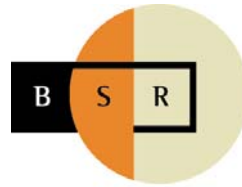




GEMI®



Business for Social Responsibility

GEMI–BSR Survey:

***“Sustainable Business & Strategy:
Views From the Inside”***

**~Executive Summary and
Survey Results~**

November 15, 2006

“Sustainable Business & Strategy: Views From the Inside”

Executive Summary

Background

The Global Environmental Management Initiative (GEMI) and Business for Social Responsibility (BSR) collaborated together on a survey of their respective members about the role of sustainability professionals, and their company efforts connecting CSR to overall business strategies. The survey blends GEMI's strong focus on EHS and corporate citizenship activities with BSR's strengths in the social and other aspects of CSR.

The responses of the survey have been analyzed and summarized in both a PowerPoint presentation as well as in this Executive Summary for use by the two organizations' respective members and other interested stakeholders.

Executive Summary

A survey of 54 sustainable business professionals reveals that corporate social responsibility (“CSR”) has a high profile inside their companies. There is commitment to CSR at the senior levels within their companies, with 72% of respondents stating that their CEO publicly communicates their company's commitment to CSR, and the majority of respondents indicating that CSR is discussed at the Board of Directors level. Moreover, 79% of respondents believe there is a strong connection between their company's words and action

Not only is there top management commitment to and support of CSR, but companies are well down the road in implementing specific actions to advance the CSR agenda, including integrating environmental and social considerations into product design and procurement processes, and collaborating with external stakeholders, such as NGOs.

For the most part, non-consumer product companies appear to be further along in the implementation of CSR processes than consumer product companies. However, consumer product companies lead non-consumer product companies in strong measurement systems to assess social impacts and in integrating social considerations into product procurement processes.

Company CSR efforts have delivered strong business results, such as process and product improvements. And there is substantial alignment inside companies between business strategy and CSR efforts, with a high degree confidence among respondents that CSR will have even greater impact on business strategy in the future.

Respondents also indicate that CSR progress is routinely tracked and publicly reported. Companies generally seem to have key performance indicators in place for all aspects of CSR, including employee health and safety, ethics, and environmental, supplier, labor and social practices. But internal measurement systems to assess social impacts are not as strong as those to assess environmental impacts. And, although CSR progress is publicly reported by the great

majority of companies, fewer than half the respondents think that reporting is a valuable business tool.

Finally, respondents indicate that despite all the progress that has been made, there remains room for improvement. CSR performance is not well linked to executive compensation, nor is it adequately tied to brand messaging and marketing.

Survey Results

Participant Characteristics

To form a clearer picture of how members of GEMI and BSR manage corporate social responsibility (CSR)^{*}, GEMI and BSR members were asked to complete a survey in September 2006 regarding different aspects of CSR program management. There were 54 responses^{**}, with not all respondents completing all the survey questions. The respondents came from companies in a broad range of industries. Consumer products companies were the single largest industry group completing the survey (35%). Most respondents (89%) were from companies headquartered in North America. Annual sales of participating companies ranged from \$2 million to \$95 billion, with an average (mean) of \$21 billion.

The majority of respondents (77%) were with BSR member companies, and almost half (46%) were with GEMI member companies. Approximately one-quarter (23%) of respondents were with companies that were both GEMI and BSR members.

Organizational Profile

Respondents were typically at the Vice President (23%) or Director (49%) level and worked within either the EHS (41%) or CSR (31%) functions.

While 20% of respondents indicated that their companies had a functional area dedicated to CSR, more typically CSR was “owned” by or led by other functions, such as EHS (14%), Public Affairs (12%), or Communications (8%). Most respondents (63%) saw the CSR function becoming more integrated with the EHS function within the next five years.

A Vice President or other officer typically managed environmental (62%) and social responsibility (56%) efforts. Leaders of both environmental and social responsibility efforts reported to the highest levels of senior management within their organizations, with 72% of respondents indicating that the leader of environmental efforts was only one or two steps

* “Corporate social responsibility” was understood to encompass “social responsibility,” “sustainable development,” and “sustainability.” Definitions of CSR varied among the respondents. Some pointed to external definitions, such as that proposed in the 1987 Brundtland Report; others based their definition on company values; and still others framed CSR as ensuring that business decisions made a positive impact on people and the environment.

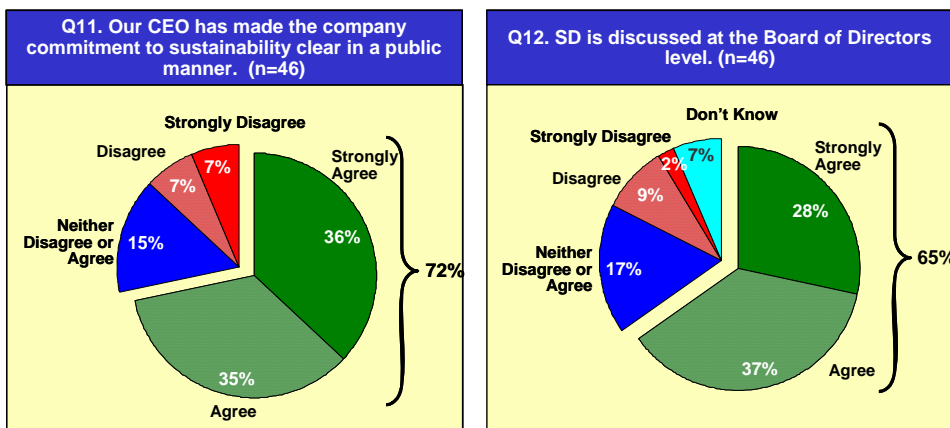
** It is possible that a given company could have submitted more than one response to the survey, particularly if the principal GEMI contact and the principal BSR contact within the company were different individuals.

removed from the CEO, and almost half (49%) reporting the same for the leader of social responsibility efforts. On average, the leaders of both the environmental and social responsibility efforts were 2.2 steps removed from their CEOs.

CSR Has a High Profile Within Respondents’ Companies

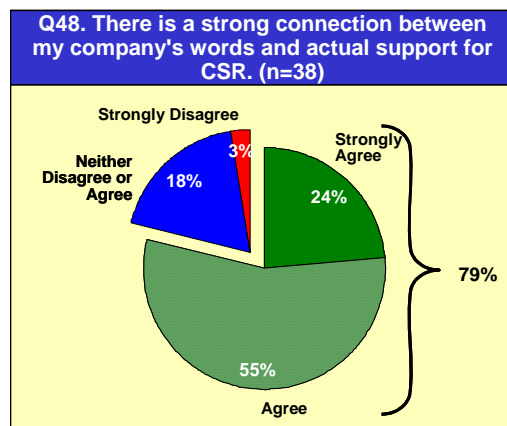
The survey indicated that respondents’ companies treated CSR as an important subject. There was strong top management commitment to CSR, with almost three-quarters (72%) of respondents stating that their CEO had clearly communicated their company’s commitment to CSR publicly (Figure 1). And in over one-quarter (28%) of respondents’ companies, the CEO was the main champion for CSR. A majority of respondents (65%) believed that CSR was discussed at the Board of Directors level (Figure 3). While almost half (48%) of respondents believed that board-level oversight of social performance at their company was strong, only about one-third (36%) believed the same of environmental performance.

Figure 1. Top Management Commitment to CSR



Not only have most companies made their commitment to CSR clear publicly, but the vast majority (79%) of respondents believed there was a strong connection between their company’s words and actual support for CSR (Figure 2).

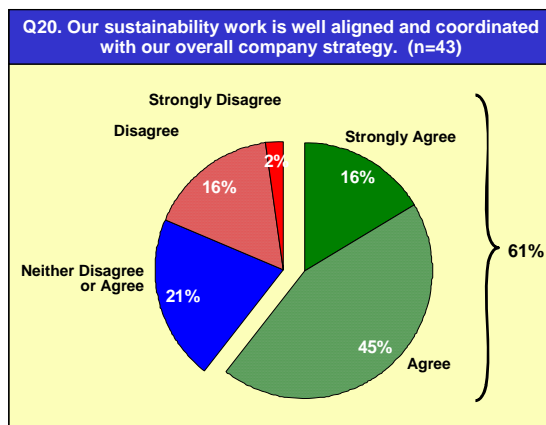
Figure 2. Walking the CSR Talk



Top management support for CSR also manifested itself in the extent of resources provided to address CSR. Less than half (47%) of respondents believed that they had the resources necessary to meet CSR goals.

The degree of importance with which CSR was treated was further evidenced by the consideration given to CSR in the annual strategic goal setting process at all levels of respondents' companies. CSR was an integral part of the annual strategic goal setting process by individuals (45%), at the site level (53%), at the business unit level (64%) and company-wide (58%). The majority of respondents (61%) believed that their company's CSR work was aligned and coordinated with their company's overall business strategy (Figure 3).

Figure 3. Alignment of CSR with Company Strategy

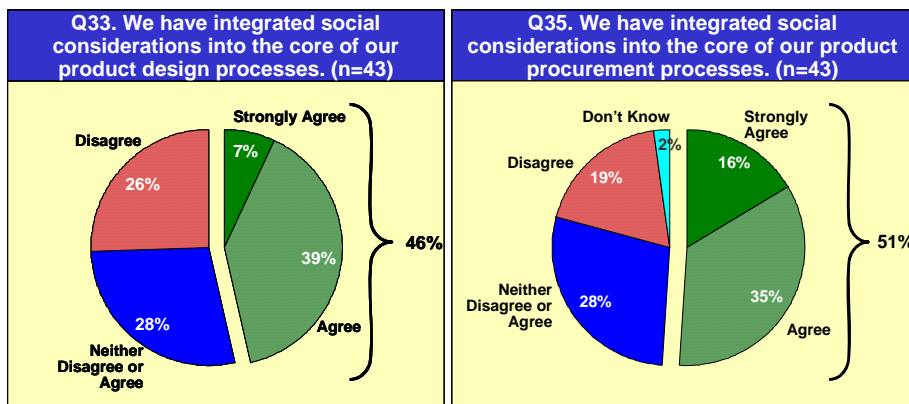


CSR Implementation

Not only is CSR integrated with company strategy, but companies also appear to be well down the road of implementing actions to advance the CSR agenda. Almost three-quarters of respondents' companies (73%) have moved beyond the initial stages of addressing CSR (choosing a strategic direction) and were either in the 'implementation,' 'integration' or leading their corporate efforts. Companies that have established a CSR function perceive themselves further ahead on CSR than companies that have not, with respondents working in the CSR function thinking that their companies were further ahead than respondents working in the EHS function (81% beyond the initial stages of addressing CSR vs. 55%).

Most respondents reported that their companies integrated environmental considerations into processes associated with product design (61%) and procurement (53%) and did the same for social considerations (46% for product design and 51% for procurement processes) (Figure 4).

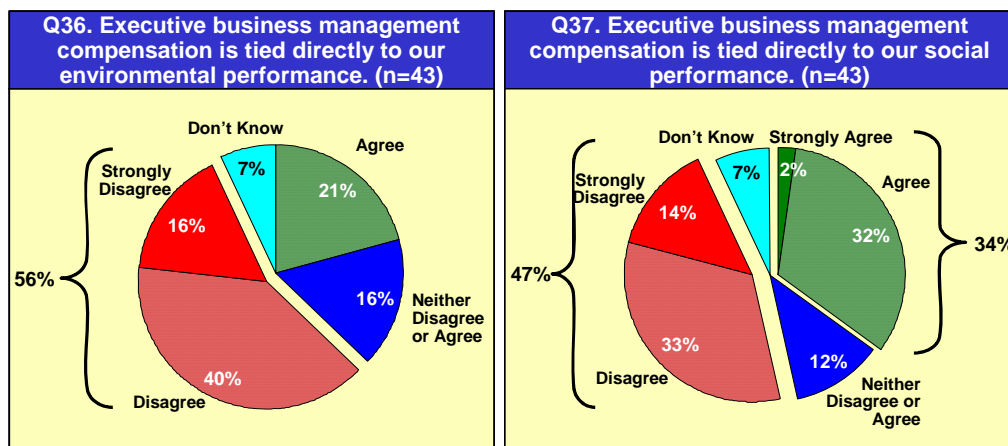
Figure 4. Integration of Social Considerations Into Product Design and Procurement



Fewer than half of respondents (42%) believed that their company's government affairs efforts were well aligned with CSR goals. And a number of respondents (38%) did not think that CSR was built into brand messaging and marketing in their companies.

The link between CSR performance and executive compensation was another aspect of implementation where there appeared to be some room for improvement. The majority of respondents (56%) did not think that management compensation tied directly to environmental performance and almost half of respondents (47%) did not think that management compensation tied directly to social performance (Figure 5).

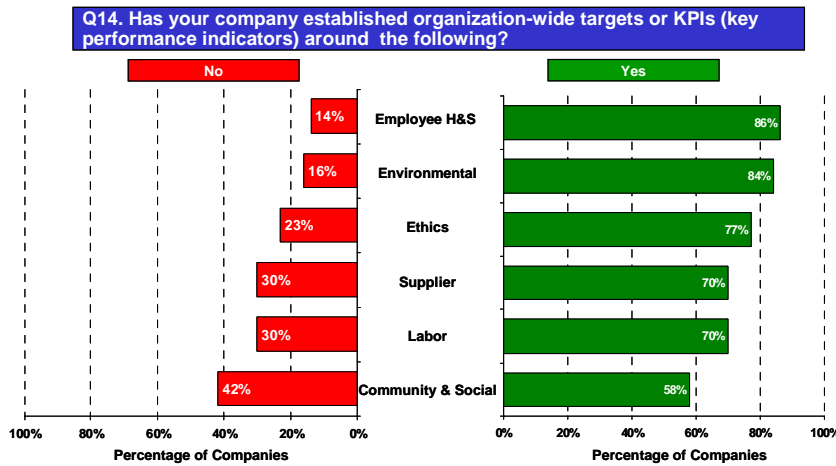
Figure 5. Management Compensation Tied to CSR Performance



CSR is Tracked and Publicly Reported

Almost half of respondents (49%) had confidence in the ability of their companies to effectively measure company CSR impacts. Respondents' companies tended to have Key Performance Indicators (KPIs) for all aspects of CSR, including employee health and safety (86%), environmental practices (84%), ethics (77%), supplier practices (70%), labor practices (70%) and community and social practices (58%) (Figure 6).

Figure 6. CSR KPIs

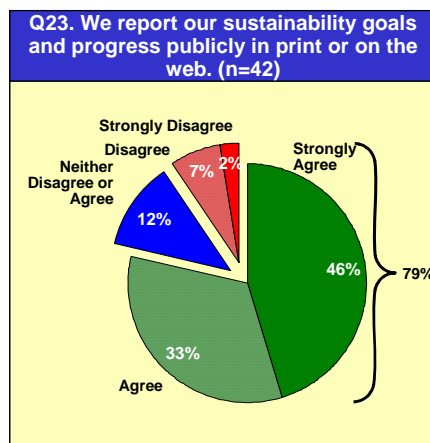


Most respondents (70%) believed that their company’s organization-wide KPIs had been an effective tool to focus internal attention on CSR. In addition to corporate CSR KPIs, companies typically had CSR KPIs in place at the business unit (78%) and site (72%) levels. However, while respondents believed that strong measurement systems were in place to assess environmental impacts (61%), this was less so with regard to social impacts (37%).

The connection between CSR and company reputation was made clear by the number of respondents who thought positive media coverage was an important measure of CSR success (76%), with 67% also thinking important both relationships developed and external rewards/recognition.

The vast majority of respondents (79%) indicated that their companies publicly reported on CSR goals (Figure 7).

Figure 7. Public Reporting of CSR Goals

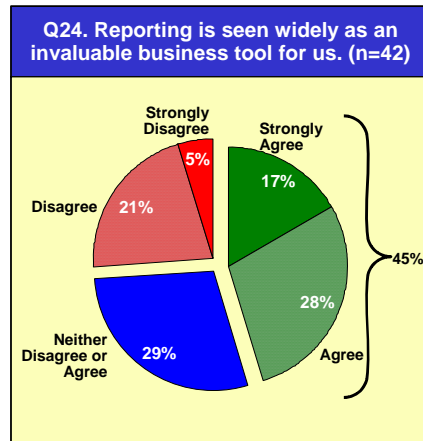


Where KPIs were shared publicly, the most commonly shared (in whole or in part) were those related to employee health and safety (90%) and environmental practices (88%). These were

followed by community and social practices (71%), ethics practices (68%), supplier practices (67%) and labor practices (63%).

Nevertheless, only 45% of respondents believed that reporting was an invaluable business tool (Figure 8).

Figure 8. The Value of Reporting as a Business Tool



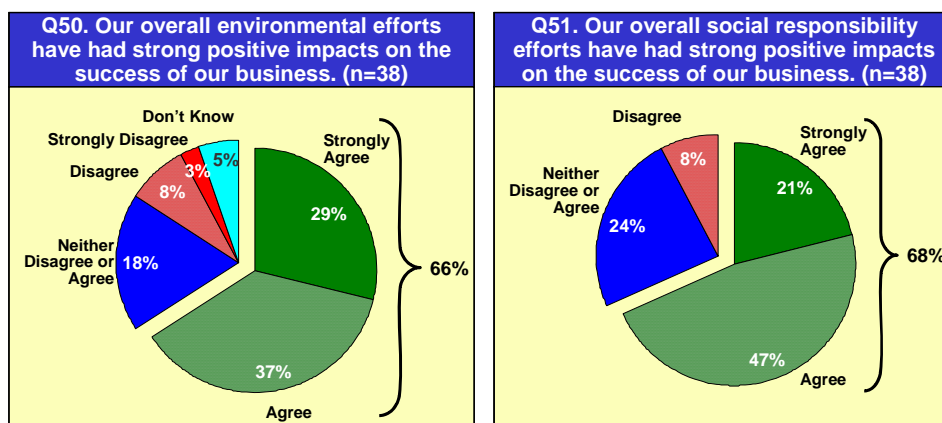
CSR Implementation Through Collaboration

Collaboration with external stakeholders appeared to be an important means of implementing CSR. Many respondents (47%) were with companies that collaborated with NGOs to deliver on environmental goals. Most respondents (58%) were with companies that had (at the corporate level) relationships with several CSR organizations. And almost half of respondents were with companies that had formed strategic partnerships with governments to solve environmental challenges (45%) and social challenges (49%).

Business Value of CSR

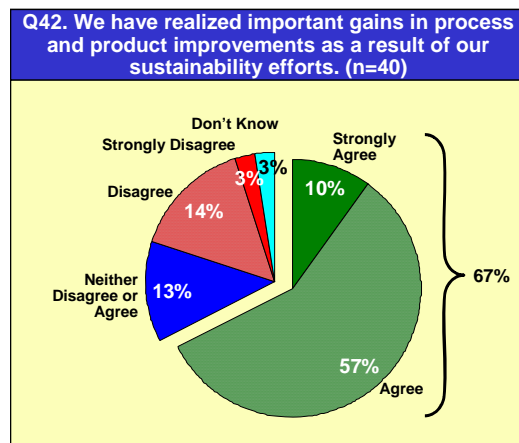
Most respondents thought that their company’s CSR efforts have had strong positive impacts on their company’s business success, with 66% agreeing that their company’s environmental efforts were tied to business success, and 68% agreeing that their company’s social responsibility efforts were tied to business success (Figure 9).

Figure 9. Link Between CSR Efforts and Business Success



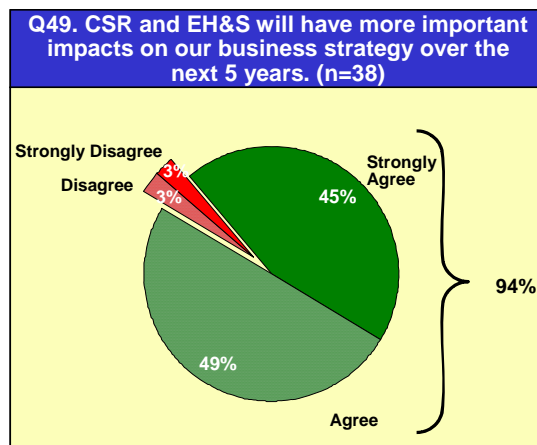
Process and product improvements were cited by 67% of respondents as an example of business success tied to CSR efforts (Figure 10).

Figure 10. CSR and Process / Product Improvements



A further indication of the importance of CSR to business success was given by the number of respondents (94%) who thought that CSR would have a greater impact on business strategy over the next five years (Figure 11).

Figure 11. Future Impact of CSR on Business Strategy



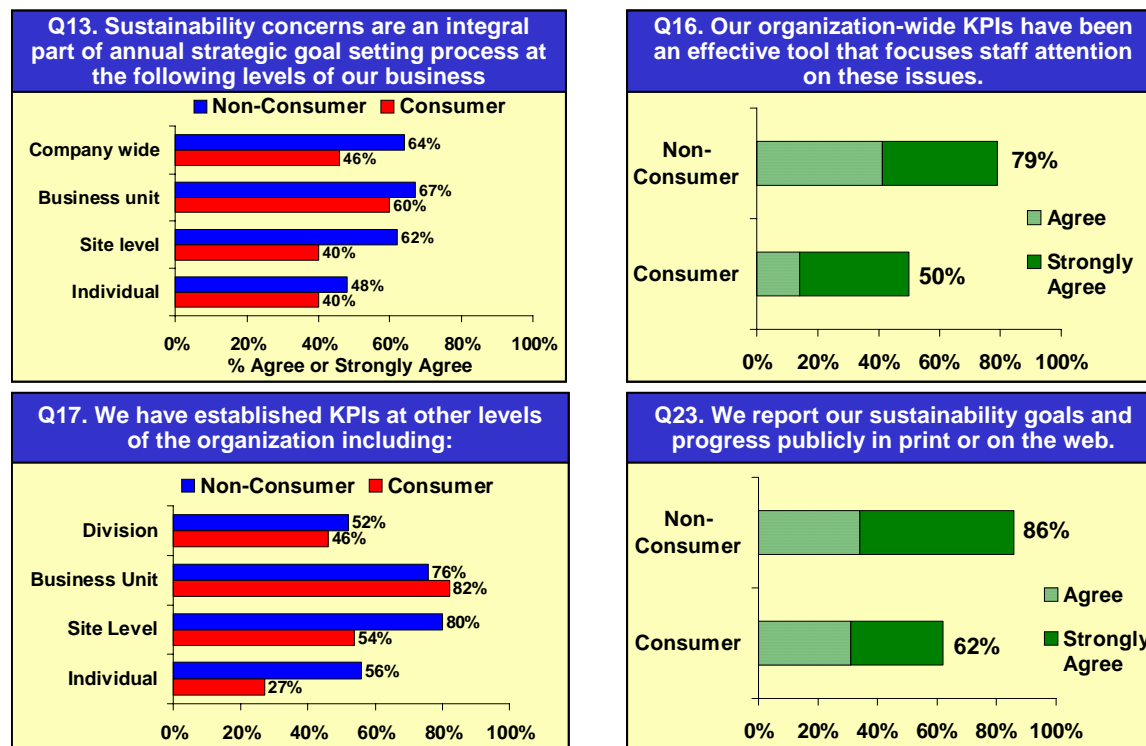
Industry Comparison: Consumer Product Companies vs. Non-Consumer Product Companies

There were several differences noted between the responses of participants from consumer product companies and those from non-consumer product companies. For example, in non-consumer product companies, the CEO was seen as the main champion of CSR by 30% of respondents, as compared to 18% for consumer product companies.

On the whole, non-consumer product companies seemed to be further along in the implementation of processes related to CSR, with non-consumer product companies leading

consumer product companies in having: CSR concerns being an integral part of the annual strategic goal setting process; KPIs established at all levels of the company (with the exception of the business unit level); CSR KPIs regarded as an effective tool; and publicly reporting CSR progress (Figure 12).

Figure 12. CSR Implementation (Consumer Product Companies vs. Non-Consumer Product Companies)



Other examples where non-consumer product companies appeared to be further along than consumer product companies included:

- Forming strategic partnerships to solve CSR problems (55% vs. 21% formed strategic partnerships with government to solve environmental challenges and 58% vs. 28% formed strategic partnerships to solve social challenges).
- Integrating CSR considerations into business processes (73% vs. 36% integrated environmental considerations into product design processes, 60% vs. 39% integrated environmental considerations into product procurement processes and 51% vs. 36% integrated social considerations into product design processes).
- Linking management compensation to CSR performance (41% vs. 21% linked compensation to social performance, and 28% vs. 7% linked compensation to environmental performance).
- Having strong measurement systems to assess company environmental impacts (74% vs. 39%).

In addition, respondents from non-consumer product companies were more likely than respondents from consumer product companies to see the value of CSR efforts (82% vs. 34%

agreed that environmental efforts have had strong positive impacts on the success of the business, and 73% vs. 58% agreed with regard to social efforts).

However, in a few instances related to social considerations, consumer product companies led non-consumer product companies. For example, consumer product companies were more likely to have integrated social considerations into product procurement processes (64% vs. 45%) and more likely to have strong measurement systems to assess their social impacts (54% vs. 30%) (Figure 13).

Figure 13. Where Consumer Product Companies Lead Non-Consumer Product Companies

