate Disclosure

[23] Id. at 35.

CDP Benchmark Report: Peer benchmarking based on CDP climate disclosure data.

ESG Reporting

Integrated Reporting Recognized Reports: Examples of integrated reports recognized by the International Integrated Reporting Council through a peer benchmarking process

PWC Integrated Reporting Guide: A "how-to" guide for companies seeing a move by their regulators towards more holistic reporting (e.g. in the form of the EU directive on non-financial disclosure, the Strategic Report (UK) as well as the International Integrated Reporting Framework issued by the IIRC)

SASB Materiality Map: Investor tool for identifying material ESG issues across industries and sectors based on SASB's materiality indicators

ESG Performance

Broadridge Director Insight: Benchmarking across a range of corporate governance indicators

Enablon Publisher: Peer benchmarking using CSR Hub sustainability ratings

Environmental Sustainability Performance: Environmental performance benchmarking tool by Benchmarking Success & Bluestone Energy

Governance & Accountability Institute Sustainability Peer Benchmarking: Peer benchmarking of sustainability reporting against self-identified peers and reporting frameworks

GRI Benchmarking Service: Peer benchmarking of sustainability reporting against self-identified peer reports in the GRI Sustainability Disclosure Database

Source: Director Notes: Sustainability in the Mainstream--Why Investors Care and What It Means for Corporate Boards (The Conference Board, November 2017), 8, electronic copy available at: https://ssrn.com/abstract=3080033.

§11 --Preparing a matrix of proposed CSR actions

The assessment of the company's current and potential CSR activities, combined with the survey of practices of other companies and guidelines included in CSR instruments, should allow the leadership team to start putting together a list of proposed CSR actions that can then be analyzed in light of the company's immediate opportunities and threats and available resources. Hohnen and Potts suggested that companies prepare an L-shaped matrix of proposed CSR actions: one dimension would be the main categories of CSR activities (i.e., environmental, social (e.g., workers, communities) and economic (e.g., quality assurance, customer satisfaction)) and the other dimension would be the element of the company's activities that would be the focal point of the action (i.e., processes, products and services, impacts).[24] The responsibility center for the activities would also be included on the matrix since the feasibility of implementation of the actions depends on having the appropriate resources and organizational structure in the

[24] Id. at 36.

group responsible for implementation and monitoring. The interior of the matrix would be populated with a brief description of proposed CSR actions and comparable current activities of the company. For example, in their illustration of a matrix Hohnen and Potts included the following proposed actions:

- Proposals relating to processes focused on upgrading registration and certification status and a proposed economic activity involved going beyond the company's current ISO 9001 registration to implementation of integrated management systems
- Proposals relating to products and services focused on product labeling and performance characteristics and one of the environmental activities proposed going beyond labeling some products as "organic" using a known logo to having products certified to local energy standards
- Proposals relating to impacts typically focus on increasing engaging with stakeholders and would include proactive engagement with supply chain partners and/or community groups

The matrix should be used as a brainstorming tool and it is important to remember that most of the proposed CSR actions could be placed into more than one of the activity categories. For example, product certification actions obviously can be characterized as a social activity and as an economic activity (i.e., product certification enhances customer satisfaction and provides customers with assurances regarding product quality). The matrix is a good tool to both get ideas on the table and begin a discussion on how well a proposed action might fit with the company's current activities and structure and what steps might need to be taken to effectively implement the proposed action. In addition, even a simple matrix like the one illustrated by Hohnen and Potts quickly creates a list of alternatives that the leadership team will need to prioritize on the way toward developing the CSR strategy.

§12 --Developing options for new CSR actions

The matrix discussed above is one of several tools that the leadership team should use to develop options for new CSR actions. Another approach is for leadership team to hold brainstorming sessions with key internal and external stakeholders including members of the senior management team, employees and representatives from key business partners and the surrounding community. The foundation for these sessions should have been established during the dialogue that began in the assessment stage. While the agenda for the sessions might vary a good starting point would be to go through the following questions recommended by Hohnen and Potts[25]:

- What social and environmental activities and initiatives has the company undertaken already?
- What strengths, weaknesses, opportunities and threats do these present?
- What has the company learned from others that could be helpful?
- What are the company's CSR goals?

[25] Id. at 38.

- Where could the company be in terms of CSR activities and outcomes five and ten years down the road?
- What are the big social issues and how might the company help?
- If the company is to be a CSR leader, what changes to current practices and products would need to take place?
- Are there some CSR activities or initiatives the company could easily undertake now at no or low cost (i.e., is there any "low hanging fruit")?
- Are there areas in which CSR changes would have a particularly big impact on the company and others? What are they and what are the likely impacts?
- Can the proposed CSR changes be organized into short-, medium- and long-term deliverables?
- What are the resource implications of these deliverables?
- Are there any changes to the company's organizational structure that would need to occur to implement any of the deliverables?
- Are there any other obstacles or impediments (e.g., inadequate training or equipment or inappropriate incentive structures) that might stand in the way of taking a more systematic approach to implementing CSR? If so, what are they?
- Are there opportunities for cost reductions?
- What are the potential risks of failing to take into account the broader environmental, social and economic aspects of the company's activities?
- What should be the priorities for action if the company decides to do more?

As noted above, the brainstorming sessions can and should contribute to strengthening stakeholder relationships and engagement. In addition, the opportunity to participate in discussing what are often difficult issues builds commitment and excitement among those involved and makes it easier for participants to "take ownership" of the ideas and champion them throughout the organization once the time comes for implementation. Some companies use outside facilitators for these sessions in order to take advantage of their expertise in group dynamics and eliciting comments and provide a neutrality that ensures that the "agenda" of any one person or business unit does not skew the process and ignore other good ideas. Outside sources may be used to gather information necessary to answer some of the questions posed above. For example, while participants may have their own views about what are the most pressing social and environmental issues reference should also be made to publicly available surveys on the subject in order to get a better idea of stakeholder expectations and the likelihood of changes in regulatory and market attitudes.

Brainstorming sessions will and should generate a long list of potential ideas and the next step is to prioritize those ideas and decide how many of them the company is willing and able to execute. For many companies, CSR is implemented in an incremental manner due to resource limitations and concerns about introducing too many changes into the workplace and the company's products and processes at one time. For example, a good first step is adopting a set of general principles that reflects the company's recognition of the need to incorporate social responsibility into its strategies and decisions. Of course, simply adopting guiding principles is not sufficient unless the company begins to proactively incorporate them into its day-to-day activities. Once that begins, the company can take additional small but meaningful steps such as adopting detailed CSR commitments, pursuing and attaining certifications for its products and processes, formally engaging with stakeholders and reporting on its CSR outcomes.

Most small businesses prefer the incremental approach because a large CSR initiative seems well beyond their resources and the scope of what is generally a limited business strategy. Small businesses can select one or two areas to focus their initial CSR actions and set reasonably achievable goals that nonetheless will be meaningful when and if they are attained. For example, CSR for a small company may begin with implementing a recycling program and/or installing equipment that will reduce energy usage and costs. Whatever is done, a record should be created and maintained and CSR should be added to the list of factors or questions that senior managers and owners consider each year when it is time to set strategic goals for the next year. Eventually the small business will have several CSR successes to refer to and the organizational climate will change to the point where many people in the workplace will have new ideas as to how the company can advance socially and environmentally responsible causes.

At the other end of spectrum, there are companies that have made dramatic and fundamental changes in their business models, products, processes and stakeholder relationships to incorporate socially and environmentally responsible principles. For example, a number of companies have focused their attention on monitoring their supply chains and pushing their supply chain partners to conform to internationally-recognized best practices with respect to environmental matters, wages and workplace conditions. Other companies have overhauled their production methods and sales practices and introduced eco-friendly practices such as relying on re-usable and recyclable materials for their products and shifting to renewable energy sources.[26] Implementing comprehensive changes is risky business that will require a significant investment of financial and human capital and heavy doses of patience; however, companies that have been successful in this approach have enjoyed positive impacts on their reputations in the eyes of customers and business partners and have also set new standards that competitors are compelled to pursue in order to keep pace.

Companies should also re-arrange their list of ideas into categories that are based on each of their key stakeholder groups. For example, companies should normally find that they can create idea lists for employees, customers, supply chain partners, local community members, investors and the global community. When creating these lists an assessment should be made about what the company is already doing from a CSR perspectives with each of the stakeholder groups and the gaps in attentiveness that the company would like to address. For example, creating the lists may shed a spotlight on the company’s need to more in its local communities and the leadership team may make this a priority when deciding among competing alternatives in developing its CSR strategy. In and of itself,

[26] Id. at 37 (describing examples of companies such as Wal-Mart, Tesco and Philips that have attempted comprehensive and fundamental changes with regard to the social and environmental effects of their activities).

re-arranging a long list into categories does not reduce the number of ideas and this is generally a good time to make the whole process more manageable by choosing two to four initiatives for each category as qualifiers for the next step in the process (i.e., building a business case).

Opportunities from Engaging with NGOs

Governments and multi-lateral organizations such as the United Nations have struggled to respond to the enormous environmental and social challenges that have developed around the world and more pressure has been exerted on businesses, particularly multinational corporations, to play a larger role. The drumbeat for corporate responsibility has been fueled by social media and the reality that many of the larger global companies have substantial financial resources under their control. While businesses are generally willing to provide support for environmental and social responsibility initiatives, they want their resources to be deployed in ways that are consistent with their values and their strategies and in a manner that is efficient and objectively impactful. In many cases, this requires extensive development experience, which is something many companies do not have and cannot easily acquire.

The solution, according to a September 2017 article in *The Economist*, may be engaging with NGOs to create and execute sustainability initiatives. According to the article, NGOs can assist businesses in developing more cost-effective and impactful corporate sustainability programs by contributing their deep knowledge of issues like environmental conservation, human rights, and economic development and their technical expertise in practical solutions such as project planning and implementation, monitoring and evaluation, and social marketing. NGOs can also help companies with reconceiving their goods and services to meet the needs of those at the "base of the economic pyramid", not only improving the lives of millions of poor people but also gaining access to a market estimated to be worth $5 trillion. Similarly, NGOs can provide experience and contacts for companies interested in entering new markets, particularly frontier markets, and developing communities. Finally, NGOs with experience working on difficult issues such as climate change adaptation programs and peace and conflict resolution can help businesses strength their supply chains and their relationships in local communities.

Source: J. Cramer-Montes, "Sustainability: A New Path to Corporate and NGO Collaborations", The Economist (March 24, 2017), http://www.economist.com/node/10491124

§13 --Building the business case for a proposed CSR action

While CSR is grounded in the fundamental proposition that companies should look beyond economic performance to take into account the social and environmental impact of their activities, the reality is that companies need to use the tools built for traditional business decision making when considering and selecting proposed CSR actions. Companies have a duty to their stakeholders—customers, employees, investors and community members—to pursue and achieve sustainability so that they can continue to make positive social and environmental contributions and provide quality products to their customers and good and satisfying jobs to their employees. This means that CSR needs to make good business sense and that the company's CSR goals must be achievable and not create undue risk to the survival of the company. The leadership team needs to create and evaluate a business case for each of the ideas that have emerged from the assessment stage and the other preceding steps outlined above.

Business case preparation should be familiar to the members of the leadership team; however, it is important to integrate CSR concepts into the process and Hohnen and Potts suggested that companies need to take the following elements into account[27]:

- Possible leverage points (on which particularly large CSR gains can be made)
- Areas in which the company could potentially gain a competitive advantage
- Areas in which stakeholders might have particular influence
- Short- and long-term goals
- Estimated costs of implementation (including that of not doing more on CSR)
- Anticipated benefits
- Opportunities for cost reductions
- Broader changes the company would need to make
- Any risks or threats each option poses
- Implications of each option for new developments

While many hope that sustainability initiatives will be compelling in their own right because of the need for businesses to participating in addressing significant global challenges and threats, the reality is that sustainability executives and managers must be prepared to demonstrate a strong business case for those initiatives in order to mobilize sustained commitment to them throughout the organization and ensure that the appropriate resources are allocated to the initiative and that the necessary changes are made to company's measurement, management, recognition and reward systems.[28] As evidence for the importance of the business case, Willard, who has written extensively on best practices among companies with respect to sustainability, pointed to a report by Bain & Company, "Achieving Breakthrough Results in Sustainability", that was based on a survey of over 300 large companies engaged in sustainability efforts and found that 98% of their sustainability initiatives had failed.[29] According to Bain & Company, one of the five reasons for this dismal failure rate was "lack of a compelling business case".

While the results of its survey were discouraging, Bain & Company believed that companies could improve their performance with respect to sustainability initiatives by following four guidelines: "make a public commitment", "lead by example at the top", "highlight the business case" and "hardwire change through incentives and processes". Willard argued that a compelling business case should be seen as the prerequisite for the other three guidelines since executives could not reasonably be expected to do any of the other things unless they were convinced that the initiative was good for the company and its direct stakeholders (i.e., investors, employees and customers), as well as good for the environment and for society as a whole. Willard also pointed out that "strong leadership

[27] Id. at 39.
[28] B. Willard, "Introduction" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).
[29] Id. (citing and describing J. Davis-Pecdoud, P. Stone and C. Tovey, "Achieving Breakthrough Results in Sustainability", Bain & Company (January 2017)).

support", cited by Bain & Company as one of five factors that contributed to successful sustainability initiatives, could only be expected if the business case was strong enough to earn the endorsement, engagement and proactive support of company executives and senior managers and that such support paved the way for the other success factors mentioned by Bain & Company: "employee engagement and interest," "clear goals and metrics," "effective internal communication," and "introduction of environmentally friendly policies/processes." Willard made his pragmatic case for focusing on the business case for sustainability initiatives as follows:

> "We need to meet executives where they are and honor their need for compelling ROI information when they assess proposals. If an initiative improves the company's reputation, grows revenue, saves expenses, engages employees, helps win the war for talent, spurs innovation, meets company norms for payback periods, provides a good internal return on investment, increases the value of company assets, and / or contributes to higher share prices, of course executives will support it."[30]

There are a number of different methods that can be used to develop a business case; however, Willard has developed a customized approach that he recommends for sustainability executives and managers looking to build the business case for sustainability initiatives. Willard's "sustainability return on investment" workbook "provides a comprehensive cost-benefit analysis framework by which to build a tailored business case for single or multiple sustainability initiatives implemented within various timeframes", is extensively annotated and should be consulted directly for practical guidance on developing and implementing sustainability initiatives.[31] The elements of Willard's method for developing the business case for a sustainability project or initiative are based on his assumption that there are only three reasons that companies undertake major projects and that these justifications for investment must be borne in mind when making the case for implementation to decision makers:

- "Do the Right Thing": This justification means activating the company's purpose and values, being ethical, and making sure that projects and initiatives are aligned with the company's strategic direction and mission. Willard explained that something is "right" when it improves the wellbeing of stakeholders and that since society and the environment are stakeholders there is a strong justification for sustainability projects and initiatives that improve their wellbeing by reducing harmful impacts and increasing positive impacts. In addition, a sustainability project or initiative may be the "right thing" for the decision maker's own personal values, wellbeing and aspirations.
- "Capture Opportunities": This crucial justification speaks the need to the chief executive and financial officers to accommodate the needs of the company's investor stakeholders by not approving any sustainability project or initiative that cannot be cost justified over a specified planning period, be it short- or long-term. When

[30] Id.
[31] Id.

presenting a business case consideration must be given to the specific financial metrics that are motivating the decision makers and these may vary and can include return on investment, reductions in expenses, top-line revenue growth and/or the impact of the project or initiative on the company's investment market value and share price.

- "Mitigate Risks": Willard explained this justification as being the flip side of "Capture Opportunities" and pointed out that prudent stewardship of the company's assets and principles of good governance demanded implementation of robust enterprise risk management processes. Part of those processes is examining each new project or initiative from a risk management perspective and that requires that business cases must quantify risks that could arise if the project or initiative was not undertaken and the risks that could arise if the project or initiative fails.

While each of the justifications should be addressed in every business case the appropriate weighting will depend on the particular circumstances and the personal concerns and approaches of the decision makers involved. In many cases capturing opportunities and/or mitigating risks will remain the predominant factors for decision makers, even as the company is looking to integrate sustainability into its operations; however, the need to "do the right thing" is becoming increasing important as non-investor stakeholders, such as employees and customers, apply pressure on executives to take societal and environmental wellbeing into account. Moreover, when a company decides to "do the right thing" by improving working conditions for its employees it will hopefully see that the company's capacity to capture opportunities will be enhanced due to the involvement of a happier and better trained workforce.

Willard argued that each business case for a sustainability project or initiative should include several common elements, each of which is related to one of the justifications described above:

- When a project or initiative is recommended as being in furtherance of the desire to "do the right thing" it must be aligned with the company's purpose, values, mission, vision, principles, beliefs and long-term strategic goals.
- When a project or initiative is recommended as a means for capturing opportunities it should include a cost-benefit analysis and return on investment assessment that supports one or more particular categories of opportunities such as revenue growth from improved company reputation with customers, innovative sustainable products, services and financing and strong brand and social license to operate; operational expense savings and improved efficiencies or human resource expense savings (e.g., lower hiring and attrition costs and increased productivity). Additional opportunities may be available with respect to asset and/or market value improvement.
- When a project or initiative is recommended as a means for mitigating risks the business case should address mitigation of risks of inaction (i.e., if the initiative is not undertaken by the company and its competitors do) and mitigation of risks of taking action (i.e., if there might be cost overruns, delays, or collateral damage). For example, a project or initiative may be appropriate to mitigate the risk of lost revenue

from poor company reputation with customers; the risk of lost revenue from outdated products and services; or the risk of higher energy, carbon, materials, water, waste, maintenance, travel and/or transportation expenses.

The business case should also address potential benefits to the company with respect to "reputation" and "innovation"; however, it should be acknowledged that impact and value to these areas from a particular project or initiative will be difficult to quantify in the same manner as revenues and expenses. In spite of the measurement challenges, successful projects and initiatives can improved reputation with customers, which may drive revenue growth; improve reputation with employees that drives engagement and productivity that eventually leads to human resources expenses savings; and improve reputation with investors that causes the company's market value to increase. In addition, projects and initiatives that produce new revenues and cost savings are generally new and innovative and will lead to advances in many operational areas including policies, products, processes and practices.

Willard recommended the following multi-step process for creating a business case for sustainability projects and initiatives:

- ***Step 1 – Prepare a High-Level Description of the Project or Initiative and the Proposed Scope:*** Describe the project and indicate if it applies to the whole company/all departments/all product lines or one location/one department/one product line. Indicate whether this is the business case for the whole project or just for the extra investment required to make an already planned and approved project "sustainable". The business case should identify the department that will manage the project, sources of required capital and which accounts or budget line items will be impacted.
- ***Step 2 – Describe the Business and Sustainability Needs:*** Describe the business problem(s) that the project or initiative will address, the overall opportunities it will capture, how it relates to the company's strategic plan, and why it is timely. In addition, describe how the project or initiative will improve the company's current level of performance on one or more of its sustainability goals (i.e., the expected percentage change in progress toward the goal(s) after successful completion of the project or initiative). Also estimate the extent, if any, to which other sustainability goals may be positively or negatively impacted by the project or initiative.
- ***Step 3 – Describe How the Project or Initiative Activates the Company's Purpose and Values:*** Move beyond the impact on the company's sustainability goals to describe specific ways in which the project or initiative helps fulfill the company's purpose and values and aligns with the company's mission, vision, principles, beliefs and long-term strategic plans.
- ***Step 4 – Estimate Potential Revenue Growth and Expense Saving Benefits and Do a Cost-Benefit and ROI Analysis:*** Revenue growth may come from improved reputation with customers, innovative sustainable products, innovative service and finance offerings and/or improved social license to operate/brand. Savings may come from savings on energy, carbon, shipping and transportation, business travel and/or

maintenance expenses; lower materials, water and/or waste disposal costs; lower insurance premiums; lower litigation and compliance expenses; lower cost of capital; and lower hiring and attrition costs coupled with higher productivity from employees.[32] Use the estimates to develop and analyze projected benefits and expenses over the term of the project or initiative and determine NPV, IRR, Payback Period etc. using the company's normal discount rate.

- ***Step 5 – Estimate Asset Value and Market Value Opportunities:*** Companies may achieve an increase in several classes of asset values including company-owned buildings and properties, company-owned vehicles and equipment and the company's investment portfolio. In addition, the project or initiative will hopefully create an opportunity for increasing market value/capitalization.
- ***Step 6 – Estimate Revenue and Expense Risks*** If the Project or Initiative is Not Undertaken: There are situations where companies need to consider revenue and expense risks is a project or initiative is not undertaken. Potential loss of revenues may come from poor reputation of the company with customers, outdated/unsustainable features, lack of potential services and financial offerings and weak brand and social license to practice. In addition, foregoing a project or initiative may cause increased expenses for energy, shipping and transportation, business travel and/or maintenance; higher materials, water and/or waste disposal costs; higher insurance premiums; higher litigation and compliance expenses; higher cost of capital; and higher hiring and attrition costs coupled with lower productivity from employees.
- ***Step 7 – Estimate Asset Value and Market Value Risks If the Project or Initiative is Not Undertaken:*** In addition to the revenue and expense risks of not undertaking a project or initiative, companies must consider the likelihood of decreases in several classes of asset values including company-owned buildings and properties, company-owned vehicles and equipment and the company's investment portfolio. In addition, failing to pursue a project or initiative may damage the company's market value/capitalization.
- ***Step 8 – Estimate Contingency Risks Associated with Doing the Project or Initiative:*** As with any business case, estimates and projections are not always accurate and the case should include estimates of contingency risks associated with doing the project or initiative including risks if the project does not meet expectations, is delayed, has cost overruns or meets expectations at first but fails later; risks if the initiative succeeds but causes unforeseen negative "collateral" impacts in other areas; and objections that are like to occur and must be addressed if and when they are raised by opponents of the project or initiative.

§14 --Deciding on direction, approach and focus areas

[32] Productivity gains from employees may come in different forms such as gains from more time on the job (i.e., gains from less unplanned absenteeism, more telecommuting and/or reduced business travel) and gains while on the job (i.e., gains from working in green buildings, improved collaboration and/or higher employee engagement).

Once the most promising and interesting CSR actions have been identified and business cases created for each of them, the leadership team needs to decide on the direction, approach and focus areas of the CSR initiative. In many cases, a proposed action will be eliminated after the business case is completed and it is clear that undertaking the action is not feasible. The business case analysis will generally allow the leadership team to create a rough ranking of the proposals from an economic perspective; however, it is not always the case that these rankings are followed and an action that may not have as strong a business case as the others may still be selected because it fills a gap in building on a relationship with an important stakeholder group. Ultimately the choices must be based on the size and importance of the issue addressed by the proposed action, the chances of success for the proposed action and the degree of difficulty in implementing the action, the amount of time that will likely pass before results are seen from the action, the financial and human resources required to effectively implement the action and the anticipated legal, political, technological and cultural hurdles to implementing the action. In addition, consideration needs to be given to feasibility of support from outside parties. For example, many good ideas for developing countries are simply not viable unless and until local governments make improvements to roads and telecommunications.

Hohnen and Potts explained that the "direction" is the overall course that the company could pursue or the main areas it is aiming to address.[33] While the answer to this question should be consistent with generally-recognized values and standards (e.g., protecting human rights or the environment) it will also very company-specific. Examples of a "direction" include emphasizing worker health and safety; for pharmaceutical companies, focusing on health issues in developing countries; environmental issues associated with manufacturing processes; relations with surrounding communities; and implementing anti-bribery measures. The "approach" includes the steps that the company intends to take in order to proceed in the selected direction and might include revising its mission, creating and implementing new codes of conducts, employee communications and training and engagement with supply chain partners. Finally, "focus areas" should be clearly aligned with the company's business objectives and thus an immediate priority. Examples include changes in the company's existing processes (i.e., i.e. enhanced protection of personal information by a financial institution), investment in new opportunities (i.e., a bank launching micro-credit programs in developing countries) and/or implementation of new programs to address critical needs of key stakeholders (i.e., a food retailer introducing new products to help customers in the battle with obesity).

There are a number of different ways to develop a "strategy" and the key point is that the parties involved need to have the skills and experience necessary, including knowledge about the company' external environment, to develop a top-line sustainability approach, focus areas and goals and targets (including a means for measuring progress toward achievement of the goals and targets). For example, on the section of its website relating

[33] The discussion in this paragraph is adapted from P..Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 40.

to sustainability strategy (www.gesustainability.com) General Electric ("GE") described its top-line sustainability approach as "investing in developing sustainable and environment-friendly products to drive revenue growth". In executing its strategy, GE focused on three areas: developing a safe working environment, developing products that met customers' needs and supporting society through social activities. Specific goals and targets, which were measured and reporting on regularly, were established for workforce development and inclusiveness, governance, health and safety, health, energy and climate, water, charitable giving, volunteering and investment in innovation.

Another example is provided by the public positions of Kellogg Company, which declared in 2012 that it was "devoted to producing great-tasting foods that people love, and to operating all aspects of our business safely and responsibly".[34] Kellogg broke out its global CSR strategies into four categories, each of which had their own issues:

- ***Marketplace:*** Kellogg committed to continuing to be seen as a trusted provider of "great-tasting, safe and high-quality products" and a company that contributed to the health and nutrition of its consumers by providing food products that they could integrate as part of a balanced diet and that met their varying taste requirements. Kellogg also committed to creating and practicing ethical and responsible marketing standards and ensuring that consumers had access to the information necessary to make informed choices.
- ***Environment:*** Kellogg committed to the pursuit of sustainable growth through the protection and conservation of natural resources and set goals and targets with respect to reducing the environmental footprint of its products, achieving cost savings throughout the value chain, increasing the recycled content of packaging and building the company's understanding of sustainable agriculture practices that align with the company's business needs for the procurement of ingredients, ensuring required quality, traceability, nutritional content and continuity of supply.
- ***Workplace:*** Kellogg committed to support a talented and dedicated workforce and foster a work environment that valued diversity and inclusion and aimed to reflect the diversity of our consumer demographics. In addition, Kellogg committed to remaining competitive with respect to compensation, being a leader in its sector in health and safety performance and ensuring that suppliers upheld the same labor standards that the company expected of its own operations.
- ***Community:*** Building on its belief in "the power of breakfast to feed better days and better lives", Kellogg's commitment with respect to global charitable giving efforts were focused on providing servings of cereal and snacks, more than half of which would be breakfasts, to those who needed it most.

Kellogg noted that the specific commitments within each of the categories were driven in large part by taking into account areas of importance for the company and its stakeholders and also helped form for the structure for internal reporting. According to

[34] See Kellogg 2012 Corporate Responsibility Report, http://www.kelloggcompany.com/content/dam/kelloggcompanyus/corporate_responsibility/pdf/2012/2012_Kelloggs_CRR.pdf (accessed April 20. 2018).

Kellogg: "Our corporate responsibility strategy has been fully integrated into our business; subject-matter experts for each material area report on progress to the heads of their business units, who, in turn, report up through to a committee of our Board of Directors. In the past two years we have increased incentives for our executives to drive progress in certain corporate responsibility-related areas . . . [and] . . . we worked with our brand leadership teams to help better leverage our corporate responsibility activities in the brands' engagements with consumers".

§15 Developing CSR commitments

Assessment and strategy development are planning stages in the CSR process and the real work begins when the company transitions to making its strategy come alive through action. The first step in that process is the development of CSR commitments, which are the policies or instruments that a company develops or signs on to that indicate what it intends to do to address its social and environmental impacts.[35] Hohnen and Potts explained that commitments are essential to the CSR initiative because they ensure that the company's organizational culture is consistent with CSR values; help align and integrate the company's business strategy, objectives and goals; provide guidance to employees about how they should conduct themselves, which is particularly important for companies whose employees are widely dispersed in locations all around the world; and communicate the company's approach to addressing its societal and environmental impacts to business partners, suppliers, communities, governments, the general public and others. Commitments can improve the quality of relationships with stakeholders by providing those stakeholders with reasonable expectations of how the company may behave in a particular situation, thus making the company more transparent and credible and a more reliable business partner. Commitments also provide a basis that senior management and stakeholders can use to benchmark and assess performance with respect to social and environmental responsibility.[36]

Development of CSR commitments requires understanding the distinction between aspirational and prescriptive commitments. According to Hohnen and Potts, aspirational commitments typically focus on articulating the long-term goals of the firms with respect to CSR and are usually written in general language. Aspirational commitments usually take the form of vision, mission, values and ethics statements and Hohnen and Potts explained that aspirational commitments are intended to articulate a high level and common understanding of what a company stands for and how it would like to be regarded with respect to its social and environmental positions. Aspirational commitments are important because they offer a basis for a shared view of what the company stands for and where it is heading that can be referenced by people throughout the organization as a guide when the implement the tactics of the CSR initiative. Examples of aspirational commitments include moving to "zero emissions", "eliminating

[35] P..Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 42-43.
[36] Id. at 42, 44-45.

any negative impacts our company has on the environment" and celebrating balanced emphasis on "people, process, product, place and profits".[37]

In contrast, prescriptive commitments, such as codes of conduct and standards, lay out more specific behaviors that to which the company explicitly agrees to comply. Some companies choose to develop their own codes of conduct in order to tailor it to their own specific circumstances; however, this can be a time-consuming process and other companies have found it easier to incorporate and publicly sign on to an existing sectoral CSR code or standard (i.e., codes and standards developed for a particular issue, such as human rights or climate change, or a specific industry, such as mining or agriculture) or another CSR instrument such as the United Nations Global Compact. Many believe that adopting a third party instrument provides more credibility than relying on a self-developed code, but the codes of conduct of many companies have become recognized standards for excellence and should at least be reviewed before a final decision is made. Third party instruments allow companies to take advantage of the extensive consultations and discussions among various stakeholders that occurred as they were developed and their adoption signals the seriousness and sophistication of the company's CSR initiative.

The aspirational commitments typically take the form of a policy statement that articulates the basic values, mission and goals of the company with respect to CSR and lays out the corresponding targets for the performance of the company against those goals. The responsibility for formulating the policy, and selecting the specific objectives or commitments that the company will pursue, lies with directors and senior management, all of whom should be visibly involved in the process beginning with stakeholder engagement and continuing through dissemination of the policy and objectives among the stakeholders. The policy statement is generally stated fairly broadly and lays out the company's mission with respect to CSR based on the expectations and needs of all of its stakeholders. The policy statement should be inspirational and should be designed to influence the behavior of management, employees and other groups such as stakeholders as they go about their day-to-day activities and make decisions about issues relating to the company's overall strategic plan. In other words, the policy statement is an expression of the values upon which the company's business is being conducted and when the policy statement is drafted and adopted by the directors and senior management they are explicitly setting the "tone at the top" of the organization with respect to sustainable development, something that is essential to success of sustainability projects.

As concepts like CSR, sustainable development and the "triple bottom line" first began to emerge in management literature in the late 1980s, companies typically focused on environmental responsibility.[38] The policy statement adopted by Dow Chemical Company in the early 1990s was in line with that approach[39]:

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[37] Id. at 43.

[38] At this time larger companies in Europe began assigning responsibility for environmental matters to a member of the board of directors, an indication of the importance that the board placed on the issue; however, the amount of attention that the directors paid to environmental issues still varied depending on the sector in which the company was involved and the country out of which the company operated. Not

> "The operating units of the Dow Chemical Company are committed to continued excellence, leadership and stewardship in protecting and conserving the environment for future generations. This is a primary management responsibility as well as the responsibility of every employee worldwide. We are sensitive to the concerns of the public and accountable to them for our decisions and actions. We believe in the responsible integration of environmental and economic considerations in all decisions affecting our operations. We are continuously reducing our emissions to protect human health and the environment. Our goal is the elimination of wastes and emissions."

An obvious shortcoming of the Dow policy statement is the failure to mention social issues, such as alleviation of poverty and addressing inequalities in the distribution of income; however, the language does address environmental issues, acknowledge the stewardship of resources for future generations, responsibilities to the public and not just shareholders and the need to integrate both environmental and economic considerations into decision making.

The broad policy statement is just the first step and needs to be followed by a list or statement of the specific objectives, sometimes referred to as "commitments", that the company expects to pursue and achieve with respect to CSR. The following list of objectives publicized by Northern Telecom in the 1990s, while also tilted toward environmentalism and lacking commitments on social issues, provides a good example of both scope and level of specificity[40]:

"We will:

- Integrate environmental considerations into our business planning and decision making processes, including product research and development, new manufacturing methods and acquisitions/divestitures;
- Identify, assess and manage environmental risks associated with our operations and products throughout their life cycle, to reduce or eliminate the likelihood of adverse consequences;

surprisingly, environmentalism was important for companies in the chemicals and pharmaceutical industries, and utility companies, but less so for financing services companies. Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

[39] Id.

[40] Id. The specification of objectives was introduced by the following general policy statement: "Recognizing the critical link between a healthy environment and sustained economic growth, we are committed to leading the telecommunications industry in protecting and enhancing the environment. Such stewardship is indispensable to our continued business success. Therefore, wherever we do business, we will take the initiative in developing innovative solutions to those environmental issues that affect our business."

- Comply with all applicable legal and regulatory requirements and, to the extent we determine it appropriate, adopt more stringent standards for the protection of our employees and the communities in which we operate;
- Establish a formal Environmental Protection Program, and set specific, measurable goals;
- Establish assurance programs, including regular audits, to assess the success of the Environmental Protection Program in meeting regulatory requirements, program goals and good practices;
- To the extent that proven technology will allow, eliminate or reduce harmful discharges, hazardous materials and waste;
- Make reduction, reuse and recycling the guiding principles and means by which we achieve our goals;
- Prepare and make public an annual report summarizing our environmental activities;
- Work as advocates with our suppliers, customers and business partners to jointly achieve the highest possible environmental standards;
- Build relationships with other environmental stakeholders – including governments, the scientific community, educational institutions, public interest groups and the general public - to promote the development and communication of innovative solutions to industry environmental problems;
- Provide regular communications to, and training for, employees to heighten awareness of, and pride in, environmental issues."

Companies typically commit to acting responsibly in their business operations; caring for their associates by providing them with a safe and healthy workplace, a living wage and opportunities to enhance their careers–regardless of their gender, race or background; respecting human rights in all of their operations; contributing positively contribute to the communities where they are working; striving for environmental sustainability and minimizing the impact of products on the environment; practicing responsible procurement; and being transparent about reporting on progress against sustainability goals and objectives. Commitments should reflect the issues that arise most often in the company's specific business. For example, a list of sustainability commitments released by Kellogg Company in 2012 included operating an ethical company; sourcing responsibly; environmental progress in our own operations; promoting sustainable agriculture; continuously improving the sustainability of our packaging; helping to end deforestation globally; helping to decrease greenhouse gas emissions from refrigeration; responsible product marketing; nutrition education; and reducing hunger.[41]

Several things should be considered when drafting the objectives. First, each of them should be clear and concise—this is not the time for adding the details associated with the strategies that will need to be implemented to attain the objectives. Second, an effort should be made to express them in measurable terms, since the company and the interested stakeholders will need to track performance with respect to each of the

[41] See Kellogg 2012 Corporate Responsibility Report, http://www.kelloggcompany.com/content/dam/kelloggcompanyus/corporate_responsibility/pdf/2012/2012_Kelloggs_CRR.pdf (accessed April 20. 2018).

objectives. Finally, for larger businesses it will be necessary to determine the appropriate level of aggregation. For example, the initial objective or goal may be to reduce waste at all of the company's locations by a specified percentage; however, the situation at each location will likely be different and the attainable reduction at some locations may be less than the overall goal while other locations will be able to exceed the overall goal.[42]

When drafting and reviewing its objectives and commitments, the company should obviously consider whether or not they are actually attainable and consistent with the company's business strategies and core competencies. In the ideal situation, the objectives will follow naturally from the goals that the company has already established using traditional profit-focused principles and the performance measures for the objectives can simply be added to the existing KPIs. The more likely scenario, however, is that the company will find that existing strategies are not sufficient to achieve the sustainable development objectives and/or in conflict with those objectives. In either case, the directors and senior management may have to revisit the company's strategies and modify them before releasing a finished list of sustainable development objectives. The most common example of this is the need to adjust return on investment goals to take into account the short-term costs of implementing technologies and processes necessary to achieve the environmental targets.

At the same time that the company is debating and selecting its initial CSR objectives it should also be setting up a monitoring system that assists the directors and members of the senior management team to keep abreast of developments that may impact the content and/or implementation of the objectives. Among other things, the monitoring system should be robust enough to include new and proposed legislation; emergence of, or modifications to, industry practices and standards; strategies and practices of competitors; activities, policies and concerns of community and special interest group policies; where applicable, concerns of trade unions; and development relating to technologies that have, or may have, an impact on the activities of the company and/or those of the company's stakeholders. In the past, monitoring focusing on CSR topics has often been delegated to an environmental and/or social issues committee or group that then reports back in to the directors and senior managers; however, if CSR is really going to be at the core of the company's overall mission the environmental scanning associated with it should be fully integrated into its strategic management processes.

The external monitoring process should not be viewed as a passive collection of information but rather as an opportunity for the company and its leaders and employees to proactively engage in debates relating to formulation of CSR policies and practices. Companies can get involved in the activities of industry associations relating to sustainable development and work with legislators and special interest groups on relevant laws and regulations. In fact, while the government has stepped in to set legal guidelines

[42] The specific goal for each location will be set out in detailed objectives for that location and a secondary measure of performance, apart from the overall objective for waste reduction company-wide, might be what percentage of the locations achieved their specific goal.

with respect to various CSR and sustainability topics, much of the standardization to date has come from the efforts of non-governmental organizations and industry groups that promulgated their own standards with input from the same stakeholders that the company is engaged with on its own objectives.

In many cases companies already have some aspirational and prescriptive commitments in place and expansion of the CSR initiative triggers a review and adjustment of existing values and mission statements, codes of conduct and compliance procedures. Companies rarely rely on just one of the two types of commitments—aspirational commitments, although relatively general, are seen as an important foundation for the specific tenets in the prescriptive commitments. While adopting third-party CSR instruments appears to be easier and faster than developing a customized code of conduct, senior management must be careful to understand how much work will be needed in order to overhaul the company's operations to the point where it is in compliance with the instrument since it does the company no good to endorse the instrument if it has no reasonable chance to meeting its standards. In particular, senior management should expect that the company will be called upon to benchmark its performance against the standards in the instrument and report the results to stakeholders. In addition, in order for the company's adoption of third-party instruments to be perceived as credible it will need to participate in third-party verification or certification labelling programs, another expensive and time-consuming process that will sap the company's resources.[43]

Since the development and dissemination of CSR commitments is pivotal to the launch and success of the company's CSR initiative, Hohnen and Potts suggested that companies follow a deliberative process that include scanning CSR commitments already in use, discussions with major stakeholders, creation of a working group to develop the commitments, preparation of a preliminary draft followed by consultation with affected stakeholders and, finally, revision and publication of the commitments.[44] Again, as discussed above, it often seems easier to merely adopt, without customization, the standards laid out in recognized third-party CSR instruments; however, doing so misses opportunities to expand organizational understanding of CSR and engage stakeholders in the process in a way that leads to an end product that is focused on their specific needs and expectations and feasible given the company's available resources.

§16 --Scanning existing CSR commitments

It is useful for members of the leadership team and others involved in the development of CSR commitments for the company to have a good working knowledge of what other companies have done in writing their commitments and the content of third-party CSR codes or standards that the company may elect to adopt. Specifically, a scan should be made of the commitments of comparable firms in the company's business sector, CSR instruments that have been developed by governments in the countries in which the

[43] P..Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 43.
[44] Id. at 45-46.

company is currently operating or is contemplating operating in the future, instruments and standards that have been developed by intergovernmental bodies such as the United Nations, and third-party codes and standards that have been developed using international multi-stakeholder processes ("IMPs").[45] While companies generally find many things in the work of others that they would like to include in their own commitments it is important for the scanning process to be carried out with a critical eye and Hohnen and Potts recommended that the following questions should be asked when reviewing CSR commitments and instruments that were originally developed by others[46]:

- What people and organizations were involved in developing these commitments?
- Would these be the same stakeholders who would need to be involved in the company's own CSR commitments?
- What are the objectives underlying development of these CSR commitments?
- Are those objectives the same as or different from those underlying the company's CSR objectives?
- Can a particular CSR issue identified by the company be resolved or addressed through use of these or similar CSR commitments?
- What are the potential costs, drawbacks and benefits of the various types of commitments?
- What is the applicability or suitability of these commitments to the organization in light of its scope of activities and geographic range of operations?
- Will the company benefit from the commitments and how?

IMPs have become a popular strategy for discussing and resolving questions and conflict relating to issues of social and environmental responsibility. Multi-stakeholder processes are decision-making bodies, voluntary or statutory, comprising two or more interest groups (i.e., stakeholders) who perceive a common problem and realize their interdependence in solving it and come together to share their views and agree on strategies and activities for collectively solving the problem.[47] In theory, an IMP can involve just two interested parties, such as the government and trade unions; however, the IMPs of greatest impact for social responsibility involve a larger range of stakeholders with divergent view, particularly representatives of civil society.

The IMPs referred to above as sources for ideas CSR commitments were described by Hohnen and Potts as typically involving the establishment of a multi-stakeholder

[45] Further description and discussion of these models for commitments is available in "Introduction to Corporate Social Responsibility" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[46] P..Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 46.
[47] Adapted from N. Steins and V. Edwards, "Platforms for collective action in multiple-use common-pool resources", Agriculture and Human Values, 16 (1999), 241, and E. Wollenberg, J. Anderson and C. Lopez, Though All Things Differ: Pluralism as a basis for cooperation in forests (Bogor, Indonesia: CIFOR, 2005), 45. Wohlenberg et al. is also a good resource for discussions of the common features of multi-stakeholder processes and the strengths and weaknesses of such processes. Id. at 47-48 and 72.

platform, round table or discussion group as the basis for identifying sustainable development issues and priorities along international supply chains.[48] IMPs provide opportunities to minimize the risks and costs associated with implementing CSR initiatives by elicit input from a wider stakeholder base on their concerns and expectations, thus facilitating the development of the CSR process. Advantages of participating in an IMP cited by Hohnen and Potts included the following:

- IMPs provide a more comprehensive communications and stakeholder consultation platform than any single actor can maintain or manage, thus allowing participants to seek and obtain input from a wide range of sources
- The independent facilitations of communications provided by IMPs helps avoid conflict of interest problems which might otherwise be associated with strictly internal CSR processes and builds trust and openness among IMP participants
- IMPs can provide a neutral platform for coordinating activity between competitors, thereby reducing the risk that might be associated with adopting proactive CSR strategies on an individual basis
- IMPs, and the commitments associated with them, can be linked directly to products through labelling or advertising campaigns, thereby allowing participants to enter and penetrate new markets with their "sustainable products"

The advantages of IMPs do come with some of the challenges that exist for any international organization that includes participants with different political, economic and social priorities—many IMPs received substantial support from governments--and it is important to remember that the drive for consensus generally leads to the promulgation of "minimum standards" for participating members and institutions that reflect the outcome of sometimes heated debates among participants. In fact, the outcome of IMP deliberations can never really be predicted in advance and care must be taken to facilitate openness and sharing without eroding trust and a sense of collaboration among the participants. Companies need to select IMPs carefully, realizing that an international process may not be necessary or appropriate when operations are primarily local. In turn, an IMP is well-suited to dealing with complex global issues such as supply chain management and provides participants with a "safe harbor" that is easier to implement across all of the countries in which they operate. Finally, as noted above, IMPs are typically "minimum standards" or "general principles" and, as such, should be seen as the starting point for developing an appropriate internal CSR commitment that embellishes or expands upon the IMP instruments and addresses the company's specific activities and points of contact with key stakeholders.[49]

Willard suggested that companies seeking to develop and implement business cases for sustainability-related initiatives do so by reference to the Future-Fit Business Benchmark

[48] The discussion of ISPs in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 48-49.
[49] The discussion of ISPs in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 51.

goals and the United National Sustainable Development Goals.[50] The 21 Future-Fit business goals proposed by the Future-Fit Business Benchmark were derived by examining all of the ways that a "typical" company must seek to avoid breaching the Benchmark's business principles in the course of its action with stakeholders. The Future-Fit Business Benchmark described a "typical" company as follows:

> "Every company has an *Operational Presence* in or near local *Communities*. It sells goods or services to *Customers* who use and—for many types of physical goods—eventually dispose of them. Company operations rely on *Employees* and *Physical Resources*, which are often sourced from *Suppliers*. And how the company is run both depends upon and affects *Society as a Whole*."[51]

The description above of a "typical" company includes the key stakeholder groups for the company and allows for the Future-Fit business goals to be mapped to the company's stakeholders in the following way[52]:

Environment: Physical Resources[53]

- ***Energy is from renewable sources:*** Traditional energy sources, such as fossil fuels, cause significant disruptions to the environment, and over-harvesting and use of resources such as oil creates threats of shortages for future generations. This goal is focused on ensuring that all energy consumed—as electricity, heat or fuel—is derived from renewal energy sources such as solar, wind, ocean, hydropower, geothermal resources and biomass. Companies must reduce, and eventually eliminate, their dependence on non-renewable energy sources and their contributions to pollution from mined substances and environmental degradation by physical means. Fitness with respect to renewable energy sources is expressed as the proportion of energy consumed (as electricity, heat or fuel) by operational activities, including transport, which derives from renewable energy sources.
- ***Water is used in an environmentally responsible and socially equitable way:*** Fresh water for drinking, cooking and sanitation is critical to the health of everyone and responsible use of water resources is needed in order to maintain the viability of the world's ecosystems that depend on the watershed from which people and businesses

[50] B. Willard, Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/). The Workbook has been designed as a practical tool for developing and implementing business cases for sustainability-related initiatives.
[51] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 28, FutureFitBusiness.org.
[52] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 25, FutureFitBusiness.org. Each of the Future-Fit business goals can be found in some form among the published sustainability goals of the world's largest and leading companies compiled by Pivot Goals (http://www.pivotgoals.com/about.php). See "Examples of Companies with Similar Goals" available at FutureFitBusiness.org.
[53] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 29-31, FutureFitBusiness.org.

withdraw their water. This goal focuses on the localized impacts associated with water withdrawal and companies are expected to eliminate their contributions to environmental degradation by physical means and avoid putting the health of its stakeholders at risk through its water usage practices. Fitness with respect to environmentally responsible use of water is expressed as the proportion of operational water use that does not impact water-stressed regions.

- ***Materials derive from sources that respect the welfare of ecosystems, people and animals:*** This goal is focused on physical sourcing activities that harm the environment and calls on companies to harvest renewable resources at rates that do not reduce nature's capacity to regenerate them, keeping non-renewal materials in closed loops to reduce demand for future extraction, respecting the welfare of animals and avoiding conflict and human rights violations when mining valuable minerals. Companies are expected to pursue this goals with respect to all natural resources that contribute to their product inputs including any products that they produce on their own, any sourced directly from suppliers and any embedded into purchased materials. Fitness with respect to deriving materials from sources that respect the welfare of ecosystems, people and animals is expressed as the proportion of the natural resources by weight (anything mined, farmed or harvested from the wild), that (a) end up embedded in or are consumer in production of a company product; and (b) meet responsible sourcing criteria.

Environment: Operational Presence[54]

- ***Operational emissions do not harm people or the environment:*** Businesses may contribute to the release of a range of chemicals and particles in the course of their activities, some of which are known to be toxic to people and organisms, either immediately or over time as the systematically build up in nature. This goal is focused on ensuring that potentially harmful substances are either kept in tight closed loops or, even better, not used in the first place. The context of this goal varies from local (e.g., soil, rivers) to global (e.g., air, oceans) depending on the substance and mode of emission. For businesses, the target is to eliminate its contributions to pollution from mined sources and substances produced by society. Fitness with respect to ensuring that products do not harm people or the environment is calculated in two steps: per-product and then across products. A product is unfit if harm is an unavoidable consequence of its use, otherwise its fitness is the proportion of its components (by weight) that do not contain harmful substances. Company fitness is expressed as the revenue-adjusted average fitness of all sold products.
- ***Operations emit no greenhouse gases:*** This goal is based on the premise that there is no longer any reasonable doubt that systematically increasing concentration of greenhouse gases ("GHGs") in the atmosphere is causing climate change and ocean acidification. While nature can safely absorb some human-made GHGs each year, long-term sustainability is impossible unless companies embrace and achieve a goal of emitting net zero GHGs as a result of their operational activities and energy

[54] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 32-35, FutureFitBusiness.org.

consumption.[55] Fitness with respect to eliminating emissions of greenhouse gases from operational activities is expressed in terms of progress toward eliminating (or adequately offsetting) all operational greenhouse gases. Fitness with respect to elimination of emissions of GHGs from products is calculated in two steps: per-product and then across products. The fitness of a product is expressed in terms of progress toward eliminating unavoidable use-phase GHG emissions (products that do not force GHG emission are 100% fit). Company fitness is expressed as the revenue-adjusted average fitness of all sold products.

- ***Operational by-products are repurposed:*** Renewable resources are dwindling from consumption that outpaces the planet's ability to regenerate. Unless demand for these resources abates, extraction methods will become more disruptive and cause further damage. This goal is based on the premise that the demand for virgin resources can be mitigated if all of the materials used by society are repurposed, rather than discarded as waste. Companies should take steps to ensure that all of their operational byproducts are repurposed through methods such as refurbishing, remanufacturing or reuse; recycling; or recovery (i.e., for biogenic substances (100% derived from animals/plants) that is composted or recovered as energy). Repurposing not only helps companies eliminate their contribution to pollution from substances produced by society but also eliminates the financial, environmental and human costs associated with waste disposal. Fitness with respect to repurposing products is calculated in two steps: per-product and then across products. The fitness of a product is the proportion of its components (by weight) that can be reused or recycled when they have fulfilled their purpose. Company fitness is expressed as the revenue-adjusted average fitness of all sold products.
- ***Operations do not encroach on ecosystems or communities:*** Growing demand for land is putting pressure on ecosystems, communities and plant and animal species and this goal places responsibilities on companies to consider and eliminate the negative impacts of their operational activities in areas of high biological, ecological, social or cultural value. Specific steps to be taken include protecting primary forest (e.g., no clearing of rainforest for farm land); respecting the land rights of communities; not introducing invasive specifies that could affect local ecosystems; protecting aquatic ecosystems from degradation; and avoiding encroaching on areas of religious/sacred importance to local communities or indigenous peoples. Respect for ecosystems and communities not only reduce a company's contribution to environmental degradation it also allows stakeholders to freely pursue and creating meaning in their lives. Fitness with respect to elimination of operational encroachment on ecosystems and communities is expressed as the proportion of natural areas that are of significant biological, ecological, social or cultural value which: (a) may be affected by the physical presence of business operations; and (b) are adequately protected from harm.

[55] Net GHG emissions are total GHG emissions less any emissions that are permanently sequestered or adequately offset. Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 34, FutureFitBusiness.org.

Customers[56]

Companies should be expected to pay attention to the potentially adverse consequences to their customers from the products that they sell and have an obligation to act as lifetime stewards for their products and actively engage with customers to learn and address their concerns and ensure that their products cause no harm to people or the planet.[57]

- ***Products do not harm people or the environment:*** Companies should not produce or otherwise sell products whose purpose is to cause harm (e.g., cigarettes) and should also exercise care when producing or selling products that are likely to cause harm to people, organisms or ecosystems when used as intended or at their end of life. Unintentional harm can be caused by the substances contained in products (i.e., substances that are not immediately harmful but if nature cannot break them down rapidly they may build up in the environment to dangerous levels through emission into air land, or water) and companies must contain those substances by keeping them in tight loops and retrieving and repurposing products containing those substances the end of the product's life. Businesses have an obligation to eliminate its contribution to pollution and environmental degradation from mined substances, substances produced by society and by physical means and also have an obligation to refrain from placing the health of its stakeholders, including customers, at risk. With regard to the harm that products cause to people or the environment, a product is unfit if harm is an unavoidable consequence of its use, otherwise its fitness is the proportion of its components (by weight) that do not contain harmful substances. Company fitness is expressed as the revenue-adjusted average fitness of all sold products.
- ***Products emit no greenhouse gases:*** Companies should respond to the adverse impact of increasing concentration of greenhouse gases ("GHGs") on the environment by ensuring that their products cause no GHG omissions when used as intended. The focus of this goal is on products that emit GHGs as a direct consequence of their use: combustible fuels (e.g., diesel, coal, end-of-life tires when sold as fuel); equipment powered by combustion (e.g., cars powered by oil; diesel generators, kerosene lanterns); and transport services whose provision cause GHG emissions (e.g., taxi rides, commercial flights, and couriers using GHG-emitting vehicles). This goal complements the obligation placed on companies to ensure that no GHGs are emitted during their operational activities. Fitness with respect to elimination of emissions of GHGs from products is calculated in two steps: per-product and then across products. The fitness of a product is expressed in terms of progress toward eliminating unavoidable use-phase GHG emissions (products that do not force GHG emission are 100% fit). Company fitness is expressed as the revenue-adjusted average fitness of all sold products.
- ***Products can be repurposed:*** Renewable resources are dwindling from consumption that outpaces the planet's ability to regenerate. Unless demand for these resources

[56] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 36-40, FutureFitBusiness.org.
[57] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 36, FutureFitBusiness.org.

abates, extraction methods will become more disruptive and cause further damage. This goal is based on the premise that the demand for virgin resources can be mitigated if all of the materials used by society are repurposed, rather than discarded as waste. Companies should take steps to ensure that all of their physical goods products and associated packaging can be repurposed through methods such as refurbishing, remanufacturing or reuse; recycling; or recovery (i.e., for biogenic substances (100% derived from animals/plants) that is composted or recovered as energy). Companies should ensure that their customers have ready access to recovery services, either directly by the company or through partnerships with third parties and/or support for recycling programs, and that their products and packaging are designed to ensure that, via such a recovery service, they can be readily disassembled into components and materials to maximize their reuse value. Repurposing not only helps companies eliminate their contribution to pollution from mined substances and substances produced by society but also eliminates the financial, environmental and human costs associated with waste disposal. Fitness with respect to repurposing products is calculated in two steps: per-product and then across products. The fitness of a product is the proportion of its components (by weight) that can be reused or recycled when they have fulfilled their purpose. Company fitness is expressed as the revenue-adjusted average fitness of all sold products.

- ***Customers are informed about any aspect of products that may cause harm:*** Inevitably companies may produce and/or sell products that may cause harm to people or ecosystems, either because of the way they are designed or because there is a reasonable chance that customer could misuse them or dispose of them incorrectly. Accordingly, companies have an obligation to make potential customers aware of any such risks in order to empower them to make well-informed decisions regarding their purchase, use and end-of-life processing of its products. Examples of situations in which risk disclosures are necessary include foods and beverages that affect a person's health if consumed in excessive amounts, products that contain known carcinogens or endocrine disrupters, consumables containing non-biodegradable particles (e.g., plastic micro-beads in shampoo), who emission into rivers and oceans, via wastewater, harms organisms, and complex financial products whose use may undermine a customer's livelihood if their associated risks are not properly understood. This goal is part of the obligation of businesses to ensure that they in no way put the health of their stakeholders, including customers, at risk. With regard to access to information regarding the potential harm associated with using a product, the fitness of a product is the proportion of its units that are sold in markets where customers have access to all critical product information. Company fitness is expressed as the revenue-adjusted average fitness of all sold products.
- ***Customer concerns are actively solicited, impartially judged and transparently addressed:*** Customer engagement should make sense to businesses on a number of levels, if for no other reason than to elicit feedback on the utility and value of the products and services that a company is offering; however, this goal focuses on the duty of companies to give their customers a voice by actively soliciting their views, impartially investigating their concerns, and transparently acting to address legitimate grievances. Customers may have a wide range of concerns, but this goal is bounded to include only those concerns that are related to the fitness credentials of the

company's products, such as whether a produce may cause harm to people or the planet as a result of its use or disposal. Companies are expected to address not only concerns raised by individual customers, but also concerns raised on behalf of customers as a group by NGOs and consumer advocacy organizations. A specific priority for companies, particularly in light of a continuous stream of apparent cover-ups of unethical behavior by large global businesses, is transparency: if a problem or fault relating to a product is reported and is likely to cause harm to other customers, the company must act swiftly and openly to address it. With respect to customer concerns, the fitness of a product is the proportion of its units that are sold in markets where customers have access to well-functioning concerns mechanisms (i.e., customer concerns are actively solicited, impartially judged and transparently addressed). Company fitness is expressed as the revenue-adjusted average fitness of all sold products.

Employees[58]:

- ***Employee health is safeguarded***: This goal is about protecting the health and safety of all employees, with the concept of "health" extending beyond physical safety to encompass mental and emotional wellness, so companies must not contribute in any way to stress-related health issues. Companies that do not adequately address workplace health issues may cause serious long-term negative health problems for their employees. Success in this area includes not only reducing and eliminating work-related injuries, illnesses, and fatalities, but also proactive improvement of the physical health and mental wellbeing of employees. Fitness is expressed as the proportion of employees who are covered by well-functioning health programs that seek to safeguard both physical and mental wellbeing.
- ***Employees are paid at least a living wage***: This goal is about safeguarding employee health by ensuring all employees have the means to afford health coverage, to eat a balanced diet and to be free of concerns about meeting basic needs. Also, employees should be compensated such that they have the physical and mental means to pursue personal development outside of work. Fitness is expressed as the proportion of employees who are paid at least a living wage, that being a wage which affords employees and their families a decent standard of living and access to basic needs such as healthcare and education.
- ***Employees are subject to fair employment terms:*** This goal is about ensuring that employees are subject to fair employment terms—as set out in a written contract—that reflect respect for an employee's rights, needs, and wellbeing within and beyond work. Such terms include right of association (e.g., the right to join—or refrain from joining—a union), right to reasonable working hours, right to leisure (e.g., holiday entitlements and overtime pay) and right to parental leave. Another important term of employment, the right to fair compensation, is covered under the living wage goal described above. Fitness is expressed as the proportion of employees who have

[58] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 41-44, FutureFitBusiness.org, and Future-Fit Business Framework, Part 2: Indicators (Future-Fit Foundation, Release 1, May 2016), 88-110, FutureFitBusiness.org.

formal employment contracts that protect their rights to collective bargaining, fair working hours and parental leave.

- ***Employees are not subject to discrimination:*** This goal is about ensuring that all employees are treated equitably and have access to equal opportunities, irrespective of personal characteristics such as age, gender, sexual orientation, ethnicity, country of origin or disability. Companies are expected to be proactive in investigating and monitoring key practices—such as recruitment, pay structures, hiring, performance assessment and promotions—to ensure that no discrimination occurs, however indirect or unintentional it may be. Fitness is expressed as the proportion of employees who are covered by non-discrimination policies and well-functioning programs that monitor, identify and eliminate discriminatory practices.
- ***Employee concerns are actively solicited, impartially judged and transparently addressed:*** This goal is to ensure that companies have put in place appropriate mechanisms to identify and manage employee concerns, so that potentially serious issues and legitimate grievances do not go unaddressed. It is unreasonable to expect that employees will be concern-free; however, companies should be expected to engage with employees to deal effectively and appropriately with any concerns that arise so that employees trust the company and remain committed and motivated. Fitness is expressed as the proportion of employees who have ready access to well-functioning concerns mechanisms capable of addressing any issues quickly, fairly and transparently.

Communities[59]

- ***Community concerns are actively solicited, impartially judged and transparently addressed:*** Companies and their core suppliers are expected to respect the physical wellbeing of those around them and actively engage communities on any decisions with the potential to impact them and address any concerns raised by those communities impartially and transparently. It should be clear to companies that the goodwill of the communities in which a company operates is essential for the company's success and that cultivating and maintaining such goodwill requires forging strong community relationships and ensuring that none of the company's activities undermine community wellbeing and/or interfere with the community's culture and values. The goal is not eliminate all concerns, instead companies are required to focus on putting in place appropriate mechanisms to identify and manage community concerns so that potentially serious issues and legitimate grievances do not go unaddressed. Fitness with regard to soliciting and addressing community concerns is expressed as the proportion of communities potentially impacted by business operations who have ready access to well-functioning concerns mechanisms capable of addressing any issues quickly, fairly and transparently.

Society as a Whole[60]

[59] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 45-46, FutureFitBusiness.org.

Sustainable entrepreneurship is based on the premise that companies need to move beyond focusing exclusively on short-term financial results for their owners and accept responsibilities to other stakeholders including society as a whole. The wellbeing of society is essential for the survival and success of the business that operate within and companies can foster societal wellbeing by acting ethically and seeking to positively influence the systems--and supporting the infrastructure—that their long-term success is dependent upon.[61]

- ***Business is conducted ethically:*** It is a fundamental principal of sustainable entrepreneurship that companies should act in an ethical manner; however, this goal is particularly focused on ensuring that companies engage in proactive identification (including implementation of procedures that encourage employees and third parties to report problems), pre-emptive prevention and transparent disclosure of any specific issues which could, due to the unique nature of a company's business, lead to breaches of overriding sustainable business principles. Potential issues include anti-competitive practices (e.g., unfair treatment of suppliers and price fix cartels), bribery (e.g., paying or accepting bribes, including in regions where doing so is considered the norm), disinformation (e.g., misrepresenting or failing to disclose information which could influence the decisions or wellbeing of stakeholders), abuse of trust (e.g., inappropriate use of sensitive personal data) and willful ignorance (e.g., neglecting to investigate supply chains in which human rights abuses are suspected). With respect to ethical business conduct, companies achieve fitness by first undertaking an ethical hot-spot assessment and then adopting an appropriate company-wide ethics policy. Fitness is then expressed as the percentage of employees who are trained in and have access to policies and processes that seek to ensure ethical business conduct.
- ***The right tax is paid in the right place at the right time:*** Businesses depend on the infrastructure and other services provided by governments (e.g., transports networks, legal systems, healthcare, education, public utilities etc.) and governments need tax revenues to fund the creation and maintenance of those services. As such, it is incumbent on companies to pay their fair share to support the services upon which they are reliance and not engage in "creative accounting" to take advantage of tax loopholes or deliberately seek ways to obey the letter but not the spirit of the tax laws of the jurisdictions in which they operate. As to tax compliance, companies must adopt an appropriate company-wide fair tax policy and then fitness is expressed as the percentage of revenue that accrues from countries where tax practices are transparently reported.
- ***Lobbying does not undermine the pursuit of future-fitness:*** Businesses are free to act lawfully to influence the markets in which they operate, including lobbying political office holders and regulators on proposals relating to those markets; however, when engaging in lobbying activities companies must not advocate

[60] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 47-49, FutureFitBusiness.org.
[61] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 473, FutureFitBusiness.org.

positions that would in any way contribute to hindering progress toward the wellbeing of stakeholders in or beyond the company. For example, companies should not fund or otherwise support organizations that protest against more stringent toxic emissions laws or lobby against new regulations that would provide better safeguards for employees in the workplace. Companies must adopt and appropriate company-wide lobbying policy and then fitness in that area is expressed as the percentage of lobbying spend that in no way supports activities which seek to keep, or put in place, structural barriers that hinder society's progress toward future fitness.

Suppliers

In addition to their own duties and responsibilities with respect to their stakeholders, companies are also responsible for the social and environmental impact resulting from the actions of certain of its suppliers.[62] Since every company relies to some extent on third-party suppliers, and such supplier are in turn reliant upon the company procuring its products or services, there is an interdependence between companies and their suppliers that leads to mutual accountability for their respective actions. The extent of a company's accountability for the actions of its suppliers depends on the role that the supplier plays in the company's value chain. First of all, it is not practical to expect that companies can monitor every one of their suppliers, so the duties and responsibilities of companies should reasonably be limited to "core suppliers", which includes parties that supply goods or services which, if absent, would seriously affect the business of the company.[63] Second, within core suppliers distinctions can be made between "outsourced functions" and "product inputs". Specifically, a company is mutually accountable for the operational impacts of any direct supplier to whom it outsources core business functions, such as customer support, manufacturing and/or logistics. With respect to product inputs, a company that sells goods (or service whose delivery requires goods to be consumed) is mutually accountable for all cradle-to-gate operational impacts caused by the creation of its product inputs, such as raw materials and their derivatives.

In order for companies to achieve the highest level of future-fitness, each of their core suppliers must reach all of the fitness goals relating to operational presence, physical resources, employees and communities. Specifically, companies must demand the following from their core suppliers and be prepared to intervene with respect to core suppliers to remediate any barriers to their progress toward achieving the fitness goals[64]:

[62] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 50-51, FutureFitBusiness.org.
[63] Determining whether a supplier is a "core supplier" may be difficult in certain instances, particularly when a company offers complex products or services. In addition, depending on the circumstances, the concept of mutual accountability with respect to suppliers should be extended to certain types of "ancillary suppliers" such as suppliers of occasional services (e.g., hotels, taxis), consumables (e.g., office supplies) and manufactured assets (e.g., buildings, IT equipment, plant, furniture, vehicles etc.). It makes sense for suppliers contracted to construct a new building to be held accountable for the sourcing of building materials and the treatment of workers on the construction site. Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 51, FutureFitBusiness.org.
[64] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 51, FutureFitBusiness.org.

- Core suppliers must use energy from renewable resources, ensure that water is used in an environmentally responsible and socially equitable way and use materials that are derived from sources that respect the welfare of ecosystems, people and animals.
- Core suppliers must ensure that their operational emissions do not harm people or the environment and do not contain greenhouse gases, provide for repurposing of operational byproducts and ensure that their operations do not encroach on ecosystems or communities.
- Core suppliers must safeguard the health and wellbeing of their employees, pay their employees at least a living wage, provide their employment terms, safeguard their employees from discrimination and establish and maintain mechanisms for actively soliciting, impartially judging and transparently addressing employee concerns.
- Core suppliers must establish and maintain mechanisms for actively soliciting, impartially judging and transparently addressing community concerns.

While there are 21 Future-Fit business goals, several of them appear multiple times as they are applicable to more than one stakeholder group. In addition, society as a whole benefits indirectly from a company's performance on all of the goals, not just those listed under "Society as a Whole" above. The basic concept is that companies can increase the likelihood of successfully through operating within the Future-Fit business principles by launching and executing activities and initiatives to achieve these goals.

The 17 Sustainable Development Goals ("SDGs") of the 2030 Agenda for Sustainable Development were adopted by world leaders in September 2015 and went into effect on January 1, 2016. It was intended that over the fifteen year period running through 2030 the SDGs, and their accompanying 169 targets, would be universally applied to all and that countries would mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind. The United Nations ("UN") website for the SDGs explained:

> "The SDGs, also known as Global Goals, build on the success of the Millennium Development Goals (MDGs) and aim to go further to end all forms of poverty. The new Goals are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and addresses a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection."[65]

While the SDGs are not legally binding, it is intended that national governments will be expected to take ownership and establish national frameworks for the achievement of the 17 SDGs and that countries will have the primary responsibility for follow-up and review of the progress made in implementing the SDGs. Provisions have also been made for monitoring and review of the SDGs using a set of global indicators developed by the UN

[65] http://www.un.org/sustainabledevelopment/sustainable-development-goals/

Statistical Commission and adopted by the Economic and Social Council and the UN General Assembly will then adopt these indicators. Briefly, the SDGs are as follows[66]:

- ***Goal 1—No Poverty:*** End poverty in all its forms, everywhere.
- ***Goal 2—Zero Hunger:*** End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- ***Goal 3—Good Health and Wellbeing:*** Ensuring healthy lives and promoting wellbeing for all at all ages.
- ***Goal 4—Quality Education:*** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- ***Goal 5—Gender Equality:*** Achieve gender equality and empower all women and girls.
- ***Goal 6—Clean Water and Sanitation:*** Ensure availability and sustainable management of water and sanitation for all.
- ***Goal 7—Affordable and Clean Energy:*** Ensure access to affordable, reliable, sustainable and modern energy for all.
- ***Goal 8—Decent Work and Economic Growth:*** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- ***Goal 9--Industry, Innovation and Infrastructure:*** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- ***Goal 10--Reduced Inequalities:*** Reduce income inequality within and among countries.
- ***Goal 11--Sustainable Cities and Communities:*** Make cities and human settlements inclusive, safe, resilient and sustainable.
- ***Goal 12--Responsible Consumption and Production:*** Ensure sustainable consumption and production patterns.
- ***Goal 13--Climate Action:*** Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.
- ***Goal 14—Life below Water:*** Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- ***Goal 15—Life on Land:*** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
- ***Goal 16--Peace, Justice and Strong Institutions:*** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- ***Goal 17--Partnerships for the Goals:*** Strengthen the means of implementation and revitalize the global partnership for sustainable development.

[66] For detailed discussion of each of the SDGs, see "Introduction to Corporate Social Responsibility" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

The Future-Fit business goals and the SDGs have been selected as example of goals that companies might consider when developing their own CSR commitments; however, they are certainly not the only paths to follow. In fact, the Future-Fit business goals were themselves developed with reference to the issues, criteria, goals and topics included in other well-regarded sustainability reporting and standards frameworks and companies should certain review and consider the goals included in standards such as the Global Reporting Initiative, B Lab's Impact Assessment, ISO 26000 Guidance on Social Responsibility, Ceres, Corporate Knights Global 100, the Sustainability Accounting Standards Board, Integrated Reporting and the United Nations Global Compact.[67]

§17 --Holding discussions with major stakeholders

Developing commitments that align with the expectations of stakeholders and generate enthusiasm for the CSR initiative among those stakeholders requires the active engagement of stakeholders from the beginning of the implementation process. As the company reaches the stage where it is actually preparing the commitments time should be taken to hold discussions with major stakeholders. Inside the company, it is crucial to secure the strong support of the board of directors and members of the senior management team to ensure that they provide the necessary "tone at the top" and create incentives that will motivate others in the organization to embrace the CSR initiative. Mid-level managers and front-line employees should also be consulted as they are best positioned to identify practical issues relating to actual implementation of the plans and policies normally found in CSR initiatives. Current supply chain partners and other important business partners should be consulted in order to gauge how the proposed CSR commitments will impact those relationships. Finally, the company, typically through members of the senior management team, should consult with representatives from consumer, labor, environmental and community groups. While these consultations typically take the form of discussion with leaders of each of those groups they should also be expanded to reach the broader members of each constituency. For example, companies often convene consumer focus groups to get feedback on proposed environmentally-driven changes to products and services. Stakeholder consultations may also occur through participation in IMPs, as described above.[68]

In many cases the consultation process with the major stakeholders helps the company identify new people outside of the leadership team who are able and willing to make significant contributions to developing and implementing the CSR commitments. Where appropriate these people can be brought into the process by offering them membership on a CSR advisory group that the company establishes as a means for facilitating continuous stakeholder engagement. Hohnen and Potts explained that these groups are generally

[67] See "Future-Fit Business Benchmark: Mapping of Future-Fit Benchmark Goals to Issues, Criteria, Goals and Topics Included in Other Sustainability Reporting and Standards Frameworks" available at FutureFitBusiness.org. Several of these standards are discussed in "Introduction to Corporate Social Responsibility" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[68] P..Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 46-47.

comprised of experts from the company's key stakeholders, including employees who are continuously engaging with customers and business partners in their day-to-day activities, and are used to review CSR plans, publications and performance, and provide feedback on specific issues.[69]

§18 --Creating a working group to develop commitments

Once the research has been completed and input has been received from stakeholders, attention turns to developing the initial draft of the CSR commitments. At this point it is helpful to create a working group to handle the drafting responsibilities.[70] Certain members from the leadership team drawn from throughout the organization should be part of the group: board members, senior executives, mid-level managers and front-line employees. In addition, however, it is important to bring people from outside the leadership team into the process including people who are skeptical about the value of the initiative and representatives of the stakeholder groups that will be most impacted by the commitments given the CSR strategy upon which the commitments will be based. For example, it is very important to encourage employees to make suggestions and creative methods for soliciting input should be considered (e.g., facilitated brainstorming sessions that focus on creating a "future vision" of the company once CSR initiatives are in place). All of the members should commit in advance to actively participating and check their schedules and other priorities to be sure that they will be able to devote the necessary time and resources to the project. A working group manager or chairperson should be selected to facilitate communications and ground rules should be set by the entire group at its first meeting regarding the group's objectives; members' responsibilities; anticipated workload and outcomes; the ground rules on how the group will operate; and the extent of reliance on any of the external CSR instruments described above.

As discussed below, the working group will be responsible for drafting the company's CSR commitments and the drafting process will require referencing the efforts of other companies and international references as potential foundation for the company's documents. Since there are literally hundreds of CSR-related codes and standards already in place, the working group needs to establish a procedure for monitoring developments relating to inter-governmental commitments and non-governmental or private sector codes and creating a library of references that can be consulted. Larger organizations may even consider joining an existing instrument that is recognized by their stakeholders as reputable and actively participating in ongoing discussions that ultimately lead to revisions of the instrument. This approach is a good way to demonstrate to stakeholders that the company is engaged as a leader in setting appropriate standards and

[69] Id. at 47 (citing AccountAbility's "Critical Friends: The emerging role of stakeholder panels in corporate governance, reporting and assurance," 2007 http://www.accountability21.net). Many companies, such as General Electric, have established permanent stakeholder advisory board to provide input into CSR initiatives in specific market sectors (e.g., health) and topics (e.g., supply chain management).

[70] The discussion of ISPs in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 47.

also provides an opportunity for the company to be privy to new trends and developments so that it can be among the first to address them in its own commitments.

The CSR commitments will include an explicit rules that members of the organization are expected to follow. These rules are intended to serve a number of important purposes including maximizing "consistency" throughout the organization (i.e., decisions that are made in one part of the organization will be executed in the expected manner in other parts of the organization and decisions on similar issues will be made in consistent manner regardless of where in the organization a decision maker is sitting) and alerting and educating members as to what will be considered to be responsible behavior in the context of the organization.[71] Studies conducted among large multinational corporations indicate that many of them have codified their rules in the form of "codes of conduct" or "codes of ethics", which Langlois and Schlegelmlch defined as ''a statement setting down corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment, or any other aspects of society external to the company.''[72]

Interestingly, studies have shown that the content and language of codes tends to converge across organizations, suggesting that many organizations bring a "cut and paste" mentality to the ritual of code preparation and raising the legitimate question of whether codes are merely a symbolic act.[73] Researchers have found that codes are more closely integrated with organizational decision making processes when they are developed in conjunction with external stakeholders and/or external stakeholders exert pressure on organizations to take their codes seriously.[74] The impact of codes also increases when organizations aggressively integrate them into routine activities and feature them in training programs and performance expectations.[75].

In addition to codes, organizations can establish rules using other formal and informal mechanisms including "standard operating procedures" and contacts.[76] For example, while codes of conduct and ethics lay out sweeping general principles, it is common for organizations to develop and implement more detailed policies and procedures relating to topics considered to fall within the scope of CSR such as corporate governance, compliance and risk management, human resource management, environmental management, social contributions, supply chain management and community engagement. In addition, organizations typically require that their employees and independent contractors enter into agreements that cover not only compensation but also

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[71] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 655.
[72] C. Langlois and B. Schlegelmilch, "Do corporate codes of ethics reflect national character?: Evidence from Europe and the United States", Journal of International Business Studies, 21 (1990), 519.
[73] L. Holder-Webb and J. Cohen, "The cut and paste society: Isomorphism in codes of ethics", Journal of Business Ethics, 107(4) (2012), 485.
[74] J. Stevens, H. Steensma, D. Harrison and P. Cochran, "Symbolic or substantive document? The influence of ethics codes on financial executives' decisions", Strategic Management Journal, 26(2) (2005), 181.
[75] Id.
[76] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 655.

the expectations of the organization as to how employees and contractors will act with respect to protection of organizational property and compliance with the aforementioned organizational policies relating to CSR topics (e.g., internal organizational policies prohibiting discrimination, harassment etc.).

§19 --Preparing a preliminary draft

The working group should prepare a preliminary draft of the CSR commitments that can be circulated for review and comment by all affected parties.[77] While one or more persons from the working group should have lead responsibility for preparing the draft, they should involve others in the organization who are not members of the working group to be sure that there is input from those who will be involved in the actual implementation of the commitments. While the commitments should be customized to the company's particular situation, it is recommended that the drafters use existing CSR instruments as base documents in order to have a better idea of what should go into the commitments and how the elements should be organized and described. As mentioned above, the universe of potential models is daunting and the working group should focus on instruments that are consistent with the company's goals, values and, most importantly, identified current CSR strengths, weaknesses and priorities.

The preliminary draft should generally include a statement of the company's commitment to CSR and make it clear that all employees, consultants and suppliers are expected to comply. Topics to be covered generally parallel those included in well-known international instruments and might include human rights, the environment, health and safety, competition, improper payments, workplace harassment and shareholder, media and community relations. It is also common to include a general statement and definition of the company's core values such as integrity, accountability and transparency. The commitments document should illustrate how each of these values is to be integrated into the expected actions of each of the covered groups in relation to the various topics mentioned above. Companies should avoid "niche", or narrowly drawn, commitments and define them broadly in order to have more opportunities to make an impact and engage with a larger audience. Some companies are interested in pursuing political causes; however, politics often divides more than it unifies and may not be the best choice of commitment. In addition, commitments need to have a long shelf life and this means that commitments tied to a single person or brand should be avoided since there is too much risk of something happening that causes the person or brand to fall out of favor.

The preliminary draft should be reviewed and approved by the working group and then distributed and explained to members of the board of directors and senior management team since all of them will be important players in discussing the commitments with stakeholders. Whatever commitments are selected, they must generate passion throughout the company and among the company's stakeholders. They cannot simply be

[77] The discussion in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 51.

an "add on" to the business, they must be authentic and embedded in the core of the company's brand and culture. If this does not happen then the company will derive no value from its sustainability initiatives and consumers and other potential critics in a world connected by social media will quickly sense the possibility of "green washing" and the company's reputation will suffer dramatically. Internal review also provides an opportunity to identify and assess actions and investments that will be needed to support the commitments such as modifications of the company's brand guidelines and corporate identity; displaying the mission broadly on the company's website, in press releases and in marketing materials; developing ways to empower employees to become engaged in the mission such as creating volunteer programs and distributing information about the mission to employees to ensure that they are aware of what the company is doing and that they understand the importance of the mission and their support of the mission; creating and executing opportunities to demonstrate the commitments in visible ways such as donating cash, hosting a fundraising event or having a team of employees volunteer at an organization engaged in activities related to the commitments; and developing partnerships with other organizations, as well as individuals, involved in supporting the same commitments.

§20 --Consultation, revision and publication

Once the preliminary draft has been circulated internally and approved for wider distribution, the next step is to engage in consultations with the persons and stakeholder groups who will be impacted by the implementation of the commitments.[78] The goal of these consultations is to explain how prior input from stakeholders has been incorporated into the draft and inform stakeholders who have not been directly involved up to this point about what the company is considering. While working group members should develop and monitor a consultation plan, members of the senior management team should expect to be heavily involved at this stage as they are best situated to communicate and explain the commitments and vouch for the company's intentions and resources for fulfilling the commitments. Feedback from these consultations should be delivered to the working group and appropriate changes should be made to the commitment document to generate a final draft that can be "published" by distribution to employees, posting on the company's website and through other appropriate communications techniques to ensure that impacted stakeholders are aware that the commitments are in place. Before the commitments are published, appropriate changes should be made to other organizational charter documents (e.g., mission statement, statement of values and codes of ethics and conduct) to integrate the new CSR commitments. In addition, before external publication the company should carefully map out how the commitments will be implemented, a process that is described in more detail below, and plans should be in place to begin engaging with employees and other stakeholders on how the commitments will be work in practice (e.g., training sessions for employees, planning meetings with supply chain members and other key business partners and "town halls" with community groups).

[78] The discussion in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 52.

§21 --Comparison of commitment to CSR among MNCs and SMEs

Baumann-Pauly et al. conducted an extensive assessment and comparison of actual implementation CSR practices among MNCs and SMEs along several dimensions.[79] With respect to one of those dimensions, "commitment to CSR", the MNCs were accessed on the basis of strategic integration and leadership support and CSR coordination. In turn, SMEs were assessed on the basis of issue awareness and social connection attitude.[80] Among the MNCs, the researchers found just one company (ABB) that had advanced to the strategic stage of implementation, as evidenced by a mission and vision statement that emphasized that each business decision would take into account economic, social and environmental aspects and would be made after involving all stakeholders in the decision making process. While other MNCs stated that they linked their commitment to CSR to their long-term success, they did not explain how stakeholders would be involved in the process and did not confirm that CSR principles would be respected regardless of the economic consequences to the company.

In contrast, the researchers found a high level of awareness for global CSR issues among the SMEs in the survey and managers and employees in those companies demonstrated a high level of perceived connectedness to raised problems in their supply chains. The researchers observed that the relatively small size of the SMEs reduced the hierarchy in their organizational structures and made it easier for them to integrate new issues into day-to-day business activities. Leaders in SMEs were better positioned to drive and reinforce their overall vision for the company among all of the employees. The small size of the companies also allowed them to implement a strategic understanding of issues and take an integrated look at the CSR landscape when make decisions about products (i.e., consideration for both environmental and social responsibility could be built into each step of the product development and commercialization process).

§22 Implementing CSR commitments

Once the CSR commitments are finalized and published, attention needs to turn to the actual implementation of those commitments, which includes the day-to-day decisions, processes, practices and activities that are required in order for the company to adhere to its commitments and effectively carry out its overall CSR strategy. It is imperative that companies follow through on the promises and aspirations spelled out in the CSR commitments and demonstrate to all of their stakeholders that they are serious about fulfilling their obligations. Implementation failures create mistrust and cause confusion among stakeholders as to how the company will respond to certain situations. Taken to the extreme, a company that fails to implement its CSR commitments will find itself

[79] D. Baumann-Pauly, C. Wickert, L. Spence and A. Scherer, Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters (University of Zurich: Chair of Foundations of Business Administration and Theories of the Firm Working Paper Series No. 204, December 2011).
[80] Id. at 9-10.

losing employees, customers and business partners and will see its reputation in the marketplace and community plummet.

There is no universal approach to implementing CSR commitments and the methods used by companies will vary depending upon the specific content and focus of their commitments, current organizational structure, organizational culture, resources, priorities of the CEO and the other members of the senior management team and other factors. One way to implement CSR commitments was suggested by Hohnen and Potts and included the following steps that are discussed in the following sections[81]:

- Develop a CSR implementation plan;
- Develop an integrated CSR decision-making structure;
- Prepare and implement a CSR business plan;
- Set measurable targets and identify performance measures;
- Engage employees and others to whom CSR commitments apply;
- Design and conduct CSR training;
- Establish mechanisms for addressing problematic behavior; and
- Create internal and external communications plans.

§23 --Develop a CSR implementation plan

As the company goes through the process of identifying, vetting and approving the CSR objectives and commitments, attention also needs to be paid to translating the policy and the accompanying objectives into operational terms, a process that requires the development of an implementation plan. The plan will be expansive and will impact the entire organization including corporate culture and employee attitudes; organizational design and structure, particularly the responsibilities and accountability of everyone in the organization with respect to the CSR objectives and commitments; information reporting systems; management systems and operational practices. During the planning process the objectives and commitments will necessarily remain fluid since they should not be finalized and announced to the world unless and until the company has a clear and reasonable plan for implementation. As the plan develops consultations with stakeholders will be needed and ideas from stakeholders should be solicited about how best to realize their needs and expectations. While all stakeholders are important, input and participation from employees is essential since they will be the one called upon to implement the plans and will likely feel significant disruption to the ways in which they have worked in the past. The input from stakeholders will likely cause a series of modifications to the plan, as well as to the upper tier goals and objectives. Eventually the plan will be ready for review and approval by the board of directors following presentation by the senior management at the same time that the board signs off on the policy and related objectives and commitments. Given the breadth of the organizational changes that will likely be required, it should be expected that the plan will cover three to five years and provide for milestones that will hopefully be achieved every six to twelve months.

[81] P..Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 57.

Before an effective and reasonable implementation plan can be prepared, the company needs to know where it stands with respect to how its activities in their current state line up against broadly accepted sustainable development principles and the needs and expectations of its stakeholders. Insights must come from the assessment process describe elsewhere in this Guide that covers the company's overall strategy and its operational activities, management philosophies and systems, relations with stakeholders and the functionality of the information systems that will be relied upon to generate the data about CSR performance that must be reviewed by company leaders and reported to stakeholders. At the assessment stage the company can rely on questionnaires that have been prepared by industry groups and outside organizations such as the Global Environmental Management Initiative and Ceres and bring in outside consultants that can help facilitate the process.

The results of the assessment need to be put into context by comparing them to the status and performance of comparable organizations as well as industry standards and norms and expectations that have been established by external groups. Comparisons can be made through a review of public disclosures by comparable organizations and data compiled by industry associations and programs that have been formed explicitly to collect and catalogue CSR information. Comparison allows the company to identify the gaps between what it is doing and what others are doing and provides a sense of the reasonable targets that the company can establish for improving its CSR profile. The senior management of the company should create a set of goals and objectives and a strategy, timetable and milestones for each goal and objective. The strategy should not only be approved by the board of directors, it should also be fully vetted by all of the key players inside the organization to ensure that they have had a chance to contribute to the process and can "buy in" to the strategy because they have participated in its formulation and believe in its objectives.

While the board of directors and senior management will retain ultimately responsibility for the success of the company's CSR goals and objectives, responsibility for overseeing and tracking the company's progress toward the goals and objectives should be assigned to a specific group within the organizational structure that is provided with the resources and authority required to discharge its duties. When creating the strategy and the accompany implementation plan, the following steps and issues should always be part of the process[82]:

- The job descriptions of everyone in the organization, managers and employees, should be reviewed and revised to integrate specific CSR roles, responsibilities and accountability. Everyone needs to know their place in the plan and to whom they are expected to report.
- Changes to the organizational culture will be required, as will retraining of employees to empower them to carry out their new roles and responsibilities. As part of this

[82] Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

process, reward systems and incentives will also need to assessed and modified to align with the activities required to achieve the CSR objectives and commitments. It is also likely that new skills and experience will need to be added to the workforce and the human resources department will need to understand the needs of the company and set up new recruiting initiatives.

- Changes to the strategic planning processes should already have begun as the CSR objectives and commitments were being developed; however, at the implementation stage an investment must be made in the resources and skills necessary to handle stakeholder engagement and external monitoring.
- Each of the CSR objectives and commitments will have their own unique set of metrics, most of which will be new to the company, and this means that the company's management information systems will need to be changed in order to ensure that everyone has access to the information they need in order to be sure they are on track with the new metrics and see their progress toward achieving the objectives and commitments.
- The company's marketing research efforts will need to be overhauled to place customer attitudes and expectations regarding CSR and sustainability front and center. While customers as a group will be consulted during the stakeholder engagement process, detailed market research, including interviews and tests, will be needed to determine the best way to position the company's CSR initiative and the related features in its products and services. The results of this research should be reflected in updated plans with respect to pricing, sales, marketing and promotion. Companies often find that existing markets will need to be redefined and that new markets should be added.
- The engineering and product design groups will need to determine what changes must and can be made to products and processes in order to achieve the CSR objectives and commitments and satisfy the needs and expectations of the company's stakeholders. The company should not commit publicly to a specific leap in the energy efficiency of its products until it is satisfied that progress can be made in a manner that does not endanger the company's ability to survive financially or adversely impact another group of stakeholders (e.g., displacing a large number of workers). Specific consideration should be given to regulatory requirements, industry standards and benchmarking.
- Suppliers are key partners in any company's efforts with respect to CSR and other stakeholders, such as customers and human rights activists, will hold companies accountable for the social responsibility (or lack thereof) of their suppliers. This means that everyone involved in the procurement process must be trained in supply chain management and held accountable for the products procured from vendors and the manner in which those products are produced.
- The CSR objectives and commitments cannot be realized unless the company remains profitable throughout the process and is able to survive and thrive to the point where the objectives have been achieved. As such, the implementation plan must be supported by comprehensive financial planning that takes into account and addresses all of the capital requirements that must be satisfied in order for the plan to be successful including making sure that capital required for investment in new

technologies and other resources will be available at the appropriate times during the three to five year span of the plan. Among the issues to be considered is the impact of the sustainability focus on attracting capital from outside investors and the availability of tax incentives and financing through governmental programs.

The process of creating a CSR implementation plan is extremely challenging and will require a thorough understanding of the tools associated with organizational design. In addition to the issues described above, senior management needs to be acutely aware of potential barrier and sources of resistance to the changes that will be needed in order to implement the plan effectively. The transition toward a stronger focus on CSR will inevitably upset people in the organization who prefer that things continue as they have always been and individuals and groups will be reluctant to embrace change and agree to new roles and reporting channels. As such, it is essential that senior management involve everyone in the organization in the planning process and refrain from finalizing the plan until those who will be responsible for executing the plan have had a chance to voice their concerns and ask about the uncertainties that are bothering them.

Changes in organizational culture have been mentioned above and it is important to emphasize that the implementation plan will not be successful unless the organization is able to develop an internal culture that is based on employee participation, continuous learning and improvement. Continuous learning is important because sustainability and CSR involves coping with sweeping changes in science and technology, consumer needs and community expectations. Since change can be uncomfortable for many employees, senior management must be sure that everyone signs on to the CSR initiative and the additional investment of time in retraining and education. One thing that will help to bring employees on board is emphasizing their ability to participate in the process and offer ideas on how best to implement the CSR objectives and commitments. Research indicates that employees, as well as customers and other stakeholders, enjoy being a part of the planning and implementation process and that integrating them into the process increases enthusiasm and encourages innovation through the ideas that employees provide. In addition, as noted above, upgrades in information systems are needed so that employees can track their progress and clearly see how their actions are impacting the success of the program and their ability to claim the rewards and incentives that management has put in place with respect to CSR and sustainability.

Changing the organizational culture will not be easy. For example, shifting from focusing almost exclusively to enhancing shareholder value to balancing the economic, environmental and social outcomes of the company's activities is difficult, as well seeking out and accommodating the needs and expectations of multiple stakeholders. The board of directors and members of the senior management team will need to continuously reinforce the company's CSR mission and policy in their internal and external communications. Finally, senior managers, like everyone else in the organization, should be held accountable for the pursuit of CSR objectives and commitments and the company's reward and promotion systems should clearly include helping the company to achieve those objectives and commitments, either directly or through support of others, as an important criterion.

§24 --Developing an integrated CSR decision making structure

Hohnen and Potts noted that the first question that needs to be answered when the time comes to implement CSR commitments is "“given the firm's existing mission, size, sector, culture, way of organizing its affairs, operations and risk areas—and given its CSR strategy and commitments—what is the most effective and efficient CSR decision making structure to put in place?”[83] They argued that since CSR is fundamentally concerned with transparency, accountability and performance, the decision making structure for CSR must be an integral component of the company's governance activities that is visible to all impacted parties, accountable throughout the organization, supported by coordinated cross-functional decision making and specialized staff expertise, and designed in a way that it can easily be verified both internally and externally.

Given the importance of senior level support and enthusiasm for the CSR initiative, it is not surprising that people and committees at the top level of the organizational structure will be tapped for CSR leadership roles and decision making responsibilities. Active involvement and oversight by the board of directors is critical to the success of any CSR initiative. The board is ultimately responsible for the actions of the managers of the company and for reviewing and approval the company's overall strategic including its sustainable development policies, objectives and commitments. While all of the members of the board have the same duties in this area, it is common to create a committee of the board, often called the "social responsibility committee", that will include members that will focus their attention on setting corporate policies on CSR and for dealing with issues such as health and safety, personnel policies, environmental protection and codes of business conduct. The committee will be the first line of review at the board level for the strategies and implementation plans relating to CSR proposed by senior management and, once those strategies and plans are approved by the entire board, the committee must monitor implementation by receiving regular reports from throughout the organization. The committee must also ensure that the strategies and plans are implemented consistently, which is particularly challenging when the operations activities of the company are disbursed over many locations and/or the company is heavily dependent on third parties for activities, products and services. Any CSR board committee should have its own charter and procedures, reviewed and approved by the entire board. In addition, time should be set aside during each meeting of the directors for the entire board to focus on progress toward CSR commitments and hear reports from key CSR decision makers throughout the organization, since even though some CSR responsibilities may be delegated in some manner each of the members of the board should understand that CSR has been added to all of their duties and must be considered in any decisions that may be made in the boardroom.

Operational responsibility for overseeing and tracking the company's progress toward its CSR objectives and commitments should be assigned to a specific department or group within the organizational structure. Just below the board level a senior executive should

[83] Id. at 58.

be appointed to manage overall CSR implementation throughout the company. The CSR executive should either be a full member of the company's "C-suite" or report directly to the CEO and, as necessary, to the board of directors. In many cases, the CSR executive will be supported by a CSR implementation committee that includes representatives from key departments or business units that are most impacted by the CSR initiative and who will report to the CSR executive. For example, Hohnen and Potts suggested that the implementation committee would normally include representatives from environmental, health and safety protection, worker relations, supplier relations, community relations and customer relations. It needs to be clear to committee members that their service is valued and important to the company and appropriate changes should be made to their job descriptions and the criteria that will be used to evaluate their performance and set their compensation and other incentives. The implementation committee should also be supported by specialists in important areas such as stakeholder engagement, monitoring of environmental changes impacting sustainability, including legislation, and reporting.

The discussion above presumes a relatively centralized structure for managing the CSR initiative; however, how it works in actual practice depends on the balance that is struck between reserving decisions for the CSR implementation committee and allowing individuals, departments and business units to decide on the best way to implement the CSR commitments given the specific context in which they operate. For example, some companies create CSR committees within each of the existing business units (e.g., functional, product and/or market) and those committees focus on the plans relevant to their units. Organizational culture and management style plays a big role in deciding between centralization and decentralization; however, regardless of the path the company takes it is important for every employee to understand how they are expected to contribute to the CSR initiative.[84] The decision making structure should also be designed with an eye toward anticipating the inevitable conflicts that employees will encounter when satisfying requirements for social and environmental responsibility appear to conflict with striving for the highest levels of economic performance.

Ideally companies will be able and willing to make all of the changes to their organizational structure that is reasonably necessary to align their chain of authority and collaborative activities with the CSR commitments. In many cases, however, this is not practical and CSR duties and responsibilities will be added to the pre-existing activities of various departments such as human resources, environmental practices, health and safety, legal and community affairs. While this is a good first step there is a risk that the new duties will overwhelm existing resources and it will also take time for each of these departments to properly integrate CSR into their overall business and operational plans. Companies should strive to create independent CSR departments or groups that are self-sustaining and include people and other resources whose primary responsibility is CSR. Hohnen and Potts suggest that these groups can focus on simple cost-saving or revenue enhancing initiatives such as energy savings, waste reduction and employee and customer

[84] Some companies use a hybrid approach and a matrix reporting structure that includes both a CSR executive (and supporting group) and business unit committees and requires managers and employees to report both to their unit leaders and the CSR executive.

loyalty programs. The groups can provide the overall planning and oversight and engage other departments as necessary. In this way the company can begin getting used to considering CSR in all of its activities and the group can help other departments understand how their participation in CSR can actually improve their performance.[85]

§25 --Preparing and implementing a CSR business plan

The responsible members on the board of directors, the CSR executive and other senior personnel with important decision making responsibilities relative to CSR should develop an actual CSR business plan, which can be a separate document or incorporated into the company's overall business plan. The CSR business plan should track the CSR strategy and commitments that have previously been approved and should identify all of the human, financial and other resources and activities that will be necessary in order to effectively implement the CSR commitments and track company performance in meeting those commitments.

The business plan is also an opportunity to lay out specific plans and tactics for each of the key CSR commitments. For example, Hohmen and Potts suggested that a basic plan for meeting a commitment that prohibits illegal bribes to government officials might include the following elements[86]:

- Establish appropriate training for all employees who have regular contact with government officials during the course of their day-to-day job activities. The course should focus on the distinction between proper and improper payments, with an online version that includes "frequently asked questions" that can be consulted when questions arise.
- Review the company's incentive and disincentive structure (e.g., commissions) to ensure it does not indirectly encourage improper behavior. In other words, employees should not feel additional pressure to "close deals" that causes them to consider offering bribes to government officials who are in a position to influence decisions.
- Set up a procedure for seeking and obtain advice on payment issues. For example, the company should designate a member of the legal or compliance department to field payments questions and set up a "hotline" that employees can use to seek advice and/or report improper behavior.
- Create "whistleblower" protection measures that remove concerns among employees that they will be retaliated against if they report information relating to an actual or potential improper payment.

Each of the actions in the CSR business plan should be assigned a schedule and timeline and the resource requirements for each action should also be laid out in advance. It

[85] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 65.
[86] Id. at 58-59. For further discussion of designing and implementing anti-bribery compliance programs, see "Globalization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

should go without saying that the company should not make a public commitment to a CSR activity unless it is willing to invest sufficient resources to effectively pursue and achieve the goals associated with the activity. Whenever the plan calls for assigning new duties and responsibilities to managers and employees, appropriate changes should be made to their job descriptions, reporting requirements and performance objectives.[87] While the basic elements of a CSR business plan apply to all companies, the size and scope of operations of the company obviously needs to be taken into account. Small businesses will certainly not have the resources available to large global organizations and their CSR business plans should be scaled appropriately since they generally will not be able to hire new staff and set up dedicated CSR departments. In general, small businesses should begin with a single CSR project that excites managers and employees and which can be reasonable integrated into their existing duties and responsibilities.

§26 --Setting measurable targets and identifying performance measures

Internal management control, as well as the ability to create and disseminate external reports, depends on developing appropriate means for measuring performance and assessing the resulting metrics against internal and external performance standards. Accordingly, implementation of the CSR program will require upgrade to the company's information systems to ensure that they are capable to supporting the creation of the reports needed by management and external stakeholders. The information that is required, and the type of performance that will be measured and reported, will vary depending on the specific CSR objectives and commitments. Governmental and public agencies, as well as other participants in the industry in which the company is operating, play an important role in establishing standards and identifying the expected performance targets. For example, it is commonplace for companies to track and report emission levels and/or working hours lost due to illness or accident and the measuring procedures of the company should be set up in a way that tracks those metrics accurately and facilitates comparisons to internal targets and the performance of comparable companies.

External standards, measures and reporting systems often take a significant time to develop and gain acceptance and companies often need to make their own decisions about the best way to measure performance for their specific CSR objectives and commitments. In those situations, the goal should be a cost-effective solution that simultaneously meets the needs of managers and the applicable external stakeholders. While the CSR business plan is being prepared the drafters need to identify appropriate and measurable goals for each of the commitments in order to track progress and determine if changes are needed to the plans or the commitments themselves. Hohnen and Potts noted that measuring success required identifying the objectives underlying a CSR commitment, developing key performance indicators, working out the measurement

[87] For further discussion of business plan preparation, see "Strategic Planning: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

method and measuring the results.[88] When setting targets an effort should be made to keep them simple, measurable, achievable, reliable and time-bound.

Companies generally use a mix of qualitative and quantitative performance measures. For example, quantitative measures might include tracking the amount of waste sent to landfill when the commitment relates to reduction of solid waste or the number of local community or stakeholder meetings when the commitment is improving communications with community and stakeholder groups. Quantitative measures include assessing feedback from customers and other stakeholders on the value and effectiveness of particular CSR actions done in furtherance of commitments. Many commitments require both quantitative and qualitative measures: when assessing improvement of community relations both the number of community meetings and attendee satisfaction with those meetings needs to be considered.

It is important to understand that meeting a performance target does not necessarily mean that there has been satisfactory progress toward achieving success with the related commitment. Hohnen and Potts pointed out that even if the company dramatically increases the number of meetings with community members relations with the community will not necessarily improve if those meetings do not address the problems and concerns raised by the community. In that situation, the tactics need to be changed in order for progress to be made. For example, more resources may need to be placed into investigating and resolving specific complaints, a process that plays out outside of the public meetings.

Another thing to consider when setting performance targets for commitments that are primarily grounded in social and environmental areas is the potential impact on the economic performance of the company. For example, as noted by Hohnen and Potts, reducing emission can actually increase the company’s profitability, although it may take time to actually see a reduction in energy costs that exceeds the initial investment in the emission reduction efforts. In addition, the public commitment to reducing emissions and otherwise acting in an eco-friendly manner will hopefully improve the reputation of the company’s brand and open opportunities to do business with new customers motivated to work with environmentally responsible companies. In the same vein, targeting measurable improvements in the supply chain will likely make the company a more attractive potential partner for retailers and other business partners looking to improve their own supply chain management profile.

§27 --Strategic values integration

Skeptics have dismissed CSR as just another form of corporate public relations and cautioned that CSR can only have real substance “if it embraces all the stakeholders of a company, if it is reinforced by changes in company law relating to governance, if it is

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[88] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 59-60.

rewarded by financial markets, if its definition relates to the goals of social and ecological sustainability, if its implementation is benchmarked and audited, if it is open to public scrutiny, if the compliance mechanism are in place, and if it is embedded across the organization horizontally and vertically".[89]

Sampselle argued that "[c]ompanies do best by incorporating the full range of stakeholders into the development and implementation of the company's core values and mission in pursuit of the vision (i.e., the picture of what success for the business will be at a particular time in the future)" and cited Kanter for the proposition that "[v]anguard companies go beyond the lists of values posted on walls and Web sites by using their codified set of values and principles as a strategic guidance system".[90] Sampselle noted that while these propositions may be true for all companies, they were especially important when considering sustainability initiatives, and went on to provide several illustrations of companies that had been successful at strategic values integration[91]:

- Wal-Mart used its core competencies in human resources management and logistics to orchestrate effective delivery of badly needed goods to the victims of Hurricane Katrina and then built on those activities to "launch into a far more expansive and significant green campaign that 'engages customers, suppliers, and staff in a war on waste, obesity, and global warming'." Wal-Mart has integrated socially responsible goals and objectives into its mission, values and strategy including improvements to its supply chain and aggressively moving to make healthier, greener products available to its customers.
- In the early 2000s IBM set out to refocus its culture and values and reached out to engage thousands of its employees in a dialogue—Sampselle described the process as "jams"—to collectively identify a new set of core values. The result was: "dedication to every client's success; innovation that matters, for the company and the world; and trust and personal responsibility in all relationships". What followed was the development of a "socio-commercial strategy" that integrated the company's commercial and community activities and unleased the company's impressive and innovative technologies to find solutions that would lead to a "smarter planet" and help connect entire ecosystems of organizations and interests to "work smarter".
- When a leader at Unilever reported that there were "too many unaligned programs and messages,'' the company decided to create a new brand identity that integrated its modern home-and-personal-care and food-and-beverage businesses underneath a single corporate umbrella and pursue a strategically oriented mission ''to add vitality to life by meeting everyday needs for nutrition, hygiene, and personal care brands that help people feel good, look good, and get more out of life". The result was a menu of

[89] P. Frankenthaler, "Corporate social responsibility-a PR invention?", Corporate Communications: An International Journal, 6 (2001), 18

[90] D. Sampselle, Sustainable Organization Design Principles, OTMT 608.13. http://www.brevolutionconsulting.com/assets/Sustainable-Organization-Design-Principles.pdf [accessed December 6, 2016], 2 (citing R. Kanter, SuperCorp: How Vanguard Companies Create Innovation, Profits, Growth, and Social Good (New York, Crown Business, 2009)).

[91] Id. at 4-7 (citing R. Kanter, SuperCorp: How Vanguard Companies Create Innovation, Profits, Growth, and Social Good (New York, Crown Business, 2009)).

sustainability initiatives that were consistent with the company's core competencies including a focus on the environmental relationship between consumption and obesity, environmental sustainability throughout its supply chains and ethical consumerism growth through interest in cause-related products and in brands' social responsibility.

In order to provide contrast to the actions of Wal-Mart, IBM and Unilever, Sampselle explained some of the pitfalls that must be avoided in order for a firm to achieve and maintain credibility as a sustainable business.[92] For example, many companies have been accused of "greenwashing", which Sampselle described as "openly stating values that they then fail to embody and embrace to the extent the public sees fit". Sampselle pointed to Nike's public celebration of the happiness of the workers in its Vietnamese factories in 1997, a story that was undercut when the *New York Times* reported that those workers were exposed to carcinogens at 177 times safe levels and being paid ridiculously low wages for work weeks that were far longer than permitted by local law. British Petroleum, generally known simply as "BP", is another case. For several years during the 2000s BP invested heavily in its "Beyond Petroleum" campaign, touting a commitment to "green energy". However, the reality was that BP was continuing its old ways: investing 93% of its resources in its traditional oil and gas activities. Sampselle quoted one the 2006 observations of one of the architects of the campaign: "I guess, looking at it now, 'Beyond Petroleum' is just advertising. It's become mere marketing -- perhaps it always was -- instead of a genuine attempt to engage the public in the debate or a corporate rallying cry to change the paradigm." Any hopes that BP had of successfully transforming its image were effectively destroyed a few years later in 2010 with the Deepwater Horizon accident and resulting devastation of the Gulf coastline. The damage for companies that can occur from greenwashing and sloppy implementation of sustainability initiatives is significant: highly publicized failures undermine the public's trust and drain the goodwill that surveys have shown to count for as much as 70% of the value of the largest companies.

Sampselle also cautioned companies about relying on "one-off" actions or campaigns as satisfying stakeholder expectations regarding the company's commitment to sustainability. He cited examples of companies that publicize their intent to make donations to worthy causes, noting that while these efforts are certainly admirable they often lack what Sampselle argued is the key element of effective sustainability practices: long-term strategic integration. One of the easiest ways for companies to venture into sustainability is by increasing their investment in philanthropic activities including donations of cash and non-cash assets to charitable organizations. In some cases, companies augment these investments by creating programs that allow their employees to volunteer with the designated charities. While philanthropy can generate good press, and usually makes employees feel better about the places they work for, it must become an

[92] Id. at 2-3 (citing S. Beder, Nike's Greenwashing Sweatshop Labor, April 2002, http://www.organicconsumers.org/clothes /nikesweatshop.cfm; BP: Beyond Petroleum or Broken Promise? The Brand Positioning Workshop, http://www.brandingstrategyinsider.com/2010/06/bp-beyond-petroleum-or-broken-promise.html; and J. Kenney, Beyond Propoganda, http://www.nytimes.com/2006/08/14/opinion/14kenney.html)).

embedded long-term commitment of the company and a starting point for fuller engagement with relevant stakeholders: people within the company working with the charities and the charities themselves, who may have innovative ideas about how the company's core competencies can be deployed to enhance the value that the charities provide to their constituencies.

§28 --Engaging employees and others to whom CSR commitments apply

Responsibility for the implementation of the CSR commitments falls heavily on the shoulders of employees and it is essential to have them involved in the process of developing the commitments and provide them with the tools and incentives to be vigorous champions of CSR in their dealings with customers, suppliers, community members and other stakeholders. If employees are not effectively engaged in the CSR initiative the company will find that other stakeholders lose confidence in the company's dedication to CSR and will find the company's written CSR commitments to be little more than words on paper.

Hohnen and Potts recommend that employee engagement should begin by making sure that employees are aware of CSR directions, strategies and commitments, hopefully building on their involvement in earlier activities in the implementation process.[93] Employees need to hear directly from senior management of the company about the reasons that the CSR commitments have been adopted, why they are relevant to the goals and future of the company and how they will likely change the way that the company operates. Most importantly, each employees needs to have an understanding of his or her role in implementing the CSR commitments and the issues and considerations that he or she should consider whenever a decision is made or an action is to be taken. Hohnen and Potts suggested that companies can build and maintain employee support for CSR implementation by taking the following steps:

- Providing early and intensive training about the CSR initiative to key decision makers and influencers so that they can champion the commitments and proactively introduce the concepts of CSR in their day-to-day interactions with their colleagues;
- Incorporating CSR performance elements into job descriptions and performance evaluations for positions at all levels of the organization;
- Providing regular updates on progress in meetings or the company newsletter and using other internal communication strategies discussed below;
- Developing incentives (e.g., monetary and other rewards for best suggestions);
- Removing or reducing disincentives (e.g., competing interests such as premature deadlines that encourage employees to choose non-CSR options);
- Offering incentives and recognition for good ideas; and
- Making it a practice to celebrate CSR achievements in order to motivate and inspire employees to continue pursuing the CSR initiatives.

[93] P...Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 61-62.

§29 --Designing and conducting CSR training

In order for employees to feel engaged in the CSR implementation process and carry out their new duties and responsibilities they need to be adequately and continuously trained. Training sessions should be held at the time the CSR initiative is about to be launched in order to orient employees about their roles and teach them the specific skills and competencies they require. Training should continue in the months and years to come as commitments and circumstances change and the company addresses new CSR issues and develops new CSR programs. Ongoing training is also a good opportunity to efficiently share best practices throughout the organization.

Hohnen and Potts noted that there are several steps that companies should take in order to establish a successful training program: conduct a needs analysis; set learning objectives; design the program (i.e., content, format, logistics, timing, duration); implement the program; and evaluate the program against the learning objectives.[94] Specific questions that need to be answer by companies regarding training include the following:

- **What subjects and activities should be covered by the program?** Comprehensive training programs should cover all aspects of the company's environmental and social policies, programs, goals and performance and all impact aspects of the company's business operations (e.g., suppliers, waste management, CO2 emissions, product design and packaging etc.).
- **What specific individual skills should be covered by the program?** In general, the curriculum should include all the knowledge, skills and attitudes that employees will need to have in order to effectively help the company achieve its CSR goals. Course design should take into account language requirements and local cultural attitudes and literacy levels (when training is being offered in different countries).
- **What type of training methods should be used?** "Adult learning", which anticipates that students will have input into the learning process, has been shown to be most effective and companies should plan on interactive training available in classroom and online formats.
- **How should responsibility for training programs be allocated?** While the CSR executive and the company's CSR implementation committee should be ultimately responsible for CSR training, the details of making sure that training occurs are typically assigned to the company's human resources department and a designated CSR coordinator in each department or business units in which trainees are working.
- **What processes should be used to monitor training effectiveness and update the content?** Processes should be implemented to track attendance and elicit feedback from trainees on the quality of the training programs. The curriculum should be reviewed on a regular basis and updated as necessary, a process that will be easier if the company has relied on online formats for delivery of training materials.

[94] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 62-63.

In order for the training program to be effective there must be visible support from top management, which includes mandatory participation by members of the board of directors and the senior managers in training programs as both learners and teachers. While many companies develop their training programs internally it is also feasible to rely on experience outside trainers to provide courses and content relating to specific topics that are part of the company's CSR commitments.

§30 --Establishing mechanisms for addressing problematic behavior

Every formal organization has procedures in place for "monitoring" to ensure compliance with the codes and rules established by the organization and measuring the effectiveness of those codes and rules.[95] Monitoring of the effectiveness of codes is required under the laws of certain countries, at least for publicly-held corporations, and companies have generally moved toward greater reliance on internal audits to monitor compliance with their codes. In addition to audits, companies rely on indirect monitoring strategies such as establishing and encouraging "whistleblower" procedures that allow organizational members to report the misconduct of others including code violations. Accounting systems are also a good way for companies to identify and track corrupt behavior. When members are aware of the organization's attempts to monitor compliance, a message that should be sent continuously from the very top of the organizational hierarchy, they often internalize the resulting pressures to comply and effectively self-monitor their actions, thus reducing the overall costs of compliance initiatives.[96]

Sanctions are another element of formal organizations and are typically combined with monitoring in the organization's overall efforts to ensure compliance with its codes and rules. While most of the research on sanctions has focused on negative sanctions, such as termination of employment, fine, verbal warnings and legal actions, organizations should also consider positive sanctions in the form of individual rewards for persons who fulfill their duties and responsibilities with respect to a CSR activity.[97] Codes and rules do not themselves sanction the actions of organizational members, but only contain warnings and promises of sanctions in the event that a violation of the code or rule is discovered. It is up to the organization itself to impose the sanctions and it is the enforcement record of the organization—or at least the perception of the members regarding the enforcement record--that will impact the efficacy of this element. In some cases, sanctions are not explicitly used as organizational element; however, members may still assume that sanctions exist because they are so tightly associated with the use of rules and monitoring.

In order for the CSR initiative to be effective procedures must be put in place to facilitate early detection, reporting and resolution of "problematic behavior" (i.e., behavior that conflicts with the company's CSR commitments and/or otherwise breaches laws

[95] L.-E. Petersen and F. Krings, "Are ethical codes of conduct toothless tigers for dealing with employment discrimination?", Journal of Business Ethics, 85(4) (2009), 501.
[96] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 655.
[97] Id.

applicable to the company or the company's code of conduct and related policies). If a company is perceived to be sloppy or indifferent about the actual enforcement of its CSR commitments the entire initiative will be a failure and the reputation of the company will plummet below the levels enjoyed before the CSR project began. Problems with respect to meeting CSR commitments and/or the effectiveness of the processes and tactics chosen to achieve those commitments will hopefully be uncovered through regular monitoring and audit; however, issues of wrongdoing and non-compliance can arise at any time and companies must have procedures in place to make it easy for employees, customers, suppliers and other stakeholders to report breaches of CSR commitments. Ideally reports can be made through open communications, such as employees providing information on their concerns to their supervisors; however, provision should also be made for submission of reports via anonymous hotlines and to independent ombudspersons. Reporting is often referred to as "whistleblowing" and companies need to be mindful of legal protections for whistleblowers that prevent them from being subjected to harassment and retaliation. Reports need to be taken seriously and senior management personnel should be assigned responsibility for investigating reports and making sure that issues are brought to the attention of appropriate people and departments within the organization. Various resources are available to assist companies in establishing whistleblowing programs.[98]

§31 --Creating internal and external communications plans

Plans should be created to ensure that information regarding the company's CSR commitments, activities and performance is widely and continuously communicated both inside the company and to the company's external stakeholders.[99] An important part of strengthening employee engagement in CSR is making sure that they have current information and companies use a number of methods including newsletters, annual reports, Intranet communication, meetings and training. Communications reinforces that CSR is a priority within the organization and also provides employees with the tools they need to discuss the CSR initiative and commitments among themselves and with customers, suppliers and business partners. Managers and supervisors should be required to put CSR topics on the agenda for all group meetings in order to provide employees with an opportunity to share stories or ideas.

As noted above, a key step in CSR implementation is making the company's CSR commitments "public". Many companies place their CSR commitments on their websites and on packaging for their products and this is important to making those commitments credible and real to stakeholders; however, these are only the first steps and companies

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[98] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 63. Information on establishing a whistleblowing program, including the Whistleblowing Commission Code of Practice for effective whistleblowing arrangements, is available at the website of Public Concern at Work (http://www.pcaw.co.uk).

[99] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 64.

need to have an external communications plan that focuses on individuals and groups outside of the company that need to be aware of the CSR initiatives and the company's progress toward achieving its commitments. Among other things, companies should prepare list of persons and groups who should be formally notified of the CSR commitments and receive copies of the documents with a personal note from a company executive. In addition, companies conduct awareness campaigns that include advertising, speeches and other media events and community meetings. Web site references to CSR can and should be expanded as time goes by to include more information, reports and case studies of the company's CSR activities. Investor relations strategies should be modified to incorporate CSR strategies.

§32 --Comparison of CSR organizational integration among MNCs and SMEs

Baumann-Pauly et al. conducted an extensive assessment and comparison of actual implementation CSR practices among MNCs and SMEs along several dimensions.[100] With respect to one of those dimensions, "internal organizational integration of CSR", MNCs were assessed on the basis of incentive systems, training, complaints channels, evaluation and reporting. In turn, SMEs were assessed on the basis of organizational culture, daily practices and processes, employee involvement and transparency.[101] The researchers noted that consistent handling of CSRs in MNCs requires the drafting and implementation of formal CSR policies and procedures and the sheer size of the companies created challenges in embedding those policies and procedures across all of the daily operations occurring on a global basis. MNCs struggled to find the time and resources to effectively implement their CSR policies and efforts needed to be made to ensure that managers are trained, incentive systems are aligned, grievance procedures are drafted and implemented, CSR information flows freely throughout the company and processes for evaluating the CSR initiative are created and followed. One of the MNCs, Novartis, stood out as being farther along and the researchers noted that almost all its employees had completed courses using CSR e-learning tools and that the company was in the process of developing follow-up CSR training manuals and reviewing standardized incentives systems for bonus payments and promotions. Novartis had also appointed an ombudsperson who was in charge of the grievance process.

Among the SMEs, the researchers found that "responsibility in general and engagement in CSR was particularly strongly embedded in the company culture of the interviewed SMEs, often implicitly rather than explicitly" and that their employees were strongly involved in shaping their company's CSR agendas and highly aware of CSR issues.[102] The highly level of employee awareness was attributed to the small size of the organizations, flat hierarchies and lack of organizational complexity. The researchers reported on several innovative ways that SMEs had approached disclosure and transparency such as an online tracking system of all of their products along the entire

[100] D. Baumann-Pauly, C. Wickert, L. Spence and A. Scherer, Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters (University of Zurich: Chair of Foundations of Business Administration and Theories of the Firm Working Paper Series No. 204, December 2011).
[101] Id. at 10-12.
[102] Id. at 11.

supply chain. Interestingly, the relative lack of human and financial resources among SMEs did not appear to be an impediment to adopting CSR practices and companies in this group used both self-developed requirement sheets for suppliers or their own audit checklists and/or established certification schemes like SA8000 or ISO14001. One of the interviewees at Remei commented: "the advantage for SMEs is that they can act much quicker. We have shorter ways and are closer to the issue, and we can act out of conviction, rather than just due to profitability reasons."[103] Remei was one of the SMEs that used its supply chain tracking system as a competitive advantage in terms of demonstrating transparency and proudly promised its customers that social and environmental sustainability was traced and independently audit across the the company's entire value chain.

§33 Reporting and verifying progress

In order to know whether or not the CSR initiative and its related commitments are actually improving the company's performance it is necessary to have in place procedures for reporting and verification, each of which are important tools for measuring change and communicating those changes to the company's stakeholders.[104] Hohnen and Potts described reporting as "communicating with stakeholders about a firm's economic, environmental and social management and performance" and verification, which is often referred to as "assurance", as a form of measurement that involves on-site inspections and review of management systems to determine levels of conformity to particular criteria set out in codes and standards to which the company may have agreed to adhere.[105] Verification procedures should be tailored to the company's organizational culture and the specific elements of the company's CSR strategy and commitments; however, it is common for companies to rely on internal audits, industry (i.e., peer) and stakeholder reviews and professional third-party audits. Verification procedures should be established before a specific CSR initiative is undertaken and should be included in the business case for the initiative.[106]

One basic reason for reporting and verification is to make sure that the CSR initiative is properly managed and that persons involved understand they will be accountable for their actions. Other good reasons for reporting and verification include giving interested parties the information they need in order to make decisions about purchasing the company's products and/or investing in the company (the level of funding from investors focusing their interest on ethical businesses is continuously increasing) or otherwise

[103] Id.
[104] For detailed discussion of sustainability reporting, see "Sustainability Reporting and Auditing" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[105] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 67.
[106] Companies using the Future-Fit business goals recommended by the Future-Fit Business Network can adopt the "fitness criteria" associated with each of the goals. See the discussion of the Future-Fit business goals elsewhere in this Guide and Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 25, FutureFitBusiness.org.

supporting the company's community activities; collecting information that can be used to make changes and improvements to the company's CSR strategy and commitments; improving internal operations; managing and reducing risks; and strengthening relationships with stakeholders. However, in order to achieve the greatest benefits from reporting and verification companies need to carry out those activities in a rigorous and professional manner using tools and standards that are widely recognized and accepted among those interested in the results.

The scope of the company's reporting and verification efforts will depend on various factors including the size of the company, the focus of its CSR commitments and the financial and human resources available for investment in those activities. Ceres, a non-profit organization advocating for sustainability leadership (www.ceres.org), has developed and disseminated its Ceres Roadmap as a resource to help companies re-engineer themselves to confront and overcome environmental and social challenges and as a guide toward corporate sustainability leadership.[107] In the area of disclosure and reporting, Ceres stated that the overall vision was that companies would report regularly on their sustainability strategy and performance, and that disclosure would include credible, standardized, independently verified metrics encompassing all material stakeholder concerns, and details of goals and plans for future action. Specific expectations regarding disclosure were as follows:

- D1 – Standards for Disclosure: Companies will disclose all relevant sustainability information using the Global Reporting Initiative ("GRI") Guidelines as well as additional sector-relevant indicators.
- D2 – Disclosure in Financial Filings: Companies will disclose material sustainability risks and opportunities, as well as performance data, in financial filings.
- D3 – Scope and Content: Companies will regularly disclose trended performance data and targets relating to global direct operations, subsidiaries, joint ventures, products and supply chains. Companies will demonstrate integration of sustainability into business systems and decision making, and disclosure will be balanced, covering challenges as well as positive impacts.
- D4 – Vehicles for Disclosure: Companies will release sustainability information through a range of disclosure vehicles including sustainability reports, annual reports, financial filings, corporate websites, investor communications and social media.
- D5 – Verification and Assurance: Companies will verify key sustainability performance data to ensure valid results and will have their disclosures reviewed by an independent, credible third party.

When establishing plans for reporting and verification it is useful to obtain and review copies of reports that have been done and published by comparable companies. Reports of larger companies are generally available on their corporate websites and extensive archives of past CSR-focused reports can be accessed through various online platforms such as CorporateRegister.com, a widely recognized global online directory of corporate responsibility reports. It is also important to have a good working understanding of well-

[107] Ceres, The Ceres Roadmap for Sustainability (www.ceres.org/ceresroadmap)

known reporting and verification initiatives such as the GRI Standards; the AccountAbility AA1000 series; the United Nations Global Compact; and the International Auditing and Assurance Standards Board ISAE 3000 standard. Country-specific information is also available through professional organizations such as the Canadian Chartered Professional Accountants, which has published an extensive report on sustainability reporting in Canada.

The scope and sophistication of CSR reporting has come a long way since the idea first came up in the mid-1990s, when only a handful of companies reported on social responsibility issues and activities in addition to their regular financial reports. Today almost all of the largest global companies produce reports on their environmental policies and activities, often providing interested parties with a whole range of documents that can be accessed in a separate yet highly visible section of the company website. Companies participating in the United Nations Global Compact are required to make an annual "Communication on Progress" that outlines the actions they have taken with respect to integrating the Compact's ten principles and to make the communication publicly available to stakeholders through annual financial, sustainability or other prominent public reports in print or on the company's website. The Compact recommends that companies follow the GRI Standards when preparing their reports.[108]

While international standards like the GRI Standards provide a useful framework for comprehensive CSR verification and reporting, companies should remember that it is important to tailor the information in their reports to the needs and expectations of their specific primary audiences. While it has become more and more common among larger companies to generate large reports with glossy pictures, charts and graphs and detailed breakdowns of data, many interested parties prefer to a short executive summary that highlights the most relevant information and provides links to detailed reports, case studies and other materials. Information should be presented in a manner that reflects the company's overall organizational culture and provides recipients with a sense of what social responsibility means to the company's leaders and employees on a day-to-day basis. Finally, while reporting is certainly a positive public relations tool and companies will be eager to showcase their CSR successes, credibility demands that reports also include transparent assessments of areas in which the company may have failed to achieved its previously announced objectives and disclosures on the reasons for those failures and the steps the company is taking to improve its performance and the metrics that will be used to evaluate how well the remediation is proceeding.

As discussed above, the company's information systems need to be set up in a way that allows for creating the metrics necessary to track the performance measures that are most appropriate for each of the CSR objectives and commitments. In order for this process to be effective, the company must be able to use the information to generate clear and meaningful reports for both managers and the company's stakeholders in order to allow

[108] For further discussion of sustainability reporting and the GRI Standards, see "Sustainability Reporting and Auditing" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

them to make their own assessment of how well the company is doing in pursuing and achieving its objectives and commitments. CSR reporting actually has several dimensions, each of which will require a different form of report, albeit based on essentially the same pool of information:

- Internal reports need to be created for members of the board of directors and the senior executives of the company so that they are able to monitor the implementation of the company's CSR objectives and commitments using appropriate performance metrics and make decision about the strategies and methods that are being used for implementation. Portions of these reports will also be distributed throughout the organization so that managers responsible for specific activities have good information about how their teams are performing and contributing and can make appropriate adjustments at their levels in the organizational hierarchy. Internal reporting includes not only data from information systems but also qualitative reports from line managers regarding their assessment of how their team is doing with respect to achieving CSR targets and periodic oral and written reports from senior executives to the directors on overall progress or problems associated with CSR.
- External reports have been required for shareholders of companies subject to the reporting requirements imposed by federal regulators (i.e., the Securities and Exchange Commission) and securities exchanges; however, those reports have typically been limited to information on financial performance and governance structures. External reporting relating to CSR performance requires sufficient information to allow all of the company's stakeholders—not just shareholders, but also creditors, employees, customers and the general public—to hold the company and its directors and senior executives accountable for the company's stated financial, environmental and social objectives and commitments. External reporting also provides a basis for ongoing discussions with stakeholder as part of the company's stakeholder engagement process.
- Regulatory reports, beyond those that may be required by federal securities regulators and securities exchanges, may be required by various governmental agencies at all levels. In general, these reports are required in order to track the company's compliance with specific regulations pertaining to environmental and social issues. In addition, if the company is formed and organized as a social benefit corporation, it will need to comply with applicable state law reporting requirements that call for information regarding the success of the company's efforts to pursue and achieve the specific public benefits set out in its charter documents.

As CSR has emerged as an important issue and consideration for businesses, particularly larger companies used to preparing detailed financial reports for their shareholders, attention has turned to finding ways to integrate the "results" of CSR initiatives into traditional methods of reporting on economic activity. For example, a company that does not invest in technologies and other measures designed to reduce the adverse impact of its operations on the environment can be expected to report higher net profits due to its decision not to incur the costs associated with mitigating environmental harm. On the other hand, a company that does make those investments will likely have lower net profits than the first company, at least at the beginning of the investment cycle, and its economic performance vis-à-vis the first company will be poorer. In order to incentivize the second company, and others, to make the investments associated with a CSR objective or commitment to reduce environmental harm, there needs to be an accepted reporting method that allows for companies to disclose and explain the financial impact of their CSR initiatives so that shareholders and other stakeholders can make their own assessment about the company and, hopefully, reward the company for its efforts in spite of the impact on profitability measures.[109]

The strategy and formatting for external reporting varies among companies. In some cases, several different special reports were be prepared by the specific stakeholder audiences such as employees. Other companies include separate sections on environmental and social benefit activities in the same annual reports in which they present their financial results. Regardless of how CSR reporting is integrated with financial reporting, companies should consider publishing, no less frequently than annually, a free-stand report on their CSR activities in order to highlight once again their policies, objectives and commitments and explain in details their implementation plans and the measurable progress that has been achieved.

The need to prepare reports relating to CSR activities creates another important process for companies: internal audits to ensure that the information included in the reports is accurate and complete. Auditing has long been a feature of financial reporting and companies reporting on CSR also need to engage in systematic, documented, periodic and objective evaluation of how well the organization is doing with respect to implementing its CSR objectives and commitments and complying with relevant policies and procedures. Internal auditing for CSR requires a multi-disciplinary team that includes engineers, scientists, auditors and attorneys with the necessary experience in both the substantive issues and the art and science of the testing and sampling associated with audit practice. Auditing is not only data-driven, but also includes insights from interviews, inspections and simple observations of employees engaged in their day-to-day duties. Interactions with external stakeholders will be needed during the audit process to confirm their impressions of company activities. Some companies draw on outside audit specialists to serve as consultants to facilitate the audit process.

Smaller businesses generally do not have the resources to engage a professional auditor or prepare elaborate reports on their CSR activities; however, Hohnen and Potts suggested that small companies could take several modest steps to report and verify their CSR initiatives[110]:

- While it is probably impractical to appoint a full-time CSR executive, small companies should at least designate one senior employee to monitor CSR activities

[109] The issue of valuating contributions to environmental and social wellbeing also appears in the use of aggregate measures such as "gross domestic product", which has traditionally been based solely on output and does not take into account the present value of conserving natural resources for use in some future period.

[110] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 72.

and collect information that can be used to develop new CSR initiatives and report activities to stakeholders (the designated employee's existing duties and performance metrics should be rearranged to accommodate the CSR-related activities).

- A modest budget should be set up to cover anticipated CSR activities and key people in other departments (e.g., human resources, customer service, marketing and public relations, manufacturing etc.) should be asked to submit ideas for CSR projects and informed that they will be expected to work with the designated CSR employee on projects from time-to-time.
- Even if the company has not yet adopted one of the international CSR instruments, information regarding its CSR activities should be posted on the company's website and should include both successes and areas that have been targeted for improvement.
- Information on CSR activities can also be communicated to customers, suppliers and other business partners and community members by adding new sections to the company's brochures and pamphlets and posting pictures of activities that can be viewed by visitors to the company's facilities.
- Information about the company's CSR activities can be placed into local newspapers, a relatively easy and low cost public relations effort that has high impact among current and prospective employees, local customers and community members.
- Staff briefings on CSR activities should be held on a regular basis and small businesses should also invite business partners and community members to events at the company's facilities which showcase some of the things that the company is doing with respect to CSR.
- CSR should be placed on the agenda for all discussions with key customers, suppliers and other business partners in order to gather their input and ideas on things that the company can do in the CSR area and get feedback on current initiatives.
- Small businesses should begin with self-assessment of CSR commitments using well-accepted global guidelines as a reference point and use the self-assessment process as a means for preparing for more rigorous verification and reporting in the future.

Questions for New and Small Businesses Launching Sustainability Reporting

Sustainability reporting is often seen as a daunting and challenging project for new and small businesses and sustainable entrepreneurs often complain that they do not know where to start. However, the Global Reporting Initiative ("GRI"), the developer of the GRI Standards used by thousands of organizations around the world to describe and report the progress of their sustainability initiatives and programs, and the International Organization of Employers have partnered to generate the following list of questions that new organizations can use the develop a process for launching their reporting process:

- **Scope and Strategy:** ***How does your organization communicate what it is and what it does, including showing your commitment to being environmentally, socially and economically responsible?*** Provide a clear picture of how your organization creates value, and of your operations and activities. Explain how your business strategy incorporates sustainability into programs, priorities and executive level decision making. When describing value, consider value created for the company, the employees, local communities and the wider economy.
- **Governance and Accountability:** ***How is your sustainability strategy led, and what policies and structures are in place to ensure organizational accountability when it comes to meeting sustainability objectives?*** Show how your senior executives are involved in leading sustainability programs and key initiatives.

- **Stakeholder Inclusiveness:** ***How does your organization identify the stakeholder groups that will have the greatest impact on your long-term viability? How do you engage with these stakeholders? How do you use their feedback to better understand and anticipate future risks and opportunities?*** Identify your key stakeholders and show how they are being engaged. Explain how you have addressed–or will address–their highest priority topics and how this is reflected in your sustainability initiatives.
- **Material Topics:** ***How does your organization present topics that are particularly important to you and your key stakeholders?*** Indicate your material topics while explaining how these topics were identified and addressed both in your current strategy and programs and your strategic planning.
- **Key Performance Indicators, Performance and Impact:** ***How does your organization measure sustainability performance? How do you know whether your sustainability performance is advancing, and how it is impacting society, the environment and your bottom line?*** Use key performance indicators (KPIs) corresponding to high-priority topics to show how your performance is improving and whether you are meeting expectations/targets.
- **Data Quality:** ***How clearly do you communicate your sustainability priorities, plans and performance? Do you provide a well-rounded picture of your successes, challenges, risks and opportunities? Are you open about improvement points? How do you prove the accuracy of your performance data and the credibility of your claims? Is the information presented in a way that is sufficiently accurate and detailed for stakeholders to assess your performance?*** Sustainability reports should be credible. This means reports should be balanced and the data reported should be comparable, accurate, timely, clear and reliable. Show your stakeholders how a focused and effective sustainability program will improve your overall future direction (i.e., improving bottom line, reducing risks, increasing competitiveness), so that there is a strong link between sustainability and corporate strategy. Describe how your company addresses potential concerns about the reliability of data and claims through a combination of consistently applied internal auditing practices, independent quality assurance and feedback from stakeholders on the overall structure, topics and tone of the report.

Taken together, the above questions should prod the leaders of the organization to address several of the key elements for success in exercising social responsibility and pursuing sustainability in the course of the organization's activities. First of all, the organization needs to identify is core mission and purpose and the way in which it intends to provide value to each of its stakeholders. In order to achieve clarity regarding the expectations of stakeholders relating to the organization's value proposition, organizational leaders need to establish relationships with each of the stakeholder groups through engagement. Stakeholder engagement will ultimately lead to the identification of the organization's major sustainability goals and objectives, each of which will eventually become a "major topic" in the sustainability reporting process and will need to be supported by a strategy that can also be explained to stakeholders in the sustainability report. Once the goals and strategies associated with the organization's sustainability initiative and programs have been selected, the governance framework of the organization (i.e., policies and procedures) should be aligned with the strategy. This begins with the proper "tone at the top" and continues downward throughout the organization with clarity for everyone regarding their roles and responsibilities. In addition, in order for the organization to report on the progress of its sustainability initiatives and the success of its strategies, there must be performance indicators embedded in the strategy and investment in the systems necessary to generate and analyze the data required to track performance and report on it to stakeholders.

Source: Small Business Big Impact: SME Sustainability Reporting from Vision to Action (Amsterdam and Geneva: Stichting Global Reporting Initiative and the International Organization of Employers, 2016), 11-12. The publication is available for download at www.globalreporting.org.

While CSR reporting has already evolved significantly there will no doubt be important and interesting changes in the future as the appetite of the various stakeholder groups, particularly investors, for information on CSR management and corporate governance generally grows.[111] There is already intense discussion about non-financial reporting, sometimes referred to as "extra-financial reporting" or "intangibles" reporting, that would cover operational activities that are not yet formally regulated but are already embedded in global social responsibility standards and best practices regarding ethical business conduct. In fact, a number of companies already include both financial and non-financial information in their reports to the investors and other stakeholders and it is expected that disclosure requirements in investor reports will continue to be changed to incorporate more analysis of the impact of environmental and social responsibility initiatives on economic performance and the overall well-being of the communities that are served by the company. A popular format for integrating financial and non-financial reporting is the "triple bottom line" which facilitates incorporation of economic, environmental and social considerations into performance measurement and disclosures; however, others have argued that additional dimensions should be included such as culture and ethics.[112]

§34 Evaluating and improving CSR initiatives

Verification and reporting, both important in their own right, should also be seen as the catalyst for careful evaluation of the effectiveness and scope of the company's CSR initiatives and generation of ideas for modifying and improving those initiatives. Hohnen and Potts admonished companies to use the results from the verification process, including information gathered from engaging stakeholders, to determine what is working well, why and how to ensure that it continues to do so; investigate what is not working well and why not, to explore the barriers to success and what can be changed to overcome the barriers; assess what competitors and others in the sector are doing and have achieved; and revisit original goals and make new ones as necessary.[113] While some might ask why this is necessary when a detailed report has been prepared at great expense it is important to distinguish the data and other information in the report from the process of thinking deeply about what the data and information really mean in practice. Questions that Hohnen and Potts suggested should be used in order to drive the evaluation process included the following:

- What worked well? In what areas did the company meet or exceed targets? Has the company celebrated its successes, an important way to continue motivating employees?
- Why did it work well? Were there factors within or outside the company that helped it meet its targets?
- What did not work well? In what areas did the company not meet its targets?

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[111] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 70.
[112] For further discussion of the "triple bottom line" and other dimensions of sustainability, see "Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[113] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 73-74.

- Why were these areas problematic? Were there factors within or outside the company that made the process more difficult or created obstacles?
- What did the company learn from this experience? What should continue and what should be done differently?
- Is the company using the right reporting indicators? Are they aligned with the company's overall mission and CSR commitments?
- Is the company engaging with the right stakeholders?
- Have the right persons for advancing CSR initiatives inside the company been identified and have they been given adequate support?
- Drawing on this knowledge, and information concerning new trends, what are the CSR priorities for the company in the coming year?
- Are there new CSR objectives?

Evaluations need to be done regularly, no less frequently than annually, and procedures should be established for tracking the results from evaluations year-over-year in order to gauge progress and identify any relevant patterns or trends. When conducting evaluations input should be obtained from people throughout the organization as line-level employees may have very different impressions of CSR initiatives than managers higher up in the organizational structure. When small businesses conduct an evaluation it need not be time consuming. In fact a good deal can be learned from having everyone in the company get together for a working meeting and planning session to go through the questions laid out above.

§35 Small businesses

While a good deal of the commentary regarding corporate sustainable development and CSR has focused on larger companies, CSR is also relevant to smaller businesses, either businesses that have been in existence for a long period of time and are looking to transition toward more sustainability or entirely new businesses launched by sustainable entrepreneurs looking to integrate profitability and environmental and social responsibility into the business models in a balanced manner from the very beginning. Smaller businesses, particular those that are in their early stages, face a variety of challenges when trying to establish a CSR framework that includes all or most of the elements suggested for larger organizations. For example, small businesses lack the financial and other resources generally required for many CSR initiatives, operate with less formal management structures and do not have in-house expertise for important activities such as reporting and external monitoring. However, small businesses can create partnerships with other companies and tap into the resources available from outside groups offering advice on standards, monitoring and relevant technologies. In addition, size and informality can actually make it easier for the sustainable entrepreneur to secure the support of everyone in the organization and monitor how the initial CSR objectives are progressing.[114]

[114] For further discussion of implementing CSR in the small business setting, see "Corporate Social Responsibility for Small Businesses and Startups" in "Corporate Social Responsibility: A Library of

§36 Tools for identifying and developing sustainability goals

As noted elsewhere in this Guide, companies can and should borrow from the work of others while attempting to identify and develop their own sustainability goals and formulate strategies for achieving those goals. As interest in sustainability has grown, companies of all sizes from all parts of the world have published their sustainability goals and provided information on the specific projects and initiatives they have implemented in order to achieve those goals and the metrics they have selected to measure performance and progress toward attainment of the goals.[115] The sections that follow describe just two of many possible approaches that may be adopted by the CSR leadership team: the Ceres Roadmap and Willard's classification of sustainability-related projects and initiatives based on the Future-Fit Business Benchmark goals and the United National Sustainable Development Goals discussed above.

§37 --Ceres Roadmap

The Ceres Roadmap was developed and disseminated by Ceres, a non-profit organization advocating for sustainability leadership (www.ceres.org). The Roadmap was intended to be a resource to help companies re-engineer themselves to confront and overcome environmental and social challenges and as a guide toward corporate sustainability leadership.[116] An important part of the Roadmap was the five expectations for performance, which were expressed as "visions" and accompanied by two or more guidelines for achieving those visions. The expectations were described as follows:

- P1 – Operations: Companies will invest the necessary resources to achieve environmental neutrality and to demonstrate respect for human rights in their operations. Companies will measure and improve performance related to GHG emissions, energy efficiency, facilities and buildings, water, waste and human rights.
- P2 – Supply Chain: Companies will ensure that suppliers meet the same environmental and social standards—including disclosure of goals and performance metrics—as the company has set for its internal operations.
- P3 – Transportation and Logistics: Companies will systematically minimize their environmental impact by enhancing the efficiency of their logistics systems and minimizing associated GHG emissions. Companies will prioritize low-carbon transportation systems and modes, and minimize the carbon footprint of company business travel and commuting.

Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[115] While CSR leaders can begin by searching for goals published by companies engaged in similar businesses and industries, there are other resources available that facilitate rapid access to publicly available sustainability goals that can be used for research, benchmarking, driving performance and accountability. One example is Pivot Goals, which is a database of the sustainability goals of the world's largest and leading companies (http://www.pivotgoals.com/about.php).

[116] Ceres, The Ceres Roadmap for Sustainability (www.ceres.org/ceresroadmap)

- P4 – Products and Services: Companies will design and deliver products and services aligned with sustainability goals by innovating business models, allocating R&D spending, designing for sustainability, communicating the impacts of products and services, reviewing marketing practices and advancing strategic collaborations.
- P5 – Employees: Companies will foster a diverse, inclusive and engaged work environment that holds sustainability considerations as a core part of recruitment, training and benefits.

As noted above, each of the performance-related expectations came with specific guidelines that were intended to provide further explanation to companies. These guidelines included the following:

P1 - Operations

- P1.1 – Greenhouse Gas Emissions and Renewal Energy: Companies will reduce scope 1, 2 and 3 greenhouse gas (GHG) emissions by at least 25 percent by 2020 (from a 2005 baseline) and will do that through the improvement of energy productivity, reducing electricity demand, direct procurement of renewable energy, and low-carbon transportation strategies. Companies will obtain at least 30 percent of energy from renewable sources by 2020, on the road to 100 percent renewable energy procurement by 2030.
- P1.2 – Facilities and Buildings: Companies will ensure that both owned and leased buildings, as well as new construction and franchised facilities, meet rigorous green building standards. When siting facilities, companies will follow best practices that incorporate sustainable land-use and smart growth considerations.
- P1.3 – Water Management: Companies will assess water-related impacts and risks across all direct operations and the supply chain. Companies will set quantitative and time-bound targets for addressing and mitigating impacts, as well as supporting, in collaboration with other stakeholders, efforts to improve overall watershed health, with priority given to operations and suppliers in high water-risk regions.
- P1.4 – Waste: Companies will design (or redesign, as appropriate) manufacturing and business processes as closed-loop systems, reducing toxic air emissions and hazardous and nonhazardous waste to zero.
- P1.5 – Human Rights: Companies will have a formal human rights policy that covers all direct employees, as well as employees of suppliers and clients. The policy will be aligned with universal standards, including the ILO Core Conventions and the Universal Declaration of Human Rights. Companies will conduct regular human rights due diligence assessments and disclose management systems in place for implementation.

P2 – Supply Chain

- P2.1 – Policies and Codes: Companies will set supply chain policies and codes aligned with their own social and environmental standards, as well as universal standards including the ILO Core Conventions and the Universal Declaration of Human Rights.

- P2.2 – Procurement Practices: Companies will have in place comprehensive procurement and sourcing strategies that include both social and environmental criteria in procurement and contracting.
- P2.3 – Supplier Engagement: Companies will have in place comprehensive capacity building programs for suppliers to ensure alignment with social and environmental expectations and will incentivize supplier goal setting and performance improvements. Companies will also have in place strategies to ensure suppliers beyond Tier 1 are meeting sustainability expectations.
- P2.4 – Measurement and Disclosure: Companies will measure and disclose supplier social and environmental performance data and will set targets for improved supplier performance in line with the companies' own operational targets.

P3 – Transportation and Logistics

- P3.1 – Transportation Management and Modes: Companies will develop transportation criteria to reduce the impact of logistics and fleet operations. Companies will design logistical systems to prioritize efficiency and low-carbon transportation modes and low-carbon fuel options, especially fleet electrification where feasible.
- P3.2 – Business Travel and Commuting: Companies will decrease the impact of business travel and employee commuting through incentives that reduce travel and promote the use of low carbon transportation options. Companies will provide workplace-charging infrastructure for employees and facilitate other low-carbon commuting options.

P4 – Products and Services

- P4.1 – Business Model Innovation: Companies will create innovative business models to reduce material inputs and prioritize a transition to sustainable products and services.
- P4.2 – R&D and Capital Investment: Companies will use sustainability as an equally weighted filter through which all R&D and capital investments are made.
- P4.3 – Design for Sustainability: Companies will approach all product development and product management decisions with full consideration of the social and environmental impacts of the product throughout its lifecycle. Companies will design products and services that not only minimize negative environmental and social impacts, but also serve as solutions to key sustainability challenges and accelerate the transition towards a circular economy.
- P4.4 – Marketing and Consumer Engagement: Companies will align their marketing practices and product revenue targets with their sustainability goals, and will engage consumers to educate and build awareness on sustainability issues to influence consumer behavior change.

P5 - Employees

- P5.1 – Recruitment: Companies will incorporate sustainability criteria into recruitment protocols for all new hires.
- P5.2 – Training and Development: Companies will develop and implement formal, and job-specific, training on key sustainability issues for all executives and employees, and facilitate coaching, mentoring and networks for sustainability knowledge sharing.
- P5.3 – Diversity: Companies will build a diverse and inclusive board and workforce. Companies will provide formal diversity training, employee resource groups and advancement opportunities, and will identify a senior executive or executive committee with formal responsibility for diversity and inclusion.
- P5.4 – Sustainable Lifestyles: Companies will promote sustainable lifestyle choices across their community of employees through education and innovative employee benefit options.

§38 --Future-Fit business goals

As discussed elsewhere in this Guide, Willard argued that companies should develop business cases for sustainability-related projects and initiatives by reference to the 21 Future-Fit business goals proposed by the Future-Fit Business Benchmark and the 17 Sustainable Development Goals of the 2030 Agenda for Sustainable Development developed and implemented under the auspices of the United Nations.[117] Surveying these goals, Willard recommended that they could be broken out into five categories for purposes of identifying goals, developing strategy and selecting and implementing appropriate sustainability projects and initiatives:

- ***Security of supply initiatives***, which address materials, water and waste elimination and protect and restore renewable and non-renewable resources (i.e., materials and water) and protect ecosystem services on which the company and its value chain depend (i.e., reduce/eliminate polluting waste).
- ***Climate stability initiatives***, which address energy and carbon emissions and reduce or eliminate the company's carbon footprint by reducing its dependency on fossil fuels for its energy and prepare the company's value chain for a climate-destabilized world.
- ***Society wellbeing initiatives***, which ensure that the company does not compromise, and instead improves, the wellbeing of the local communities throughout its value chain and in society-at large.
- ***Customer wellbeing initiatives***, which address customer needs and concerns and ensure customers' overall health is not compromised by the company's products and

[117] B. Willard, "Introduction" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

that they are well informed about possible environmental and human impacts of the product's use and post-use disposal.
- ***Employee wellbeing initiatives***, which address employee needs and concerns and provide decent, well-paying work and safe, healthy, respectful working conditions for all employees in the company's own operations and throughout its value chain.

Each of the categories captures opportunities for companies to flourish while pursuing a more sustainable world and activities that companies should be engaging in to mitigate the risks to businesses from an array of global challenges and threats. [118] Willard included suggestions for quantifying and measuring goals that could be used when reporting results to stakeholders, many of which rely on elements that are part of other well-known reporting methodologies such as the Global Reporting Initiative.[119]

§39 ----Security of supply

Security of supply is concerned with ensuring availability and sustainable management of water and sanitation for all including achieving universal and equitable access to safe and affordable drinking water and adequate and equitable sanitation and hygiene and improving water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials. Also important is responsible and sustainable consumption and production patterns including substantially increasing recycling and safe reuse globally; conservation and sustainable use of oceans, seas and marine resources and protection, restoration and sustainable use of terrestrial ecosystems and forests. According to Willard:

> "To support demand for goods by a growing human population, we are overharvesting the planet's renewable and non-renewable resources, including water from local watersheds. Production waste by-products are polluting ecosystems and interfering with their resilience. We are devouring and soiling our own nest. This is not sustainable. From a hard-nosed business perspective, it is threatening security of supply and jeopardizing the company's continued operation. To avoid this problem, science tells us that we need to sustainably harvest both renewable and unrenewable resources, as well as stop harming, and instead restore the health and resilience of ecosystems."[120]

[118] The discussion in the sections below is adapted from Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), FutureFitBusiness.org., and Future-Fit Business Framework, Part 2: Indicators (Future-Fit Foundation, Release 1, May 2016), FutureFitBusiness.org.
[119] For discussion of the Global Reporting Initiative, see "Sustainability Reporting and Auditing" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distribution by the Sustainable Entrepreneurship Project (www.seproject.org).
[120] B. Willard, "Security of Supply" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

Specific company goals include ensuring that water is used in an environmentally responsible and socially equitable way; materials are derived from sources that respect the welfare of ecosystems, people and animals; operational emissions do not harm people or the environment; operational by-products are repurposed; operations do not encroach on ecosystems or communities; products do not harm people or the environment; and products can be repurposed. Projects and initiatives relevant to security of supply focus on protection and restoration of renewable and non-renewable resources (i.e., materials, water) and protection of ecosystem services on which the company and its value chain depend (i.e., reduce/eliminate polluting waste). Specific examples include:

- Responsibility sourcing all materials used in products and services
- Eliminating all potentially harmful materials from products, so that they do not eventually escape into the environment
- Enabling the circular economy through the company's value chains, to secure the supply of non-renewal resources
- Achieving "water neutrality", using no net water from the local watershed
- Repurposing all operational and product waste
- Not encroaching on ecosystems or communities, and restoring biodiversity and habitats
- Converting the product portfolio to "green" and healthy products
- Mobilizing customers, other companies, and suppliers to transform harmful environmental impacts and pollution into restorative impacts

A variety of fitness measures are applicable to assessment of the company's performance with respect to security of supply[121]:

- Fitness with respect to environmentally responsible use of water is expressed as the proportion of operational water use that does not impact water-stressed regions.
- Fitness with respect to deriving materials from sources that respect the welfare of ecosystems, people and animals is expressed as the proportion of the natural resources by weight (anything mined, farmed or harvested from the wild), that (a) end up embedded in or are consumer in production of a company product; and (b) meet responsible sourcing criteria.
- Fitness with respect to eradication of harmful operational emissions is expressed in terms of progress toward eliminating all harmful emissions into the air (e.g., air pollutants, toxic gases etc.), land (e.g., some pesticides) and water (e.g., effluent and toxic spills).
- Fitness with respect to repurposing operational by-products is expressed in terms of progress toward eliminating all operational waste which must be physically disposed of (both hazardous and non-hazardous).

[121] For further information on the fitness measures used in Future-Fit Business Benchmark, see "Future-Fit Business Benchmark: Key Fitness Indicators (KFIs) Calculations and Aggregation Methodologies" available at FutureFitBusiness.org.

- Fitness with respect to elimination of operational encroachment on ecosystems and communities is expressed as the proportion of natural areas that are of significant biological, ecological, social or cultural value which: (a) may be affected by the physical presence of business operations; and (b) are adequately protected from harm.
- Fitness with respect to ensuring that products do not harm people or the environment is calculated in two steps: per-product and then across products. A product is unfit if harm is an unavoidable consequence of its use, otherwise its fitness is the proportion of its components (by weight) that do not contain harmful substances. Company fitness is expressed as the revenue-adjusted average fitness of all sold products.
- Fitness with respect to repurposing products is calculated in two steps: per-product and then across products. The fitness of a product is the proportion of its components (by weight) that can be reused or recycled when they have fulfilled their purpose. Company fitness is expressed as the revenue-adjusted average fitness of all sold products.

Potential business benefits associated with security of supply projects and initiatives include increased sales to people who value more responsible companies and products, alignment of the company's actions with its purpose and values, identification of new areas for innovation, preparation of the company to thrive in a circular, water-constrained, low-carbon economy, avoidance of reputational and financial costs due to lawsuits and regulatory breaches, reducing the cost and securing the supply of critical resources, securing license to operate and attracting goodwill wherever the company operates, preparing for more stringent future regulations on emissions and protecting critical infrastructure and services upon which the company depends.[122]

§40 ----Climate stability

While "the environment" has long been recognized as a stakeholder for purposes of CSR strategy and goals, the Future-Fit business goals distinguish between preservation of physical resources, which is the focus of the "security of supply" discussion above, and the adverse impact of operational activities on the environment, ecosystems and communities. The particular concern is the threat of extreme weather events that will have significant adverse consequences for people and businesses around the world. Willard argued that "climate stability needs special focus as an environmental issue" and that "[s]ccience tells us that we must stop emitting greenhouse gases ("GHGs"), convert to renewable power sources, and reduce the concentration of GHGs already in the atmosphere".[123] Goals include increasing the percentage of the company's energy usage which is from affordable, reliable, sustainable and renewable sources; eliminating

[122] For further discussion of the issues and activities mentioned in this section, see "Stakeholder Engagement-Environment" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[123] B. Willard, "Climate Stability" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

emissions of greenhouse gases from operational activities; and eliminating emissions of greenhouse gases from usage of the company's products.

Climate stability projects and initiatives should reduce or eliminate the company's carbon footprint by reducing its dependency on fossil fuels for its energy and increasing its use of renewable energy, accelerate the rate of improvement in energy efficiency; regulate emissions; promote developments in renewable energy; prepare the company's value chain for a climate-destabilized world; and support efforts to combat climate change. Examples include the following:

- Implementing energy conservation programs throughout the value chain
- Converting to, and promoting, renewal energy throughout the value chain
- Retrofitting buildings to green standards, or moving into green facilities
- Creating more energy efficient, low/no carbon products
- Purchasing carbon offsets or renewal energy credits
- Installing onsite renewable energy sources, such as solar wind or geothermal
- Lobbying for public policies that promote a low/no carbon economy
- Helping industry develop low-carbon standards

Fitness with respect to renewable energy sources is expressed as the proportion of energy consumed (as electricity, heat or fuel) by operational activities, including transport, which derives from renewable energy sources. Fitness with respect to eliminating emissions of greenhouse gases from operational activities is expressed in terms of progress toward eliminating (or adequately offsetting) all operational greenhouse gases. Fitness with respect to elimination of emissions of greenhouse gases from products is calculated in two steps: per-product and then across products. The fitness of a product is expressed in terms of progress toward eliminating unavoidable use-phase GHG emissions (products that do not force GHG emission are 100% fit). Company fitness is expressed as the revenue-adjusted average fitness of all sold products.[124]

Potential business benefits include preparing the company to thrive in a circular, water-constrained, low-carbon economy; avoiding reputational and financial costs due to lawsuits and regulatory breaches; reducing the cost and secure the supply of critical resources; reducing exposure to volatility in fossil fuel markets; and preparing for more stringent future regulations on emissions.[125]

§41 ----Society wellbeing

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[124] For further information on the fitness measures used in Future-Fit Business Benchmark, see "Future-Fit Business Benchmark: Key Fitness Indicators (KFIs) Calculations and Aggregation Methodologies" available at FutureFitBusiness.org.

[125] For further discussion of the issues and activities mentioned in this section, see "Stakeholder Engagement-Environment" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

At its core, sustainability is about the long-term wellbeing of society as a whole, an issue that encompasses a wide range of goals including ending poverty in all its forms, everywhere; end hunger, achieving food security and improved nutrition and promoting sustainable agriculture; ensuring health lives and promoting wellbeing for all at all ages by ending preventable deaths and epidemics and achieving universal health coverage; ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all; achieving gender equality and empower all women and girls; promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; developing quality, reliable, sustainable and resilient infrastructure, enhancing scientific research and significantly increasing access to information and communications technology (e.g., providing universal and affordable access to the Internet); reduce income inequality within and among countries and empowering and promoting the social, economic and political inclusion of all; reducing inequalities of outcome, including by eliminating discriminatory laws, policies and practices; and promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels.

While one company cannot, acting on its own, achieve all of the goals associated with societal wellbeing, it can make a different and its leaders must understand the connection between the company's success and a healthy society:

> "A healthy company requires a healthy, stable, safe, and resilient society. Social unrest is triggered by many factors, the root cause of which is growing income and wealth inequality. Companies can help reduce those chasms by contributing their fair share to fund physical and social infrastructure, a welfare social safety net, and quality health and education systems. Much of a company's reputation and social license to operate depends on how much it does on community and social issues, especially and how well it participates in collaborate efforts to advance society wellbeing, or at least does no harm to society. A health, resilient society does not boomerang on businesses; instead, it provides a supportive nest for their operations."[126]

Specific goals for companies relating to societal wellbeing include ensuring that community concerns are actively solicited, impartially judged and transparently addressed; ensuring that business is conducted ethically; committing to paying the right tax at the right place at the right time; and avoiding lobbying activities that would undermine the pursuit of future-fitness. Society wellbeing projects and initiatives must ensure that the company does not compromise, and instead improves, the wellbeing of the local communities throughout its value chain and in society-at-large. Specific examples include:

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[126] B. Willard, "Society Wellbeing" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

- Doing business ethically, as well as legally
- Paying the company's fair share of taxes, not using corporate shells in tax havens
- Lobbying governments to implement policies that advance sustainability in society
- Encouraging financial stakeholders to value sustainable performance
- Using local employees, supplier and customers
- Heeding community concerns and ideas, and responding transparently to their input
- Proving philanthropic support (funds, in-kind donations and employee volunteers) to local communities and society
- Mobilizing stakeholders in mutually beneficial social sustainability initiatives

Fitness with regard to soliciting and addressing community concerns is expressed as the proportion of communities potentially impacted by business operations who have ready access to well-functioning concerns mechanisms capable of addressing any issues quickly, fairly and transparently. With respect to ethical business conduct, companies achieve fitness by first undertaking an ethical hot-spot assessment and then adopting an appropriate company-wide ethics policy. Fitness is then expressed as the percentage of employees who are trained in and have access to policies and processes that seek to ensure ethical business conduct. As to tax compliance, companies must adopt an appropriate company-wide fair tax policy and then fitness is expressed as the percentage of revenue that accrues from countries where tax practices are transparently reported. Finally, companies must adopt and appropriate company-wide lobbying policy and then fitness in that area is expressed as the percentage of lobbying spend that in no way supports activities which seek to keep, or put in place, structural barriers that hinder society's progress toward future fitness.[127]

As discussed above, companies cannot survive unless they are operating in a healthy, stable, safe, and resilient society. As such, their own sustainability depends on their willingness and ability to contribute their fair share to improve and maintain the physical and social infrastructure of the world in which they operate and improve the wellbeing of the persons who will be their employees, customers and neighbors. Additional business benefits to companies pursuing and achieving societal wellbeing goals include aligning the company's actions with its purpose and values, avoiding reputational and financial costs due to lawsuits and regulatory breaches, securing license to operate and attract goodwill wherever the company operates and protect critical infrastructure and services upon which the company depends.[128]

§42 ----Customer wellbeing

[127] For further information on the fitness measures used in Future-Fit Business Benchmark, see "Future-Fit Business Benchmark: Key Fitness Indicators (KFIs) Calculations and Aggregation Methodologies" available at FutureFitBusiness.org.

[128] For further discussion of the issues and activities mentioned in this section, see "Stakeholder Engagement-Communities and Society" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

Sustainable companies seek to ensure healthy lives for, and promote wellbeing among, their customers. This means refraining from producing and/or distributing products that harm people of the environment, making sure that customers are informed about any aspect of products that may cause harm and establishing and following procedures to ensure that customer concerns are actively solicited, impartially judged and transparently addressed. Projects and initiatives relating to customer wellbeing must ensure customers' overall health is not compromised by the company's products and that they are well informed about possible environmental and human impacts of the product's use and post-use disposal. Illustrations include:

- Ensuring products do not harm people or the environment when used as intended
- Heeding customers' concerns and ideas, and responding transparently to their input
- Informing customers on how to use products without harming people or the planet
- Ensuring there are convenient facilities wherever products are sold that ensure product can be kept in closed loops at the end of their useful life
- Encouraging customers to pursue sustainability lifestyles
- Providing products and services that help customers improve their own sustainability performance—to do less harm and/or have a positive impact
- Fostering full product sourcing transparency and traceability
- Providing affordable and accessible products and services to the underserved

Calculating fitness with respect to the company's product is generally a two-step process: per-product and then across products. With regard to the harm that products cause to people or the environment, a product is unfit if harm is an unavoidable consequence of its use, otherwise its fitness is the proportion of its components (by weight) that do not contain harmful substances. Company fitness is expressed as the revenue-adjusted average fitness of all sold products. With regard to access to information regarding the potential harm associated with using a product, the fitness of a product is the proportion of its units that are sold in markets where customers have access to all critical product information. Company fitness is expressed as the revenue-adjusted average fitness of all sold products. Finally, with respect to customer concerns, the fitness of a product is the proportion of its units that are sold in markets where customers have access to well-functioning concerns mechanisms (i.e., customer concerns are actively solicited, impartially judged and transparently addressed). Company fitness is expressed as the revenue-adjusted average fitness of all sold products.[129]

Potential business benefits for companies that launch customer wellbeing projects and initiatives include increased sales to people who value more responsible companies and products, opportunities to identify new areas for innovation, avoidance of reputational

[129] For further information on the fitness measures used in Future-Fit Business Benchmark, see "Future-Fit Business Benchmark: Key Fitness Indicators (KFIs) Calculations and Aggregation Methodologies" available at FutureFitBusiness.org.

and financial costs due to lawsuits and regulatory breaches and securing their license to operate and attracting goodwill wherever the company operates.[130]

§43 ----Employees

Sustainable businesses have an obligation to ensure that they do no put the health of their employees at risk or prevent them from having a voice about conditions in their workplace, that employees have opportunities to learn and grow, that employees are treated impartially and that employees are supported in their efforts to create meaning in their lives:

> "Companies are responsible for providing a safe and healthy work environment, and for empowering all employees to behave responsibly. Ensuring tolerable working conditions is now a legal requirement in many countries, but the emphasis often doesn't go far beyond physical safety. Future-fit companies and their core suppliers embrace a broader definition of wellbeing, which also encompasses fair compensation and impartial treatment."[131]

Specific goals for companies relating to employee wellbeing include ensuring that employee health is safeguarded; guaranteeing that employees are paid at least a living wage and are subject to fair employment terms; creating and enforcing safeguards against discrimination in the workplace; establishing and maintaining safe and healthy work conditions; supporting the efforts of employees with respect to improving their skills and completing educational programs; providing all employees with full and productive employment and decent work; and launching programs that actively solicit, impartially judge and transparently address employee concerns. Projects and initiatives pertaining to employee wellbeing include improving employee wages and benefits, particularly ensuring that all employees are paid at least a living wage; promoting healthy employee lifestyles; employing and training underserved people; treating employees with respect, acknowledging and remediating their concerns and empowering them; implementing employee ownership/profit sharing programs; encouraging volunteering during workday hours and supporting employees' formal education efforts; and promoting employee diversity and inclusion. In addition to its internal efforts to improve the wellbeing and terms and conditions of employment for its employees, companies can also have a broader positive impact on workers everywhere through projects and initiatives that help others (e.g., suppliers, customers, communities and society-at-large) to meet their own sustainability goals with respect to employees, improve their employees' wellbeing and remove systematic barriers that prevent themselves and others from meeting, or want to meet, their sustainability goals with respect to employees.

[130] For further discussion of the issues and activities mentioned in this section, see "Stakeholder Engagement-Customers" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[131] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 21, FutureFitBusiness.org., and Future-Fit Business Framework, Part 2: Indicators (Future-Fit Foundation, Release 1, May 2016), 87, FutureFitBusiness.org.

Fitness with regard to safeguarding employee health is expressed as the proportion of employees who are covered by well-functioning health programs that seek to safeguard both physical and mental wellbeing. Fitness with regard to the living wage goal is expressed as the proportion of employees who are paid at least a living wage, that being a wage which affords employees and their families a decent standard of living and access to basic needs such as healthcare and education. Fitness with regard to employment terms is expressed as the proportion of employees who have formal employment contracts that protect their rights to collective bargaining, fair working hours and parental leave. Fitness with regard to discrimination is expressed as the proportion of employees who are covered by non-discrimination policies and well-functioning programs that monitor, identify and eliminate discriminatory practices. Finally, fitness with regard to concerns mechanisms is expressed as the proportion of employees who have ready access to well- functioning concerns mechanisms capable of addressing any issues quickly, fairly and transparently. Overall fitness also requires an assessment of fitness with respect to the various goals among the company's core suppliers.[132]

Pursuing and achieving the various goals that have been identified with respect to employees and the employment relationship can provide companies with multiple business benefits:

- A healthy workforce that is paid a living wage improves employee productivity and fosters a culture of learning that will ultimately make the company more innovative and competitive in its marketplace.
- Companies with a good reputation with respect to employee wellness and paying a living wage have found that they are better positioned to attract and retain top talent who are increasing seeking employers with strong values.
- Improved decision-making through expanded participation provides opportunities for more diverse perspectives to be included in deliberations.
- Providing fair employment terms improves employee productivity, fosters a culture of learning and attracts and retains top talent who are increasingly seeking employers with strong values and a demonstrated commitment to "work-life balance" for their employees.
- Fighting discrimination and promoting diversity and inclusion in the workplace improves employee productivity and fosters a culture of learning, becomes a source of innovation, facilitates better risk management, enhances customer and business partner satisfaction and attracts and retains top talent, avoids reputational and financial costs due to lawsuits and regulatory breaches and improves decision-making through more diverse perspectives.
- Employee concerns mechanisms improve employee productivity and develop a culture of learning, attract and retain top talent who are increasingly seeking employers with strong values, avoid reputational and financial costs due to lawsuits

[132] For further information on the fitness measures used in Future-Fit Business Benchmark, see "Future-Fit Business Benchmark: Key Fitness Indicators (KFIs) Calculations and Aggregation Methodologies" available at FutureFitBusiness.org.

and regulatory breaches and improve decision-making through more diverse perspectives.[133]

§44 ----Suppliers

In addition to their own duties and responsibilities with respect to their stakeholders, companies are also responsible for the social and environmental impact resulting from the actions of certain of its suppliers.[134] Since every company relies to some extent on third-party suppliers, and such supplier are in turn reliant upon the company procuring its products or services, there is an interdependence between companies and their suppliers that leads to mutual accountability for their respective actions. The extent of a company's accountability for the actions of its suppliers depends on the role that the supplier plays in the company's value chain. First of all, it is not practical to expect that companies can monitor every one of their suppliers, so the duties and responsibilities of companies should reasonably be limited to "core suppliers", which includes parties that supply goods or services which, if absent, would seriously affect the business of the company.[135] Second, within core suppliers distinctions can be made between "outsourced functions" and "product inputs". Specifically, a company is mutually accountable for the operational impacts of any direct supplier to whom it outsources core business functions, such as customer support, manufacturing and/or logistics. With respect to product inputs, a company that sells goods (or service whose delivery requires goods to be consumed) is mutually accountable for all cradle-to-gate operational impacts caused by the creation of its product inputs, such as raw materials and their derivatives.

In order for companies to achieve the highest level of future-fitness, each of their core suppliers must reach all of the fitness goals relating to operational presence, physical resources, employees and communities. Specifically, companies must demand the following from their core suppliers and be prepared to intervene with respect to core suppliers to remediate any barriers to their progress toward achieving the fitness goals[136]:

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[133] For further discussion of the issues and activities mentioned in this section, see "Stakeholder Engagement-Employees" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[134] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 50-51, FutureFitBusiness.org.
[135] Determining whether a supplier is a "core supplier" may be difficult in certain instances, particularly when a company offers complex products or services. In addition, depending on the circumstances, the concept of mutual accountability with respect to suppliers should be extended to certain types of "ancillary suppliers" such as suppliers of occasional services (e.g., hotels, taxis), consumables (e.g., office supplies) and manufactured assets (e.g., buildings, IT equipment, plant, furniture, vehicles etc.). It makes sense for suppliers contracted to construct a new building to be held accountable for the sourcing of building materials and the treatment of workers on the construction site. Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 51, FutureFitBusiness.org.
[136] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 51, FutureFitBusiness.org.

- Core suppliers must use energy from renewable resources, ensure that water is used in an environmentally responsible and socially equitable way and use materials that are derived from sources that respect the welfare of ecosystems, people and animals.
- Core suppliers must ensure that their operational emissions do not harm people or the environment and do not contain greenhouse gases, provide for repurposing of operational byproducts and ensure that their operations do not encroach on ecosystems or communities.
- Core suppliers must safeguard the health and wellbeing of their employees, pay their employees at least a living wage, provide their employment terms, safeguard their employees from discrimination and establish and maintain mechanisms for actively soliciting, impartially judging and transparently addressing employee concerns.
- Core suppliers must establish and maintain mechanisms for actively soliciting, impartially judging and transparently addressing community concerns.

Companies must assess the fitness of their supply chain by calculating supply chain KFIs.[137] With respect to suppliers of outsourced functions, such as customer support, manufacturing and logistics, the internal operations KFIs for a particular goal can be used to calculate their future-fit scores. If a supplier of an outsourced function has multiple sites and it is possible to identify which sites are involved in delivering the outsourced function to the company, then the internal operations KFI for the goal should be applied to determine the fitness level only for the relevant sites. For example, if a supplier has four sites but only one site is involved in providing the outsourced function to the company and all employees at that site are paid at least a living wage then the company can consider that supplier to be 100% fit as to that goal. On the other hand, if identifying specific supplier site(s) is impractical, the supplier's fitness should be calculated in the same way as the company's own internal operations. When the focus is on product inputs, the assessment for future-fitness needs to take into account the entire supply chain since the company is mutually accountable for all cradle-to-gate operational impacts caused by its creation. This is a more complex undertaking than with outsourced functions and begins with an initial estimate of the number of people needed for the creation of the product input, from cradle-to-gate, across the whole sub-supply chain. The next step is to identify a supplier contributing to the production of the product input and that supplier determine both the number of people employed by that supplier who are involved in the production of the product input (i.e. what it contributes to the total footprint) and the number of employees who are paid at least a living wage by that supplier (i.e., its fitness contribution). When a company has obtained the necessary information from at least one supplier, it can begin to calculate its supply chain fitness.[138]

[137] The discussion of calculating supply chain KFIs in this paragraph is adapted from Future-Fit Business Framework, Part 2: Indicators (Future-Fit Foundation, Release 1, May 2016), 97-98, FutureFitBusiness.org. For further information on the fitness measures used in Future-Fit Business Benchmark, see "Future-Fit Business Benchmark: Key Fitness Indicators (KFIs) Calculations and Aggregation Methodologies" available at FutureFitBusiness.org.

[138] For further discussion of the issues and activities mentioned in this section, see "Stakeholder Engagement-Suppliers" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

About the Author

Dr. Alan S. Gutterman is the Founding Director of the Sustainable Entrepreneurship Project (www.seproject.org). In addition, Alan's prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, *Business Transactions Solution*, is on online-only product available and featured on Thomson Reuters' Westlaw, the world's largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 40 books on sustainable entrepreneurship, management, business law and transactions, international law business and technology management for a number of publishers including Thomson Reuters, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, CCH and BNA. Alan has over three decades of experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Boalt Hall, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on a diverse range of topics including corporate finance, venture capital, corporate law, Japanese business law and law and economic development, He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan, his publications or the Sustainable Entrepreneurship Project, please contact him directly at alangutterman@gmail.com, and follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/).

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change. Each of the Libraries include various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts.

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