Editorial 2012: Driving Sustainability Forward

The first issue of 2012 is finally here, and it is time to look at the past year and what has CRB achieved. We will also look at what CRB has planned for 2012.

In 2011 CRB continued to deliver CSR awareness initiatives but it also deepened its relationship with the business community, driving forward CSR management and implementation in companies through the newly established Sustainability Network and the CSR Label.

Highlights of 2011 include:

- CRB ran 18 events assisting over 1000 business delegates on CSR and Governance.
- 3 CSR Label Ceremonies organized where the Label has been awarded to 10 companies and over 60 companies have enrolled and been trained on the framework.
- CRB delivered a range of 9 CSR trainings and workshops on topics as diverse as Health & Wellbeing in the Workplace, Community Engagement and Employee Volunteering, CSR best practice and Integrated Reporting. These trainings were attended by 500 delegates from 350 organisations.
- The two Dubai Dialogue Series reached over 300 delegates.
- We also ran Give and Gain Day 2011 managed globally by Business in the Community (BITC) UK. This included 7 participating companies, 208 volunteers, 114 beneficiaries and 4 community partners.
- CRB has also submitted an award winning case study on Reverse Logistics: The Envirofone Case

What is in store for 2012? We have the first of the Dubai Dialogue series coming up on May, the launch of the Sustainability Network task groups, and a study of the state of CSR in Dubai. We will have more companies awarded the CSR Label, and more workshops, trainings, and CEO seminars and the MRM awards.

At CRB we are dedicated to helping the business community realize the kind of impact CSR has on both, community, and environment. The CRB was founded to provide efficient, effective and sustainable solutions and has maintained that focus throughout our seven year history. Our experience, integrity, and positive results have been an integral factor in our success, and the Dubai business community values these traits, therefore, we have an obligation to keep on doing what we do best, guide Dubai business community towards excellence in CSR, corporate governance and sustainability.

Finally, we’d like to express our warmest thanks to the Dubai business community, and businesses that support our endeavours. Thanks to your trust and dedication that we’ve managed to develop so successfully. Most importantly, we can look back together on another year of positive contribution to sustainability in Dubai. In this knowledge we can go into the future with optimism, and commitment to promote responsible, long-term investment.
CRB News Give and Gain Day 2012

After spearheading the first successful Give & Gain Day, the largest and most prestigious employee volunteering programme in Dubai last year, the Dubai Chamber of Commerce and Industry’s ENGAGE Dubai initiative, run up by its Centre for Responsible Business, opened up registrations on Sunday, February 19, for companies to participate in the global event organised in cooperation with Business in the Community (BITC) UK.

With its theme of Education and Sport, this year’s Give & Gain Day, which will be held on May 17, will mobilise employees and allow them to volunteer during work hours in communities to make a real difference on the issues that matter to the business community, schools, universities, local charities and community groups.

This global programme aims at encouraging companies to find partners and initiatives and to work jointly with like-minded organisations by communicating and sharing tips and expertise on social and voluntary activities and spread the message of corporate social responsibility among businesses.

Give & Gain Day initiative comes as part of Dubai Chamber’s efforts to promote responsible business and to spread a culture of corporate social responsibility as well as to spark the desire to adopt voluntary work amongst the business community.

The Give and Gain Day leaves a long lasting impact on the business and the community. The programme not only helps enhance the skills of staff but also increase their motivation and in turn reward their companies with increased loyalty and employee satisfaction. On their part, the participating companies reap the rewards of a more energised, more focused and more positive workforce.

Last year, more than 200 volunteers from businesses across Dubai swapped their usual work day to make a difference to the communities they live and work in. They actively engaged in promoting employability in the country through a series of seminars, presentations and roundtable discussions held at schools, universities, local charities and community groups. Meanwhile, 27,500 employee volunteers participated in the global initiative.

On May 17 see the world from a fresh perspective, and change lives.

CRB News Integrating Corporate Social Responsibility into Business Strategy Workshop

Corporate Social Responsibility (CSR) is becoming an integral part of corporate strategy, management practices, business operations and product development for a number of leading companies. Integrating CSR into management practice is key to maximising its contribution to business success and to achieving sustainability within the company. The fundamental challenge is how to embed CSR into the way companies operate, internally and externally.

The Dubai Chamber Centre for Responsible has organized a one day workshop on ‘Integrating Corporate Social Responsibility into Strategy’ on 26 February, 2012. This 1 day workshop focused on providing businesses with practical knowledge and guidance to align responsible business practices into the company. The workshop was designed to help executives develop and implement strategic corporate responsibility that can produce measurable results through application of frameworks, guidelines and standards.

Key Learning Outcomes

- Understand how CSR can be embedded into business strategy, organisational culture and operations.
- Guidelines and other information to align CSR with various functions like marketing, HR, communications and day to day decision making within the company.
- Learn about different CSR tools that can be used for implementing CSR in the company
- Hear best practice examples from companies that integrated CSR to innovate and create business successes.

This workshop was attended by 40 participants from 28 companies and governmental organizations.
To raise the bar for responsible business practices in the emirate, the Dubai Chamber of Commerce and Industry officially launched five task groups comprising of members from its Sustainability Network during a ceremony held at the Chamber premises on Thursday.

The Sustainability Network, which was initiated in December 2010 to enhance increased participation of businesses in CSR, sustainability and corporate governance, is a group of like-minded firms pursuing the common objectives of promoting best practices and building competitive advantages and business reputation.

The Network provides its members a connecting platform to share best practices and experiences, promote and support the development and implementation of corporate social responsibility in the workplace and the society. The task groups comprise of members of the network collaborating on different joint initiatives to address sustainability challenges and to further support the mainstreaming of corporate social responsibility/sustainability and governance amongst businesses in the UAE.

The five task groups are collaborating on varying initiatives that include Workplace Wellness, Employee Volunteering, Community Engagement, Waste Management and Resource Efficiency and Integrating CSR into Business Strategy, which will strengthen efficiency to integrate CSR, sustainability and governance practices into their everyday business operations.

In his welcome address, H.E. Hisham Al Shirawi, 2nd Vice Chairman, Dubai Chamber, said that the launch of the Sustainability Network Task Groups will further reinforce Dubai Chamber’s position as the CSR leader in the country and will help it promote the concept of sustainability in the emirate.

“Sustainability has definitely become a pre-requisite for any successful business. Every day, the significance of CSR, sustainability and corporate governance is fast-becoming an integral part of any company’s agenda and something that we at Dubai Chamber actively support,” he said.

The Sustainability Network Task Groups:


The Community Engagement Task Group includes DLA Piper, Saeed & Mohammed Al Naboodah Holding LLC, PepsiCo, Aramex, Consolidated Contractors International Company S.A.L., TNT, ABB, Majid Al Futtaim Properties, ZAFCO, Du, Axiom, Landmark, Research In Motion, Siemens Middle East, Al Gurair and Mashreq Bank will publish a ‘How to Guide’ for strategic community investment and will organise a workshop in September on How to Develop a Community Strategy.

The Waste Management and Resource Efficiency Task Group which includes Saeed & Mohammed Al Naboodah Holding LLC, PepsiCo, Aramex, Consolidated Contractors International Company S.A.L., ABB, Majid Al Futtaim Properties, Axiom, Henkel GCC, Landmark, Al Gurair and Summer Town will launch a series of expert and learning session on resource efficiency, various building codes and waste management as well as a public document on the subject which will be taken forward with relevant governmental stakeholders.
Beyond Risk Management: Using Sustainability as a Platform for Risk Management

There are many good reasons why sustainability should be at the top of everyone’s agenda, not least because the continued survival of future organizations depends on finding solutions to the combined issues of climate change, overcoming our dependency on fossil fuels for energy and transport needs, and ensuring widespread access to clean water. But above all, embracing sustainability is fundamental to managing company’s risk profile and is essential good business practice.

Traditionally, managing and reporting on sustainability were perceived as an additional cost for organizations, often conflicting with the pressure to maximize profits. This perception is changing as organizations realize that investing in sustainability results in long term benefits, or future proofing. Changes in regulatory, political, financial, stakeholder and other risks have increased the uncertainties in corporate decision making. As such, the materiality of Sustainability Risk Management has increased dramatically.

Sustainability Risk Management, which refers to the embedding of sustainability risks into the risk register and managing them accordingly, provides a series of highly desirable benefits to corporations. Some of these benefits include:

• Enhanced decision-making capacity, agility and adaptability of the corporation
• Supplying a wealth of insight, knowledge and intelligence on emerging and current risks and opportunities
• Managing stakeholder expectations with greater certainty
• Providing a framework and principles for innovation

But what are the sustainability risks that companies should consider? Sustainability risks can be broken down into three broad categories. They include existing and emerging environmental, social and governance risks. Also referred to as non-traditional risks, sustainability risks arise when corporate behavior, or the actions of others in a corporations operating environment (e.g. suppliers, media, government), create vulnerabilities that may result in financial, operational or reputational losses in value.

The processes that may be followed to integrate Sustainability Risk Management with other disciplines of risk management include:

• Integrating Sustainability into the organization’s Strategy and Risk Management Policy.
• Obtaining the commitment of the Board and appointing the CEO accountable and making members of staff responsible for the execution of Sustainability Risk Management.
• Integrating data from various sources to determine the maturity of environmental, social and economic sustainability management and setting targets such as carbon footprint reduction, increase in CSR spend or commitment to sustainability reporting.
• Identifying sustainability risks enabling management and anticipation through implementing appropriate risk mitigation and financing strategies.
• Develop plans for reducing environmental exposures or impacts, anticipating competitor actions, and implementing social and environmentally driven strategies.
• Sustainability Scorecards, such as the JSE’s SRI Index may be implemented for measuring the performance of the three pillars of Sustainability Management.

In its simplest context, risk management has a role in helping organizations identify, quantify, and find ways to mitigate any risks associated with new sustainable products and practices. To be fair, many risks are avoided by adopting sustainable practices but the reality is that new risks are introduced.

While some companies develop sustainability risk management for ethical reasons, most do so for business reasons as risk costs are reduced, competitive positions strengthened, reputations promoted and bottom lines improved.

Nature, society, and business are interconnected in many ways which have not been a focus in business strategy, so a fundamental shift is required in the way directors make decisions and businesses operate towards the management of sustainability.

The Case for Managing Sustainability Risks

• Reputation and brand strength – Sustainable performance fosters a strong corporate reputation, which has a significant effect on a company’s financial valuation. According to the UN Global Compact, reputation accounts for 10% of the marketing value of a company, and 45% of a company’s reputation is based on social performance. Nike is a classic example of a company which, faced with reputational damage in 1996 due labour and environmental practices, pioneered product-stewardship strategies and sustainability innovation to recover its reputation.
• Competitive advantage and productivity – A survey of over 1,600 of the world’s largest companies in 16 industrialized countries revealed that as many as 53% of the companies surveyed indicated that much of their sustainability behaviour is motivated by innovation.
• Improved shareholder value – SRM can contribute to increased profits in the long term and reduce weighted average cost of capital. Shareholders are increasingly demanding future-proofed financial investment strategies, and the inclusion of an early warning risk management process for risk factors such as climate change.
• Operational efficiency – Not addressing sustainability concerns (including environmental legislative requirements, employee engagement, supply chain issues and customer demands) raises the risk of operational disruption through strikes, boycotts, and greater regulatory scrutiny, with often major financial implications.
• Financial efficiency – Appropriately managing sustainability risks can result in cost reduction achieved through improved environmental and health and safety performance (resulting in fewer fatalities, accidents, non-compliance fines, and lost workdays). PUMA has recently announced that the economic value of its impacts due to water consumption and greenhouse gas emissions is Euro 94.4 million.
• Improved human and intellectual capital – There is increasing evidence that a company’s environmental and social performance affects employee turnover rates. For example, Patagonia, whose motto is to “build the best product, cause no unnecessary harm, and use business to inspire and implement solutions to the environmental crisis”, has a turnover rate of 4.5%, compared to an industry-wide employee turnover of 20%.
Energy Efficiency: The Habits of High Efficient Companies

Since 1998, the UAE has been ranked with one of the highest ecological footprints per capita in the world. 80% of this ecological footprint is due to carbon dioxide emissions from high energy and water consumption. Business and industry in the UAE contributes to 30% of this ecological footprint, yet companies are becoming more aware than ever of the significant environmental impact their operations have.

Energy efficiency is often called the low-hanging fruit of a clean-energy economy. The easy pickings are apparently not that easy, though. Energy efficiency programs have picked up speed in the past few years with concerns about the bottom line and/or sustainability, but those programs often come in fits and starts.

But whatever is being done is far short of what could be accomplished. Commercial energy use is growing faster than the transportation, residential or industrial sectors.

Changing an organization’s culture is rarely easy, and overcoming this barrier can be a significant challenge. But world-class energy efficiency strategies are helping do just that. When implemented within a total corporate sustainability or social responsibility commitment, energy efficiency is helping to generate waves of innovation that reach beyond the immediate confines of the energy performance objectives. The idea that enlisting staff in sustainability efforts is an effective way to achieve environmental and social goals, as well as to improve recruitment, retention, and the bottom line isn’t brand new. But after field testing at leading organizations in recent years, it’s starting to gain a foothold at mainstream companies. A recent sustainability study by Green Research found that 80% of major corporations are planning to invest significantly in employee engagement in 2012.

- Efficiency is a Core Strategy. Efficiency is an integrated part of corporate strategic planning and risk assessment, and not just another cost management issue or sustainability trend.

- Lead From the Top. Upper management must not only take ownership of the program, but must also set the tone for the entire project. It means that upper management has to involve stakeholders in the organization early and come up with a clear plan.

- Make It Public. Once upper management is on board and taking a leadership position, there must be a public pledge. It should be binding, and reiterated loudly throughout the company and beyond.

- Branding, Branding, Branding. Whether it’s signage in the hall or stickers on the light switches, it’s important to offer motivation and reminders to employees. A catchy slogan doesn’t hurt either.

- Form Committees. Its one thing to kick off a program that upper management is behind; it’s another to execute it over months -- or possibly years -- across various offices and departments. There needs to be one committee to oversee the entire project, including its design and implementation, but there also likely needs to be smaller teams that take those directives into the trenches.

- Assign Peer Champions. Of course, success often comes when people hear things from peers, rather than from superiors or branded campaigns. Successful programs relied on using volunteers to be representatives or exemplary participants in the program. Whether they were “Green Office Representatives” or “Conservation Floor Captains” these key participants coordinated with the people around them and reported back to the managing committees.

- Give (and Take) Feedback. Provide a feedback mechanism to track the behavioural changes and allow participants to personalize the project.

- Communicate. It’s not enough to slap up a few posters and stickers around the building. Communication needs to be clear and it needs to come in multiple forms. Use public meetings, websites and email. Some programs have one-on-one consultations with workers in their cubicles to install lighting controls or at least to discuss efficiency options.

- Tie It to Money. Nothing motivates people like money, whether it’s the carrot or stick type of incentive. Challenges that offer prizes to individuals or teams achieved the greatest degree of energy reduction.

- Buy Some Technology. Dubai Chamber has proven that existing buildings in the Middle East can be brought up to international green building standards without significant additional investments through good operational practices and maintenance. Between 1998 and 2008, Dubai Chamber employees used their regular operations and maintenance budget to implement a number of initiatives which reduced water and energy consumption by 77% and 47% respectively and led to utility savings of around US $1.93 million. But companies don’t need to undertake a complete overhaul to save serious energy. A little automation, particularly for lighting and room occupation, can go a long way. It also wasn’t just an issue of behaviour or technology adjustments, combining the two can reap far more savings.
Materiality in CSR: CRB Guidance

In the last issue of CSR Al Youm, the Integrated Reporting article cited that some 4,500 organisations now report their sustainability performance each year. While it is positive, this explosion in reporting is driving another topic to the top of the corporate social responsibility (CSR) agenda, namely MATERIALITY.

The concept of materiality originally comes from the auditing and accounting profession where it is an expression of relative significance or importance of a particular matter in context to financial statements.

Because of the origins in financial reporting, it is logical that materiality is primarily discussed in terms of CSR reporting. However, the importance of materiality goes beyond this and is relevant when a company approaches CSR as a materiality assessment is critical in setting a company’s strategic direction for CSR.

As ever more, CSR issues compete for time and attention in the boardroom and space in company reports, companies need to be able to make decisions about which issues are really important; for their numerous stakeholders, for their commercial success and for internal management. Some issues are so important that they demand real recognition and effort by the company but many other issues do not rise to this level. This threshold is referred to as materiality. Applying it in business is a matter of judgment and the subject of engagement with stakeholders.

Why address materiality?

For business, an understanding and application of the concept of materiality helps them manage, and be seen to be managing, their significant impacts and issues better.

The operations and activities of an organization lead to positive and negative economic, environmental and social impacts. Some of these sustainability impacts create both opportunities and risks for an organization. The ability of an organization to recognize opportunities and risks, and act effectively in relation to them, will determine whether the organization creates, preserves or erodes value.

Indeed materiality analysis allows companies to take a close and considered look at the issues that are of the highest concern to their stakeholders and that could significantly affect the company’s ability to execute its business strategy.

Why aren’t companies doing it?

While many companies report to GRI guidelines, all too often in reports there are 100 pages reporting every single topic under the CSR banner without thought given to what is most relevant to the company’s future. Indeed sustainability reporting can act as a dumping ground for non-financial corporate information which is understandable when demand has increased for transparency on corporate activity but there hasn’t been the tools to sort the relevant from the non-relevant. Equally in corporate websites, CSR pages often give emphasis to heartwarming PR friendly stories of charity donations or number of trees planted. Whilst these activities are beneficial to society and environmental are they really the most relevant? For example with a bank, charitable donations are a nice-to-do but more importantly how do you tackle issues like responsible lending? Are you lending to companies who destroy the rainforest or individuals who have no hope of making repayments and it mean they lose their home?

CSR is a complex issue for many companies and identifying and prioritizing material issues is one of the most difficult tasks for companies on their sustainability journey. Unfortunately this means companies may simply ignore it. So the one thing that distinguishes great CSR from good CSR is the way the company handles materiality.

While not many companies effectively tackle materiality yet, there are some leading the way. Corporate Register the primary reference point for corporate responsibility reports and resources worldwide now has 39,225 reports across 8,956 companies online and also runs an awards program for CSR reporting. Vodafone, L’Oreal, and SAB Miller are just some of the companies recognized in the “Relevance & Materiality” category.

How do companies define materiality?

If everything is material, then it’s not material. Not everything can be a top priority. A list of potential material issues can run in to hundreds of issues. Ford, for example, started out with a list of over 500 issues and cut those down to 57 issues which the company considers material. Materiality is really about defining the most relevant overall issues to the business.

While the question of materiality is clearly critical, the concept is evolving massively and quickly, making the development of a unifying definition or approach difficult. The key to gaining an understanding of materiality is engagement with stakeholders, both internal and external. Unfortunately, no single, simple tool yet exists to tell companies which issues to manage and communicate and how. The only way to understand how stakeholders perceive companies and make decisions is to listen to them.

Once a company has listened to its stakeholders it can start to identify the most important issues using a materiality matrix. Materiality matrices come in many shapes and sizes, they can be creative or minimalistic or interactive.
Ford managed to further define and prioritize its 57 material issues into a top 14.

These 14 issues in the high impact and high concern category, range from climate change, public policy, water strategy, vehicle safety and supply chain sustainability.

For Heinz in conducting the analysis, they began with a comprehensive evaluation of stakeholder concerns reviewing both direct stakeholder input via focus groups as well as indirect source materials, such as rankings surveys, investor questionnaires, peer reports, customer requirements, and trade association position statements. The company also conducted an internal survey to determine company perceptions regarding the potential impact and importance of each issue included in the analysis. Issues were assessed and ranked according to several criteria, including, for example, potential impact on revenue, brand and reputation, employee engagement and the ability to deliver their products to customers.

The resulting materiality matrix combines both stakeholder rankings and company perceptions and depicts the top five material issues for Heinz.

Form a CSR Committee
Recruit people who have expertise in labour, human rights, environmental, social, economic and diversity issues, and who are committed to transparency and multi-stakeholder engagement, to serve on a committee.

Consult a variety of sources
Identify issues that reflect the company’s significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders. In this process, consult a variety of sources—both internal and external. These sources could include:

- company objectives, strategies, policies, programs and risk factors
- employee and customer surveys
- shareholder resolutions and anecdotal feedback
- input gathered through stakeholder dialogues
- informal input from suppliers
- media coverage and blog discussions of company issues
- stakeholder feedback about the company’s past CSR reports
- GRI-recommended topics and data for inclusion

Prioritize
After reviewing these sources, compile a list of the most material issues and prioritize them according to

- the importance of the issue and potential impact on the company
- the importance of the issue and potential impact on external stakeholders
- the amount of reasonable control the company has over a particular issue.

What steps can be taken in defining materiality?
Here are some tips to determining materiality.

Engage Senior Management
Get senior management to consider CSR risks and opportunities, considering all aspects of the business such as supply chain accountability, environmental impact assessment, governance, policy, stakeholder engagement, social community commitments and transparency.

What about issues deemed non-material?
But what about the issues that don’t make the materiality cut? Should companies just ignore those? The quick answer is no. Things that rise to the level of ‘materiality’ in a company are those that require high-level, coordinated effort. Many other issues will still be addressed and managed by the company, and need to be communicated to stakeholders – but in focused, targeted ways – just not necessarily in the annual or CSR report.

What resources are there?
The Dubai Chamber of Commerce has created the CSR Label which provides a free diagnostic framework as well as a learning and development tool that will help companies to define and improve their CSR strategy, policies and management policies. As part of the feedback report, the Chamber will also provide guidance on materiality issues for your specific company.

http://www.dubai chamber.com/ initiatives/centre-for-responsible-business/csr-label

There are also many resources available globally which provide guidance on materiality relating more specifically to reporting materiality.

Global Reporting Initiative
http://www.globalreporting.org/about/faq3.asp

Accountability guidance on Materiality
http://www.accountability.org/ images/content/0/8/085/Redefining%20Materiality%20-%20Full%20overview.pdf

Companies that have Undertaken a Materiality Assessment

- SAB Miller plc
  http://www.sabmiller.com/index.asp?pageid=104

- BASF

- Ford

- Heinz
  http://www.heinz.com/CSR2011/about/materiality_analysis.aspx
Let's Continue the Dialogue

- Learn how to develop an integrated approach to embed CSR and Sustainability within the corporate business strategy
- Understand the fundamentals of developing a winning CSR and Sustainability Plan
- Learn how to integrate a change management strategy in your organisation driven by CSR and sustainability
- Grasp global trends that will impact the way organizations practice CSR and Sustainability

Who should attend?
Board Members, Senior Managers, and Managers Responsible for Corporate Governance, Corporate Strategy, Operational Risk and Strategy Management, Corporate Social Responsibility (CSR), and Business Excellence.

Date: 22nd May 2012
Time: 8:30 - 16:00
Venue: Dubai Chamber, 13th Floor, Conference Hall

Fees per Delegate:
Dubai Chamber Members - AED 500
(AED 700 will apply in case payment is done on the day of the event)
Non-Members - AED 700

Three Easy Ways to Register:
Call: 04 - 2028 407
Email: responsiblebusiness@dubaichamber.com
Website: www.dubaichamber.com/dubaialogue

Early registration is required due to limited seats.

Payment Methods:
Payments can be made as follows:
- Online at www.dubaichamber.com/dubaialogue (Only credit and debit cards issued in the GCC are accepted)
- Offline (Direct Payment) via bank transfer or at Dubai Chamber's main office (by cash, cheque or credit card)