

Inclusive, Sustainable, and Ethical Business Practices

“Sarvetra Sukhinah Santu, Sarve Santu Niramaya...”

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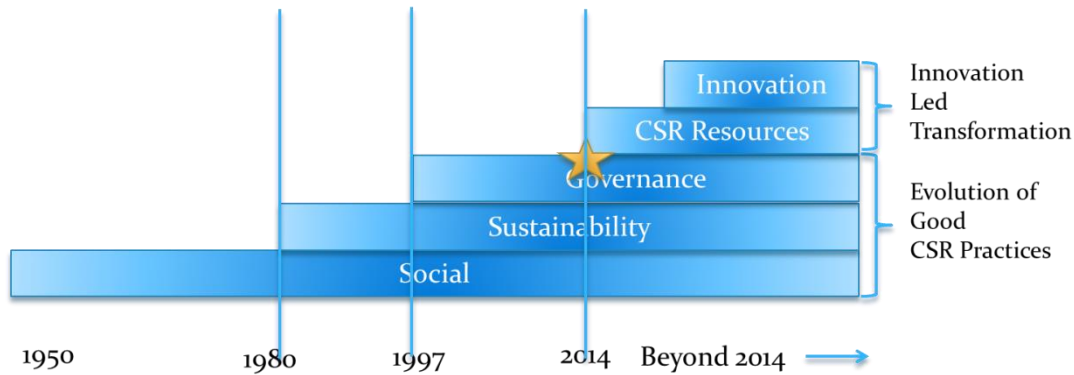
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Corporate Social Responsibility Evolution:

Over 90 years ago, Mahatma Gandhi had talked about noble concept of trusteeship in which the wealthy are expected to operate as trustee of their wealth and create more wealth by supporting the welfare of the general population. The key essence of this trusteeship concept is now being implemented as Indian law, in regards to Corporate Social Responsibility (CSR). The new CSR law in India is a trendsetting corporate commitment since the law is the first of its kind in the world; all large Indian companies are now mandated to have CSR expenditures. Per section 135, Section VII of the Companies Act 2013, large Indian corporations will now spend at least two percent (2%) of their profits on CSR practices, which may be done via assorted approaches.

This law comes on the heels of a new movement in which corporate motives are being redefined towards a central idea: for profit, more profit, and beyond profit. As corporations strive for increased profits in an extremely competitive global business environment, CSR practices are experiencing a growing importance within the business and social worlds. It is the “beyond profit” goal for which companies are utilizing CSR; an organization is no longer solely qualified based on its financial reports, but also a comprehensive combination of other practices.

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The chart above illustrates how corporations' focus on CSR has developed among the varying facets of CSR over time. Just as companies opt to evolve beyond profit, they have realized that CSR encompasses more than just small social projects. CSR has many other applications including Sustainability goals (protecting the environment) and CSR Resources (providing plentiful funding), all of which can transform a company as a whole.

As can be seen, the original notion of CSR has been around for more than 50 years, but it is only now that the CSR philosophy has started to become mainstream among companies across the world, and now among governments across the world. Since the focus at first was to ensure a slight sense of welfare for the general population, companies would donate resources (e.g. money, medicine) to those in need. However, that was not enough as science gradually proved that the very environment in which all beings live in was not being taken care of properly, and that companies were a significant pollutant. In order to resolve these issues, numerous companies have taken up the task of sustainable practices to ensure their companies responsibly manage their operations. Due to various environmental restrictions, excessive polluting is not only an expensive venture, but also one that can quite easily tarnish a company's reputation in the eyes of its consumers and partners.

As companies have managed to adopt social, sustainability, and governance CSR projects, the growing world population has caused CSR-related associations to begin searching for much-needed funds. Resources are needed to continue the evolution of CSR practices, and two percent of many companies' profits will provide an ample amount of annual funding within India. On the other hand, more resources will always be needed, which is why companies should strive to contribute more than the required two percent. Additionally, companies will need to employ innovative tactics to maximize their CSR efforts' impact.

Committing to Long-Term CSR Vision

A company that wants effective CSR practices along with a well-respected CSR reputation must establish a long-term vision with clearly defined objectives that the whole

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organization is committed to. A large corporation cannot simply donate sums of money/resources to charitable organizations on random occasion. Instead, a long-term plan is needed to ensure that the company is continually working towards achieving (possibly even surpassing) their CSR goals. These goals must be quantifiable so that management, consumers, and partners can objectively assess a company's progress. A typical plan is laid out over a time period from five years to fifteen years, though shorter or longer plans can still be viable.

A company must drive company-wide awareness to achieve large-scale impact, which can be accomplished by integrating CSR goals into the company's business operations. When done so, these goals must be measured (if the goals are quantifiable, they can be more easily measured) and reported. To better comprehend how a company can go about creating a long-term CSR plan, the following global examples help illustrate the process.

In 2005, Starbucks defined a ten year plan that consisted of the following CSR goals: (a) Reduce water consumption by 25%; they had achieved a 21.1% reduction in water consumption by 2013 which leaves two more years to achieve the remaining 3.9%, and (b) Starbucks employees should volunteer one million hours; they had achieved 631,000 hours by 2013. The two aforementioned objectives are just two of several others, and highlight the multiple facets of CSR practices.

Similarly, Bank of America has established separate long-term plans for several of its CSR objectives. Their five year (2010-2015) plan to reduce paper consumption by 20% was surpassed in 2013 when they achieved a 25% reduction. Additionally, they have donated \$267 million to philanthropic investments since 2009, with a ten year (2009-2019) goal of two billion dollars. Lastly, they aim to invest fifty billion dollars towards projects and products that help reduce greenhouse gases (GHG); they have already invested \$5.5 billion in such projects and products.

Essentially, CSR is an integral part of a business, and it is no longer an optional practice. Even if CSR expenditure is not mandated (such as in India), the quality of a company's reputation necessitates companies to undertake CSR practices. Whether that be a large multinational corporation donating billions of dollars or a small pizza parlor donating a hundred dollars to a youth sports team, companies must embrace their social responsibility and they must have a long-term plan to do so.

Engaging Employees for CSR Practices

A company who desires effective CSR practices will work to involve all of its employees. To do so, a company should socialize its CSR goals, inspire employee participation, and support CSR initiatives created by employees. When done properly and effectively, the CSR practices' impact will be multifold and the practices will be increasingly engrained in the

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company culture. While every company will and should have its own methodology to involve employees in its CSR practices, companies can develop objectives based on the performance of employees from other companies. The following companies exemplify a commitment to employee engagement.

General Mills has managed to have 76% of its employees involved in volunteer work, while Target Corporation's employees volunteer over one million hours every year. On a different note, Cisco had one million students participate in its Networking Academy Program, which shows how companies should also attempt to involve the general population. Besides just volunteering, companies may also choose to encourage employees to make charitable donations. For instance, employees at Microsoft donate an average of nearly one thousand dollars. Plus, since 1993, NTT Data's employees' donations have supported organizations such as those that support people with disabilities.

Fundamentally, successful CSR practices will have a high percentage of employee participation, and will be a huge opportunity to create employee volunteer hours. In India, there are approximately 250 million employees in the manufacturing and service industries. If each of these employees volunteered just 20 hours a year, that would be approximately five billion hours volunteered every year in India alone. Such large amounts of volunteerism would enable considerable change to take place. Moreover, the average per capita income in India is approximately \$1,500; if just one percent (\$15) of that is donated by each of the 250 million employees each year, roughly \$3.75 billion will be generated for CSR-related practices/organizations. Such a considerable amount of money could also generate an extraordinary amount of change in addition to the billions of hours of volunteering.

Inclusive Business Practices

Since a company should be determined to involve as many employees as possible with its CSR practices, a company must be inclusive in regards to business and CSR practices. Inclusive business practices are critical as they encourage participation from every type of employee. Good CSR practices ought to be aligned to the United Nations 2011 Guiding Principles on Human Rights. One primary manner via which a business can exhibit inclusive practices is employee diversity. The following cases showcase a variety of companies that have employed such principles.

Hitachi, a large Japanese electronics and engineering corporation, currently has disabled employees comprising of nearly two percent of its overall workforce; their commitment to such diversity began in 2007. Similarly Starbucks' hundredth store in Singapore was operated by employees with Autism. Even with a mental disability, Starbucks still believes that those employees are capable of delivering a wonderful consumer experience. Hiring such employees

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not only improves a company's public image with consumers, it also improves its relations with investors and also CSR-related organizations. Even to this day, there are a small number of women working in the IT field; yet, 34% of Intel's workforce is women.

Just as companies should be concerned with their own inclusive business practices, they should be increasingly watchful of their vendors' diversity and business practices. For instance, Cisco has 600 suppliers, all of which must cascade and report their CSR goals in line with Cisco's CSR goals. Another instance is that Exxon spent over one billion dollars with women and/or minority-owned businesses/vendors. The main goal is that CSR practices can become a vehicle of India's social transformation via empowerment of minorities, specially-abled people, and other traditionally disadvantaged demographics, among other achievements.

Sustainable Business Practices

Perhaps the most important type of CSR is sustainable business practices. The reason being is that companies are responsible for a large portion of the resources that are used and for the pollution that harms the very environment that all humans and animals live in. In other words, businesses are inherently large consumers of natural resources and producers of environmental hazards like greenhouse gases. As such, businesses must be quite mindful of their pollution and the impacts it has on the environment. The best way to develop sustainable business practices is to redefine and thoroughly analyze a company's business processes from the ground up so as to remove as many inefficiencies as possible, and when possible, innovate ways to further reduce a company's environmental impact.

Some global examples of sustainability goals being engaged by corporations follow one common goal: Reduce, Reuse, Recycle. General Mills has reduced its waste by 40% since 2005, Intel intends to recycle 90% of its solid waste by 2020, and Nike (since 1990) has reused old shoes to make new sports surfaces. In fact, Nike has made enough new sports surfaces to cover an area of approximately 632 million square feet, which is about the size of Manhattan island in New York, U.S.A.

Similarly, but more focused on business operations, examples include Exxon. Exxon has made a 10% improvement in energy efficiency over the past ten years; while 10% may seem insignificant, it is quite substantial when considering the overall size of Exxon's operations. Intel plans to have 100% of its ground transportation vehicles be environmentally-friendly (a.k.a. "green"). Also in IT, Microsoft purchased 2.3 billion Kilowatt Hours of renewable energy in 2013, twice as much as it did in 2012.

The lessons to be learned are that a sustainable future requires actions TODAY by companies (via their CSR goals). Overall, a combination of investment, innovation, and

sustainability goals will help India's national building. The ultimate goal, as Apple has said, is that "We want to leave the world better than we found it."

Innovation and CSR Practices

Though it may seem counterintuitive, a company's innovation and its CSR practices go hand-in-hand. CSR goals can be challenging (especially sustainability objectives), and can thus foster innovation as the company works to achieve their goals. For instance, a coffee company may need to create new a brewing machine to help reduce its water consumption. Likewise, innovation has accelerated the adoption of CSR goals.

As proof that innovation and CSR practices are quite involved with one another, these instances illustrate companies' realization of the aforementioned combination. For years, there have been electric rickshaws, hybrid cars, and other alternative fuel-powered vehicles that have reduced mankind's overall carbon footprint. Also, many IT companies have developed new highly energy-efficient data centers, computers, lighting; all of which exemplify an ongoing innovation towards improved sustainability practices. More specifically, Apple's current iMac consumes 97% less energy than the first iMac did in 1998; it went from using 35 watts of electricity to just 0.9 watt.

Not only are physical attributes being innovated, but sizeable financial innovation has also taken place over the years. New financial instruments exist such as green bonds, social impact bonds, and foundations funded by equity. In addition, the rise of social entrepreneurship for new products and solutions is quite significant.

Social entrepreneurs can lead innovation on projects that can be supported by CSR funds. Innovation will lead to the transformation of processes, products, and practices.

Transparency in CSR Reporting

Last but not least, companies must be fully transparent when creating their CSR reports. Under the new CSR law in India, applicable companies will be required to release CSR reports in regards to their CSR practices. However, the question remains as to why a company should be transparent in its reporting. More information on CSR practices can help a company gain credibility with its business partners (i.e. employees, consumers, investors, auditors, etc.). And this is important for companies around the world since India is not the only country to mandate CSR reporting. As mentioned early on, the value of a company is no longer limited to its financial statements, but also its ESG (a.k.a. CSR) information.

To assist companies in their reporting, there are several international reporting standards that are focused on ESG (Environment, Social, and Governance). They are:

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- (1) GRI – Global Reporting Initiative: Founded in 1997, it has 4,000+ partner companies
- (2) IIRC – International Integrated Reporting Council: In 2010, it had its 100th company signed
- (3) SASB – Sustainability Accounting Standards Board: Used primarily by U.S. companies

Some of the CSR reporting government mandates mentioned before are elaborated on here. In 2014, the European Union made it mandatory to report CSR practices. In 2015, one of the primary goals of GRI is to expect all large and midsize companies to be required to report on their ESG performance; they should be required to do so by their respective governments and stock exchanges.

Large and small companies alike benefit from utilizing CSR practices, and they would only further benefit from being completely transparent in their CSR reporting. Enhanced trust and respect with consumers, investors, and partner organizations are just a few of the positive side effects of transparently reporting CSR practices. Companies will have higher chances for receiving a better valuation if they transparently report their CSR practices. Lastly, even though many large international companies publish CSR reports, only 31 of India's top 100 companies publish comprehensive and separate CSR reports. More should join this elite club of Indian corporations that make CSR a priority!

Impacts of Good CSR Practices

- (1) Public-Private Partnership (PPP) projects can help create long-term solutions. A company alone can achieve quite a bit, but it can maximize its efforts' impact via effective partnerships with other public organizations. CSR, on a grand scale, can help solve (or at least address) some of the biggest challenges in the world which affect all types of people, regardless of public or private affiliation. In order to solve large issues such as workplace-diversity, hunger, and environmental-stability, all members of society must collaborate. And as potentially large influences on society, companies have a responsibility to work with others to build a brighter future.
- (2) Industry associations like CII are gaining an expanded role.
- (3) Many companies that practice CSR activities have setup their own company foundations; ideally, CSR funds should be allocated beyond only company foundations. Primarily, this is because a company foundation will not be able to address many issues at once, which can limit a company's overall outreach capabilities. Dispersing CSR funds to other organizations not only profits the company, but also the greater good of the general population.
- (4) As more corporations realize the importance of CSR practices and implement them, more professionals and institutions will be demanded to assist companies in

meeting their CSR objectives. An increased demand for such professionals and institutions will likely lead to an increase in employment, though it is important to remain conservative in terms of new employment generated.

- (5) Social entrepreneurs, who have inventive solutions for the world's most serious social challenges, are capable of creating much value for society by means of their innovative products and concepts. Social entrepreneurship is a much-needed and quite plentiful sector that can help resolve some of the world's most concerning issues while assisting the global economy.
- (6) CSR practices will definitely be able to accelerate social transformation in many ways including diversity and inclusiveness. Once an influential force such as a large multinational company shows support for a particular social issue, that issue will garner much public attention and very likely cause more people to be open minded regarding that issue. Additionally, one company can motivate other companies and individuals to become involved in addressing a certain issue, which can lead to positive social transformation regarding the issue.
- (7) The new CSR law in India requires, in essence, a sizable company to donate at least 2% of its profits to CSR practices, and to report those expenditures. Amendments to this law and to CSR laws around the world can be made to enhance the CSR responsibilities of corporations, to expand the reach of CSR practices, and to reconsider some of the areas that are or are not covered under the legal definition of CSR practices.

About the Author

Mr. Pranav Desai is the founder of the disability-focused "Empowering the Specially Abled" group. This group is primarily concerned with creating legislation within India that enables disabled, or "specially-abled," people to receive long-deserved rights.

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His corporate responsibilities include managing Profit & Loss (P&L) of the Enterprise Services Business Unit for the North America region for BFSI Industry Vertical. For his disability-focused group, he has published the Vision 2020 document. It outlines objectives that propose changes to Indian legislation to benefit specially-abled people. Seven of twelve of the points in this document were addresses in the ruling BJP party's election manifesto in April 2014 as commitments to specially-abled people. His group also focuses on mobilizing awareness regarding the needs of specially-abled people in India via the means of online blogs, articles,

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presentations, and general social media. He is driving the Vision 2020 reality by working closely with elected leaders in India's government, with corporate leaders, with a global ecosystem of NGOs, with product manufacturers, with donors, and with service providers.

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