

THE GLOBAL COMPACT GROUP
OF LEADING COMPANIES

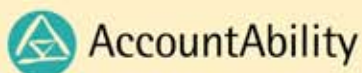
Moving Forward in Tumultuous Times

**Summary Report
Responsible Practices in the Downturn**

**1st GCLead Webinar
12 May 2009**



**Research Centre
for the Global Compact**



AccountAbility

The LEVIN Institute
The State University of New York



BOSTON COLLEGE
CARROLL SCHOOL OF MANAGEMENT
Center for Corporate Citizenship

Responsible Practices in the Downturn
GCLeading Webinar, 12 May 2009
Summary Report Draft

On May 12 the first GCLeading Webinar took place, with the following list of participants:

- Ketchum
- BBVA
- Nestle
- The Dow Chemical Company
- Deutsche Telekom AG
- Manpower
- Telefonica
- Allianz
- De Beers UK Ltd
- Accenture
- Banco Galicia
- Petrobras

The Webinar had two parts: Part 1 was devoted to some introductory remarks by the co-organizers of the Webinar, Gavin Power, Deputy Director of the UN Global Compact, Steve Rochlin, Head of AccountAbility USA and Phil Mirvis, Center for Corporate Citizenship, Boston College. Part 2 consisted on three presentations on different aspects of responsible behavior in the downturn from The Dow Chemical Company, Nestle and BBVA.

This Summary Report presents the main points made by the presenters.

Building a think tank and a leadership platform for leading companies

In the first welcoming remarks, Dr. **Manuel Escudero**, Executive Director of the Research Centre for the GC, defined GCLeading as a platform and a “think tank” for leading companies with two complementary goals: first, to exchange their views on implementation and the future and , second, to produce useful guidelines for the rest of GC signatories.

In these tumultuous times, there are signs ¹that CSR could be “upgraded” in the aftermath of the crisis, and both the very definition of a company and the very definition of management could be revised in the future, placing more at the center ESG concerns and CSR behavior. This presents a good opportunity to build a platform like GCLeading where leading companies participating in the UN Global Compact could significantly contribute in this process of change [see in Annex number one a series of articles reflecting on the changing role of companies in society and the changing in the model of management]

The role of GCLeading as seen by the Global Compact

Mr. Gavin Power, Deputy Director of the United Nations Global Compact Office, introduced the Webinar with a strategic presentation.

The global economic crisis reaffirms the need for effective global and national financial-market regulation, as well as the need for voluntary initiatives that go beyond legal compliance and are based on innovation and collaboration.

The downturn also highlights the need for long-term thinking over “short-termism” and the need for an expanded corporate risk-opportunity paradigm, encompassing the effects of economic-financial

¹ See selected articles illustrating this point in [Annex 1](#) of this Summary Report.

1. Article by Michael Skapinker in the FT “[Why corporate responsibility is a survivor](#)”, 21 April 2009
2. Article by Steve Lohr in the NYT “[How Crisis shapes the Corporate Model](#)”, 29 March 2009.
3. Article of the Caux Roundtable by Dr. Thomas A. Bausch, Professor of Management, College of Business Administration, Marquette University on “[The Economic Crisis and Ends, Educators, Intentionality and, Stakeholders](#)”.

contagion but including also other interconnected risks such as climate change and natural-resource constraints as well as poverty increases, substandard working conditions and health pandemics.

In this context, the Deputy Director of the Global Compact defined GCLead as a platform which can fulfill three roles: modeling leadership, responding to global drivers of change and recognizing front-runners. In terms of leadership there is still a lot to be done in the Global Compact, where, although with an important growth rate over the years in terms of participating companies, still less than a 10% of signatories consider participation in the Global Compact as a criteria when selecting their supply-chain partners, or only 30 percent of UNGC companies with subsidiaries require these business units to implement the UNGC principles and assess their progress. From this point of view, according to Gavin Power, GCLead could help in closing these performance gaps.

GCLead could also become a leadership platform to respond to the global drivers of change. There is no shortage of global challenges of relevance to business leaders:

- 34 active armed conflicts in 24 countries
- 25,000 people die each day from hunger
- 218 million children involved in child labor
- 78 countries are systemically corrupt
- Carbon emissions set to double in next 50 years
- 1 billion lack access to clean water

And global governance gaps are still unsolved:

- International, post-WWII architecture and institutions not fully equipped (United Nations, World Bank, International Monetary Fund)
- International conventions-treaties: many weakly implemented
- Today's problems global – while governments remain national
- Local regulation often weak or non-existent – regulatory voids

Global challenges, crises and governance gaps can be transformed into opportunities. As UN Secretary-General has noted in January 2009:

“Today’s multiple challenges demand a new constellation of international cooperation – governments, civil society, and the private sector working together for the global good (...) this means investing in a new economy – the economy of the future. Investing in sustainability will turn today’s crisis into tomorrow’s sustainable growth”

GCLead, in sum could cascade best practices of front-runners, highlight and model new and emerging approaches and showcase these practices with a range of stakeholders, from companies, governments and civil society, to investors and society at large.

Global Compact Office: 21st Century Corporate Sustainability

In the second part of his remarks, **Mr. Gavin Power** presented the basic foundations for an expanded corporate risk/opportunity approach², which place the emphasis on the following features:

- 21st Century Corporate Sustainability should be characterized by the position of this central corporate function at the Board of Directors or C-suite level within the company

² [Annex 2 the presentation by Mr. Gavin Power.](#)

- Universal ESG (Environmental, Social and Governance) principles, like the ones portrayed by the UNGC principles, are relevant to four fundamental areas of activity of the company:
 - Financial objectives (Revenues, earnings and ROI)
 - Social aspects (Human Rights, Labour Standards, philanthropic activities, social investment for development)
 - Governance concerns (anti-corruption, ethic codes and standards)
 - Supra-environmental Stewardship

Trends of corporate behavior in the downturn

Steven Rochlin, Senior Partner of AccountAbility, centered his presentation on some current trends of corporate behavior in the current economic downturn³, diving the trends into three categories:

- Program trends (compliance, environmental programs, supply-chain efforts)
- Consumer and Responsible Investment trends
- Strategy trends

Concerning this last aspect, his presentation coincided and reinforced the remarks made by Gavin Power concerning the growing interest in some game-changers like climate, water, health, low-income development or human rights.

Finally, he stressed the need for responsible corporate practices to deliver at scale, both in terms of corporate value and social value through aligned processes.

Current findings concerning the link between corporate social responsibility and reputation

Dr. Philip Mirvis, of the Boston College Center for Corporate Citizenship, made an initial presentation⁴ on the importance of reputation – accounting for an approximate 10% of the market value of a company – and the weight that responsible behavior has on reputation. According to a recent study of over 600 companies in 27 countries by the Center for Corporate Citizenship and Reputation Institute, roughly 45% of reputation is driven by public perceptions of corporate social responsibility-- specifically by three components: good corporate citizenship (care for the community and the environment), governance – (ethics and transparency—the key reputational driver today) - and how companies treat their employees (workplace issues).

Dr. Mirvis presentation highlighted also the varying impact of CSR performance on reputation across their world. The findings show that CSR is an especially strong driver of reputation in Scandinavia, France, South Korea, but less so in the US, UK, and China. Ideas were shared on how CSR can be enhanced as a key component of the reputation of a company.

A catalyst for change: Sustainability at Dow Chemical

Mr. Bo Miller, the Global Director of Corporate Citizenship of Dow Chemical presented the sustainability practices and strategy of his corporation⁵.

For Dow Chemical, **Sustainability** requires making every decision with the future in mind, and therefore, the relationship with the world around us – creating economic prosperity and social value while contributing to the preservation of our planet. Consistent with this overarching goal of the company's

³ [Annex 3 Presentation by Mr. Steve Rochlin](#)

⁴ [Annex 4 Presentation by Mr. Philip Mirvis](#)

⁵ [Annex 5 Presentation by Mr. Bo Miller](#)

vision and mission, Dow launched ten year Environmental, Health and Safety goals in 1996 and, renewed and expanded them in 2005, for the next ten years as their “ 2015 Sustainability Goals”.

Some examples of the 2005 EH&S Goals are reductions of :

- Chemical emission by 50%
- Priority compound emissions by 75%
- Dioxin emissions by 90%
- Waste and waste water generated per pound of production 50%
- Energy use per pound of production by 20%

The result of this ten year effort included saving over \$5 billion with a \$1 billion investment, reducing solid waste by 1.6 billion pounds enough material to fill 415 football fields one meter deep. Reducing water use by 183 billion pounds, equal to water usage for 170,000 U.S. homes for one year. Saving 900 trillion BTUs of energy, enough to power 8 million U.S. homes for one year and reducing personal safety and health incidents by 84%

Dow’s 2015 Sustainability Goals are the next level of commitment with the following characteristics:

- Inspired by the UN Millennium Development Goals to develop outside-in focused goals
- Shaped by external stakeholders
- Reviewed by its Sustainability External Advisory Council
- Reach beyond our fence line to address the challenges of the planet with sustainable products and solutions

Dow is one of the largest producers of **innovative** products that address energy efficiency through:

- Building insulation applications
- Solutions for fuel-efficient vehicles
- Technology to enable wind power

Integrated photovoltaic solar technology into building materials

The efforts in all the fields of activity, from its 2015 Sustainability Goals, governance structure and management process, to sustainable chemistry, product safety and innovations focused on world problems in water, housing, food and health is that sustainability is integrated into the company strategy and daily operations. The case of Dow illustrates how sustainability has driven innovation in products and processes, making the company resilient to adverse economic situations.

Nestle: Creating Shared Value.

Niels Christiansen, Vice President of Public Affairs of Nestle, presented the performance of his company in its pioneering effort to build on the concept of Shared Value⁶, a solid supply-chain which, again, can cope with adverse economic situations.

⁶ [Annex 6 Presentation by Niels Christiansen](#)

In the same way that Sustainability has become a pivotal concept in the business strategy of Dow Chemical, the Creation of Shared Value is the center of the business approach of Nestle. Creation of Shared Value is a basic approach to business, encompassing the following characteristics:

- Create benefit for society in order to have long term business success
- As the cornerstone of a basic business strategy
- It requires long term view of business development, success and rewards
- It is not based on a philanthropic philosophy, but act as a core principle which each employee and business unit applies in basic decision making.
- It is not « corporate responsibility » in the sense of guaranteeing a wise system of risk management but more positive, centrally entailing value creation.

Through the examples of two specific programs, - UNDP Female Livestock Workers' Partnership in Pakistan, and Nutrition Education – Niels Christiansen illustrated the impact of this successful business strategy where the company is producing both corporate value and social value:

- Helping farmers improve earnings and, at the same time assuring the supply of quality raw materials
- Reducing the environmental footprint and at the same time reducing operational costs
- Improving workers' earning capacity and at the same time creating a skilled workforce
- Expanding lower income segments' access to nutrition and at the same time broadening the customers base
- Improving nutrition for the consumer and at the same time increasing sales/profitability of Nestle.

The impact stemming from this core concept of creation of shared value and the meeting of these corporate and social objectives is illustrated by the following:

- 594,223 farmers receiving technical assistance in the supply chain
- 30 million CHF worth in micro credits to farmers in 2008
- 70,167 employees in developing countries who received formal classroom training
- 6,254 products renovated for nutrition and health consideration in 2008
- 11,000 predicted number of additional low-income consumers using Nestle fortified milk products by the end of 2001
- 48% in greenhouse gas emissions per ton of product since 1999
- 58% water saved since 1999 per ton of product.

BBVA: Principles-Adjusted Return

Mr. Antoni Ballabriga started his presentation⁷ with an eloquent entry: the BBVA Group represents a winner business model in this period of financial crisis and economic downturn, having been ranked in April 2009 as 2nd among the 100 global banks in terms of profits, the 7th in terms of market capitalization, and also in the 7th position in reputational terms, having been listed as one of the 20 top world risers.

The concept of Principles-Adjusted Return (P-AR) is based on three core values – transparency, prudence and integrity – which gives operations a good level of trust and credibility and allows, therefore for sustained value creation over time.

⁷ [Annex 7 Presentation by Mr. Antoni Ballabriga](#)

More specifically, P-AR generates several approaches to operations which are crucial to understand the bank's success in these troubled times. These are:

- Customer focus, that, through some central aspects of behavior (transparency, clarity, accessibility and affordability) allows for a sustainable and expanding basis of long-term relations with customers
- This is combined with an strategy of financial inclusion, through the Micro Finance Foundation BBVA, created in 2007 and now with more than 340,000 customers
- The integration of environmental and social concerns into mainstream credit activity, which has implied also to become pioneer in Spain and Latin America in terms of responsible investment and the participation in the Principles for Responsible Investment inspired by the Global Compact.

As a conclusion, the BBVA experience shows that corporate responsibility embedded in the core of the strategy of the company is a driver for differentiation and value generation in the downturn. Differentiation brings forth a greater eligibility by shareholders and investors; it results into talent attraction and retention concerning employees; and it yields trust and reputation from customers.

Conclusion

Although the format – two hours duration –, and the nature of the platform – a webinar instead of a face to face dialogue –, presents obvious limitations to the dialogue, this first activity of GCLead was very stimulating for all participants due to three important aspects:

- 1) The opportunity of sharing with the Global Compact Office important insights on the future development of the initiative
- 2) Sharing two very informative reports from our co conveners, AccountAbility and the Center for Corporate Citizenship at Boston College.
- 3) Sharing first-hand information coming directly from the executives in charge of global corporate responsibility of three corporations which have placed the values of the Global Compact at the core of their business.

After a successful start, the next GCLead webinar, due on 16 June, will focus on the topic of **“Preparing for Economic Recovery”** with short presentations by Accenture, Novo Nordisk, Deutsche Telekom, Telefonica and the Coca-Cola Company, and in order to overcome some of the limitations we will be sending to all participating companies a brief guideline suggesting crucial aspects to be discussed.