CSR in the Marketplace What does it involve?

When sustainability experts speak about responsibilities of businesses in the marketplace, many are often confused about what this exactly entails. Topics such as environmentally friendly practices, treating employees fairly and contributing positively to the community one operate in, are fairly well understood. Yet many organizations are lacking the whole picture of how to nurture good business practices in the marketplace.

According to Mallen Baker, CSR in the Marketplace has two major components; a company’s suppliers AND its customers. Suppliers are the easiest to identify as they have a direct stake in how your business operates and also in recent times, the way it is perceived. Organizations have a vested interest in aligning their supplier practices with their CSR strategies and policies as there are positive financial and reputational outcomes. This includes increased sales, improved stakeholder relations as well as mitigating risks such as environmental degradation and ensuring high safety standards for consumers. Consumers have become vital part of the Marketplace through the education provided to them by third parties such as NGO’s, as well as the wealth of information available on products and practices.

The change in consumer expectations has driven the shift from the green consumer to the responsible retailer (How Green is My Kitchen, 2002) as well as the shift between the relationship between manufacturers and retailers. This essentially means that the retailer is now expected to assume responsibility for driving the consumer focus on products. Other factors such as globalization, the expectations of businesses to uphold laws and regulations in markets where the government cannot, the demand for sustainable products and the increased pressure for efficiency are also contributing to this shift in thinking. This has attributed to more sustainable products being offered to consumers by retailers on a global scale.

Examples of products that have flourished under responsible practices of the Marketplace and the shift in thinking are Fairtrade certified products. According to Fairtrade.net, Fairtrade offers farmers and workers in developing countries improved terms of trade. It also offers consumers a powerful way to reduce poverty through everyday purchasing. The majority of Fairtrade products are coffee, bananas, tea, cocoa, cotton and sugar and many international businesses are now sourcing such products to be included in their product lines. Such products are given the stamp of Fairtrade once the suppliers have complied with certain codes and rules managed by the Fairtrade Labeling Organization (FLO), an umbrella organization comprised of key stakeholders (both from commercial and non-profit backgrounds) who manage the Fairtrade system.

Companies such as Starbucks and Cadbury have dedicated Fairtrade lines which give consumers the choice when purchasing. In March 2009, Cadbury and the Fairtrade organizations announced plans to achieve Fairtrade certification for Cadbury Dairy Milk by the end of summer 2009. This one commitment from one organizations resulted in tripling the sales of cocoa under the Fairtrade terms for cocoa farmers in Ghana for existing farmers and opening up opportunities to new farmers. This example illustrates that committing to responsible business practices in the marketplace arena can provide direct benefits to other areas such as community. By committing to source Fairtrade cocoa beans Cadbury has set a new standard for others in the mainstream chocolate industry.

(Continued on page 2)
Dubai Dialogue: Sustainability Matters

The one day conference will also be offering all participants a chance to gain specialized knowledge by running afternoon Master annual classes on Environment, Community, Workplace and Marketplace. These Master classes will look at the elements that constitute these segments of Corporate Social Responsibility, provide real world examples and will be facilitated by sustainability experts. The event will be held at the Grand Hyatt in Dubai, UAE.

Join us at the 2010 Dubai Dialogue to learn, discuss and engage with local and international business leaders, academics and industry experts on how together, sustainable business practices can be integrated into the fabric of doing responsible business.

To register and view agenda please visit: www.dubaichamber.ae/dubaidualogue

For More information please contact: sabrin.rahman@dubaichamber.ae

Annual Conference

CSR in the Marketplace

(Continued from page 1)

Other ways of integrating responsible business practices into the marketplace include: collaborating with other organizations to create code of conducts for common suppliers, carrying out regular third party audits, setting performance indicators and having good channels by which customers can provide feedback. These practices are global, with collaboration being one of the most effective ways to ensure that suppliers are meeting codes of conduct.

One very successful collaboration is the HER (Health Enables Returns) Project which is an initiative of Business for Social Responsibility and includes eight multinational partners, 30 factories, eight local organizations as well as public sector population and health departments. The HER Project was designed to deliver information and access to health care to women in the workplace. Most of the workplaces that are targeted are factories in developing countries, as it is here that many women have migrated from rural living to the urban communities. As a result of this mass migration that is occurring around the world, there is a subsection of young women who have no access or knowledge of healthcare issues. This can lead negative affects both socially and economically.

Common HER Project has brought together many large organizations who want to make a difference in the lives of their workers in their supply chains. Companies like Nordstrom, Abercrombie & Fitch, Levi Strauss & Co and Timberland have contributed to this project by partnering with organizations such as Aga Khan University, St Johns Medical College and Guangdong Women’s Technical Professional College. Together they have provided programs such covering leadership, changing health behavior and women-to-women networks around the world. This has all been possible through the sharing of efforts, resources and time by large organizations.

CSR in the marketplace is possibly one of the most complex areas to make a difference. It is complex because of the sheer number of stakeholders each organization has in their supply chain. However through careful planning, auditing, tracking, integration and collaboration adopting responsible business practices can make a substantial difference. As illustrated by the examples in the article, there are creative ways to tackle problems that could potentially harm the reputation of an organization. In the UAE a lack of knowledge of these issues attribute to the low level of such practices being implemented but this is changing as more discussions are being held on the role of business in society both locally and globally.

The Centre for Responsible Business will be releasing ‘The Responsible Supply Chain Guidebook’ which will be available for purchase at the end of May 2010.

Middle East’s First Green Mall

On March 24 2010, Mirdiff City Centre opened it’s doors to the public as the first shopping mall in the Middle East to have a Gold Rating for Leadership in Energy and Environmental Design (LEED). This mall spans 1,960,000 square meters and hosts over 400 retail outlets and 70 restaurants. The LEED gold rating was under the Core and Shell Version 2.0 Rating System as an outcome by the LEED consultants. Project Team comprising of WSP Green Technologies Sustainability Consultants and the LEED consultants.

The sustainability elements include covered parking to minimize the Urban Heat Island Effect, elimination of portable water for irrigation, diversion of 50 percent of construction waste from landfills, use of materials with high recycled content, use of materials with high regional content, use of Forest Stewardship Council (FSC) certified wood for more than 95 percent of the mall’s requirement and reduction of water consumption of over 30 percent through efficient water use strategies.

The green design of Mirdiff City Centre is also expanded to it’s indoor environmental quality systems which include the use of low emitting non toxic material such as eco friendly paints, coatings, adhesives, sealing’s and carpet systems. The mall has also implemented a green house keeping and green education policy to allow all employees to be educated and proactive about reducing waste & consumption and, increasing recycling.

Mirdiff City Centre has set the blue print for what malls of the future should be considering. It will change the way we look at large shopping complexes, as it reduces the impact it makes to the surrounding natural environment and the community and contributes positively to the education of their 5000 staff on environmentally friendly practices.

Upcoming Events

<table>
<thead>
<tr>
<th>May—June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 May 2010 Conference Dubai Dialogue: Sustainability Matters Grand Hyatt Hotel (Baniyas Ballroom) <a href="http://www.dubaichamber.ae/dubaidialogue">www.dubaichamber.ae/dubaidialogue</a></td>
</tr>
<tr>
<td>10 June 2010 Seminar—Introduction to CSR Dubai Chamber of Commerce</td>
</tr>
<tr>
<td>24 June 2010 Webinar—Stakeholder Engagement Online For more information visit <a href="http://www.dubaichamber.ae/crb">www.dubaichamber.ae/crb</a></td>
</tr>
</tbody>
</table>
Wal-Mart Innovating the Supply Chain

In terms of the history of Corporate Social Responsibility (CSR), environmental issues and working conditions were the first topics highlighted by stakeholders (states, companies, NGOs, individuals etc.). It is difficult to say what sparked the awakening process but distinct events are commonly identified: large accidents (Amoco Cadiz and Bhopal), global reactions by stakeholders such as boycotting products, NGO campaigns & the release of international reports like ‘Limits to Growth’ by the Romet Club, and proactive practices that changed our vision.

Because companies have been outsourcing their risks for more than 20 years, stakeholders have recently started to become aware of the gap between corporate rhetoric and reality. Stakeholders now ask for companies to be responsible for their supply chain and to promote sustainable consumption through their products and services. These two areas, summed up under the name of Marketplace have become one of the biggest challenges of late as companies have not yet learnt how to manage such issues adequately and also because information (which is at the heart of our society), now play a key role in our purchasing decisions.

It is usually said that the retailing sector concentrates both the main problems and the solutions regarding marketplace issues. Retailers have been criticized a lot for their lack of engagement in these topics. They have been criticized as this sector has the strongest leverage on supplier's practices and on clients’ consumption. Therefore, their direct responsibility to offer a sustainable consumption option is imperative through the whole value chain. Furthermore, both their room to maneuver and their clients' expectations are important which means that their responsibility is even bigger. As a result some of them have started to be more active for example, Carrefour, the second larger retailer in the world mandated few years ago for a third party to audit suppliers in sensitive countries. Tesco was the first world-class retailer to label products with information related to each product’s greenhouse gas emissions in a trial of carbon labeling. Auchan, a French global retailer decided in 2010 to stop selling endangered species (i.e. tuna).

One of the most criticized retailers in the world, Wal-Mart has just started the most ambitious program in the retail sector, the Wal-Mart Sustainability Index. The first step of this program is to collect sustainability information from their 100 000 suppliers through a simple 15 question survey. The first step will be time consuming as it has been forecasted that only 10% of Wal-Mart's suppliers are prepared to measure and report their sustainability. What is important here is that a retail company is creating a virtuous cycle in involving all its suppliers. In fact, Wal-Mart is creating new levels of competition between suppliers. For example, suppliers with good Wal-Mart Sustainability Index performance will get advantages and preferential treatment in Wal-Mart stores.

The second step consists of creating a database by a consortium of stakeholders (such as universities that will work with suppliers, retailers, government and nonprofits). This leads us to ask, is Wal-Mart becoming a CSR game changer? In establishing this index, Wal-Mart will pull up companies’ CSR practices and encourage them in ‘making green products seem normal rather than making normal products seem green’ (John Grant, Green Marketing Manifesto). If Wal-Mart spends its resources on educating suppliers, it means that the organization has decided that the market is mature enough to create this competition and have expectations, and this leads to the third step.

At the end of this process, consumers will make the final decision. Wal-Mart will promote a kind of label that will allow people to make their choice based on the Wal-Mart Sustainability Index. It may look like a ranking and it may hinder the purchasing process at the beginning, but a concept of this scale is very ambitious. It is too soon to say if it will be a success but the program has garnered a lot of interest internationally.

Behind this program, Wal-Mart is moving forward in integrating new quantified and qualified risks in its risk management system. In managing CSR risks at this scale and in being proactive with these issues Wal-Mart is in fact creating new opportunities. Beyond that, Wal-Mart will change our way of purchasing and consuming as they are setting a standard in how consumers, retailers and suppliers should be thinking and acting.

Ethical Marketing, a Competitive Advantage

With the value of companies increasingly depending on intangible assets such as reputation, corporations are expected to improve their social and environmental performance in all core areas of business, including marketing.

Traditionally consumers have always been concerned with the direct marketing mix i.e. product, price, place and promotion. But with sustainability concerns becoming critical, there has been a shift in consumer interest from the product to the company itself. Consumers today are strongly influenced by the ethics and social responsibility within a business and look at buying or investing in brands that place honesty and integrity at the forefront.

Marketing is in fact becoming a key form of communication for companies serving to communicate values and integrity within the business to stakeholders.

Ethical Marketing is about applying values and ethics to marketing practices and decisions. A product or a service is a vital part of the corporate reputation and embodies the value system of the entire company. When a business markets ethically, customers develop a positive relation with the company as well as their products and services which leads to enhanced loyalty and trust.

There are several basic principles involved in ethical marketing:

**Taking Responsibility:** marketers need to take responsibility for their products and their decisions. In the past marketers have often responded to social concern about particular products by defending them on the basis of “It was what the customer wanted”;

**Dealing Fairly:** marketers need to be honest and fair in their dealings with all stakeholders. This means that products must be fit for use and accurately described, and contracts (both formal and implicit) should be drawn up in good faith and honored;

**Respecting Consumer Rights:** including the right of redress, the right to information and the right to privacy;

Extracted from Sustainable Marketing Knowledge Network (Smart: Know-Net, Marketing Ethics)

The Centre for Responsible Business promotes an Ethical Marketing seminar on 6 May 2010 to raise awareness on various aspects of Ethical Marketing; such as what is ethics in marketing and how can companies manage and balance social and environmental expectations with profitability. Speakers from Marks & Spencer Plan A, Kraft Food and General Electric spoke about how ethics in the business can be transferred to the marketplace and how integrity can help create competitive advantages and to grow market share.

(continued on page 4)
Responsible Payment Practices Essentials of Good Business

One element of responsible practices in the supply chain is ‘on-time’ payments. This is small but crucial in ensuring that the supply chain operates smoothly without placing suppliers in financial trouble. As reported by the Institute of Credit Management in the UK, payments between businesses in the UK are typically made 20 or more days beyond the agreed terms and as a direct result 4000 UK businesses failed in 2008. This raises questions for all companies, especially small and medium enterprises (SME’s) who are dependent on larger companies for survival.

Late payments, reduced payments and failure to pay are unfortunately a common sight across the world today. Many retailers and multinationals have delayed payments which have had a trickle down affect to the economy of various countries. Without proper management and control of cash flow a ‘shortage of cash can lead to business failure and insolvency’ (ICM). With many small businesses failing to have pre agreed payment conditions, the adoption of responsible payment practices have become crucial for the continued growth and health of the economy.

While payment terms have not traditionally been a part of corporate responsibility, with current world events it is an issue that has global effect. With supply chains spanning the globe, failure to pay may also have direct impacts in other countries, including developing countries. These suppliers will not be able to recover swiftly as there is little support mechanisms available in such countries. In this climate it’s about ensuring that we are reducing the risk of supplier failures through decent payment practices.

A lack of a transparent and systematic approach to handling suppliers can affect your organizational reputation, damage supply sources, strain relationships with suppliers and can contribute to overall weakening on the economy. Large organizations often have considerable purchasing power and as such suppliers are keen to work with them, however through damaged reputations due to payment delays many suppliers are becoming wary of them. In the UK a Prompt Payment Code has been drafted by the ICM which promotes the importance of paying suppliers promptly and within agreed timescales. Many of the leading organisations are signatories to this code which vow to:

1. Pay suppliers on time
2. Give clear guidance to suppliers
3. Encourage good practices

These terms include explaining payment procedures to suppliers at the onset of the relationships, settle disputes quickly and to have clear communication channels to avoid misunderstandings. In Dubai, we too must act responsibly and have clear communication with our suppliers. There are many ways to implement responsible payment systems into your organisations but these must be monitored, adhered to and updated regularly for the positive affects to be felt by all suppliers.

Checklist adapted from www.payontime.co.uk

Ethical Marketing, a Competitive Advantage

(Continued from page 3)

The expert speakers gave examples of how their companies have successfully integrated ethical marketing practices to create winning products and services.

An example of how a company can strategically balance economic and social agendas is De Beers (one of the world’s leading diamond companies) who believes that meeting or exceeding ethical standards is essential to achieving business goals.

De Beers has embedded ethical standards into different aspects of their diamond value chain. In producer countries they focus on issues such as Kimberley Process certification, anti-corruption, human rights and security, while they also work with programmes like the Extractive Industries Transparency Initiative (EITI) to ensure transparency of flows of diamond revenues.

In the distribution and marketing activities, they work with programmes such as the Council for Responsible Jewellery Practices (CRJP) to drive high standards throughout the diamond industry on issues like good governance, labour standards and anti-money laundering.

De Beers has also introduced Forever Mark diamonds as its symbol of integrity, promising to adopt and keep the highest standards of professional and ethical values. The Forever Mark diamonds, ‘are natural, untreated and responsibly sourced.’