

A Joint Research by
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DRIVERS FOR CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE PRACTICE IN AUSTRALIA



Author :
Anne-Laure Legendre
ESCEM-Graduate School of
Business and Management-
FRANCE



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This research on drivers for Corporate Social Responsibility (CSR) and approaches to sustainability has been conducted in Australia between August 2007 and May 2008. It looks at the core concept of Corporate Social Responsibility which refers to the responsibility that companies are taking concerning the impact they have on the environment and the community, beyond the traditional responsibility of maximising returns to investors.

More precisely, this research looks at the reasons or drivers that have led Australian companies to take up a more responsible or sustainable approach to business. It also analyses the different approaches to CSR that companies develop, and then looks at links between these approaches and the levels of integration of CSR into the core business.

The central purpose of this research is to discover whether there is a correlation between types of drivers and levels of integration of CSR in the business. Conversely, the research asks whether companies with different levels of integrated approach to CSR respond to different drivers.

To that purpose, a qualitative approach has been adopted as initial scoping found that a quantitative approach would be both less valuable and more difficult. CSR is a new and challenging area of business practice, and the take-up rate varies highly across sectors and companies. Insights are best reached by targeting early adopters and applying a qualitative methodology.

The research has been conducted through the use of a purposive sample of managers with a responsibility for CSR activity of companies based in Australia. Forty eight company representatives completed a confidential on-line survey, and in-depth interviews were conducted with eleven of them. The findings are not put forward as representative of the broad population of companies, or even of those interested or engaged in CSR in Australia. They provide insights that can be used for corporate / sector strategy or public policy, and suggest areas for further research.

The results of the research are presented under two main sections in the report. Section 1 provides analysis of results on drivers, barriers, approaches, benefits and drawbacks of CSR as perceived by this sample of Australian companies. Section 2 provides a synthesis of the results across sectors and by level of integration of CSR in the business.

Research findings

Key findings from both the survey and the interviews are:

❖ Concerning drivers for CSR in Australia:

- Companies did not respond to one single driver for CSR but were driven by a set of factors.
- The set of drivers varied across sectors and correlated with the level of integration of CSR.
- The purposive sample showed two key drivers as significantly stable across companies: both company culture/values and its reputation were perceived as major drivers to companies engaging in CSR practices.

❖ Concerning CSR practice in Australia:

- CSR activities varied, with the key variables at the company level being the degree of integration of CSR or sustainability in the business and the sector in which the company operates.
- At a sector level, companies tended focus more on environmental initiatives and less on community or social based initiatives depending on variable such as the level of regulation in the sector, the demand from customers or competition.
- The research showed that when CSR is more integrated to the business, companies undertook a wider range of activities while companies that saw CSR as apart from the core business became involved in a narrower range of initiatives.

❖ Correlations:

- The research demonstrates a correlation between the level of integration of CSR and a) type of drivers for CSR and b) the kind of CSR activities undertaken by the company. First, companies that demonstrated a higher level of integration of CSR also responded to more positive drivers, based on a negative-positive scale developed in the research. Secondly, the research also showed that the kind of activities a company undertakes is also highly dependent on how integrated CSR was in the company. For this analysis another model of classification of activities was developed according to the associated levels of integration into the business, some activities being completely aside from the business while other CSR initiatives are embedded in the company's core business. It was then used to demonstrate that activities of an "integrated" type are mainly considered by businesses that consider CSR as being critical to the business.
- The research also demonstrated a correlation between the levels of business benefits (directly associated with CSR engagement) and the levels of integration of CSR in the business as perceived by respondents. The main benefits identified in the survey



were non-financial (improved brand image, reduced risk and higher attraction and retention of good staff) and were more intensively experienced by companies with higher level of integration. Furthermore, only companies with higher levels of integration of CSR experienced financial benefits such as improved bottom line, costs savings or share price increase. Similarly, the research highlighted correlations between the types of drawbacks experienced by companies and the levels of integration of CSR. Overall, the higher the level of integration of CSR, the higher the levels of business benefits experienced by the company, coupled with lower level of drawbacks and barriers to take up a more sustainable approach to business.

❖ Profiling:

- An analysis of the drivers, barriers, activities, benefits and drawbacks experienced by companies across four different sectors of activity enabled the development of a “CSR profiling” model. In this model, a link was established between drivers for CSR and levels of integration of CSR and profiles have been described for the different sectors. The result was that companies in the Financial Sector tended to respond to very positive drivers and had a quite highly integrated approach to CSR. The Manufacturing Sector in Australia also demonstrated important levels of integration of CSR in business and responded to rather positive drivers. The same trend in profile was been observed for the Infrastructure Sector (comprising of companies in Construction, Property management and Utilities) although with a lower level of integration. Companies in the Professional Services sector tended to respond to moderately positive drivers and demonstrated a lower level of integration of CSR.

Again it is important to keep in mind that the research has been conducted using a purposive sample of companies that are early adopters of CSR and that the results are not to be generalised to the broader population of companies in Australia.

CSR: Corporate Social Responsibility

GHG: Green House Gases

LCA: Life Cycle Analysis

NGO: Non-Governmental Organisation

OH&S: Organisational Health and Safety

LT: Long Term

SCM: Supply Chain Management

SD: Sustainable Development

SRI: Socially Responsible Investment

I) Background to the research

In the 1980s, a growing number of institutions expressed their concern with “the accelerating deterioration of the human environment and natural resources and the consequences of that deterioration for economic and social development”. In response, the World Commission on Environment and Development chaired by Gro Harlem Brundtland proposed an alternative to the existing economic system called Sustainable Development. According to Brundtland “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their needs” (Brundtland, 1987). Since its conception sustainable development has continued to challenge the classical shareholder value approach to business and the role of companies within society. Companies are now considered liable to and responsible for the impact they have on the environment and communities in which they operate. Sustainable Development (SD) or Sustainability is now becoming an intrinsic part of commercial dialogue and practice.

There are many different ways to look at the concept of sustainability within the business. As we will discuss it later in the literature review (p. 8), the institutionalisation and language around this adolescent concept is still developing. In the business context, those “sustainable activities” are referred to as Corporate Social Responsibility (CSR) or other variants such as Corporate Responsibility. In this research we will use the terms Corporate Social Responsibility, Corporate Responsibility or Sustainable Development interchangeably in order to include the array of different approaches that companies have towards “sustainability”. However, one common element to those approaches is the vision that social, environmental and natural resources need to be protected and renewed in order to ensure continued prosperity of the company.

As indicated by the emergence of different approaches to Sustainable Development, companies see different reasons to engage in sustainability. This research looks at the different motivations for companies to undertake sustainable activities in Australia. As some personal communication with David Morrissey (from an Australian consulting firm in CSR) indicated, there are some critical contextual factors that have shaped the company’s position on CSR within this country. First, Australia has historically been a net exporter of primary products including agricultural products, minerals, and energy. Today, those activities are put at a risk: the Australian agricultural sector is threatened by climate change and water scarcity and the raw material sector is coming under increasing threat as the global industrial growth is recognised as liability in terms of climate change. Secondly, Australia is becoming an attractive and stable place for investment in knowledge economy, information technology, banking and finance. With a greater role in the global economy,

Australia has to adapt to growing International concerns about climate change and natural resources conservation (Morrissey, April 2008).

For many years, the Australian government and the powerful Business Council of Australia have adopted a defensive strategy against CSR which has largely exempt business leaders from pressure to address sustainability. In other words, sustainability issues have been seen as less urgent than in other regions of the world. As a result, many commentators say that Australia is lagging behind in terms of sustainable practice. For instance, the waste recycling practice or the use of renewable energies in Australia is less advanced than in European countries (Morrissey, April 2008).

Finally, there is an important pattern within Australian politics that affect business practice: fast change occurs with the election of reformative governments after long conservative periods with little change. This pattern can be evidenced in the recent election when the opposition Australian Labor Party led by Kevin Rudd defeated the incumbent centre-right coalition government, led by Prime Minister John Howard in November 24th, 2007. This election ended eleven years of conservative governance and is a turning point for the country's engagement in sustainability. The new federal government led by Prime Minister Rudd is arguable more conscious of Australia's obligations to the international community and aware of global trends towards protecting the environment and natural resources. This is seen most clearly in the first international act of the incoming government: signing the Kyoto Protocol.

II) Aim of the research

The overall aim of the research is to look at three key areas that shape the development of CSR in the Australian business context. First we will analyse the motivations or drivers for companies to move towards more sustainable practice. Secondly, the research will look at the implementation of CSR actions within the company. The last area of study will look at the level of integration of CSR in the business. In particular, the research paper will address several key questions:

- 1) What are the main reasons for companies to engage into more sustainable practices in Australia?
- 2) What type of drivers are companies responding to? Are they positive or negative?
- 3) Did a special event trigger companies to engage to sustainability?
- 4) What kind of CSR activities do Australian companies undertake?

- 
- 5) What are the different approaches to sustainability that companies develop?
 - 6) What are the opportunities and benefits for companies engaging in CSR/SD?
 - 7) What are the main drawbacks in engaging in CSR?
 - 8) Is there any link between the type of drivers a company respond to, the type of activities it undertakes and the benefits it receives from this engagement?
 - 9) Are there industry or sector specificities in terms of sustainable practice?

III) Central Hypothesis

We have already mentioned that companies have different approaches to CSR. One way to look at the differences is to look at the level of integration of CSR within the business. Here, integrating CSR/SD within the business, will be defined as having an alignment between CSR objectives and general business strategy. Integration also means that CSR activities are embedded into the day-to-day business as opposed to sustainable activities that are carried out on the periphery of the 'core' business activities. As we will demonstrate in this report, the literature review suggests that an approach to CSR that is more integrated to the core business is a more developed one and that it tends to be a more beneficial one (both financially and non-financially).

The research will look at whether the type of motivation for adopting CSR into the company practice can be a predictor of a higher integration of CSR. If there is a relationship between the type of motivation for CSR and the level of integration into the business, then will be able to predict the general approach to CSR taken by the company and how this approach will evolve over time.

The research will test the following hypothesis:

Companies which are motivated by positive drivers are more likely to integrate CSR/SD in their business and to derive benefits, **and**
Companies which respond to negative drivers are less likely to integrate CSR/SD and less likely to achieve benefits.

IV) Approach and limitations

In the research process, one of the first steps involved a preliminary literature review that provided background information on the current understanding of drivers and approaches to CSR. It also led to the definition of the central hypothesis of the research.

The following approach to the research involved a combination of qualitative interviews and quantitative analysis. Participants in the research (through interviews or survey) had to be employees from companies that are (at least) aware of the concept of CSR. It then appeared that defining the population of Australian companies interested in CSR was not possible at this stage. It was decided that the use of a purposive sample (a sample of respondents selected according to common criteria) of “companies interested in CSR” would be the most appropriate approach to this research. The direct implication of this choice is that the research is based on a qualitative observation of a sample of participants selected on purpose according to a specific characteristic (interest of CSR). Eventually, the research does not claim the responses to be representative of all Australian businesses having an interest in CSR (participants have not been selected at random among the global population of Australian companies interested in CSR)

The research has been conducted mainly on a qualitative basis and can be considered as preliminary pilot research that opens up a possibility of new research in the fields of drivers and integration of CSR as well as industry specific approaches to CSR.

V) Structure of the report

The report is organised around two main parts. The first section provides an overview of the research, presenting the research methodology and overall results of the study. It highlights the different drivers and barriers for CSR to which companies in the sample respond, and presents the CSR activities, benefits and drawbacks identified by the respondents in this research. The second section provides findings from cross-tab analysis. In the first sub-section, it looks at the variables from section one according to the level of integration of CSR into the business (as perceived by the respondents). In the second sub-section, the variables are observed and analysed by sectors.

I) Introduction

This section presents the results of the research on drivers and approaches to CSR/SD in Australia. It includes results from the online survey and insights from the follow-up interviews.

The research is organized in three main parts. A presentation of the participants and information on demographics is summarized in the first section, including a discussion on the sampling and methodology. The second section is an overview of the online survey results. The final section provides some cross-tab analysis of the data presented in the second section, including an analysis by sector. Further, sections two and three provide insights from qualitative interviews which come to prove or disprove the online survey findings.

II) Participants to the research and demographics

2.1 Methodology

By defining the appropriate population to survey in this research, it was evident that a quantitative approach was not feasible at this stage. In fact, in the broader population of Australian companies, there are some businesses that have never heard of CSR and that could not give us responses to our research. The conclusion was that a qualitative approach would be more valuable by directing the survey towards companies that have taken up CSR. It was also necessary that respondents be directly responsible for CSR actions in the company. From a statistics perspective, the survey used a purposive sample in which participants are selected according to specific characteristics (here: CSR awareness). Such a sample could be obtained through an institution that already has access to such a population.

Green Capital, an NGO based in Sydney, is actively engaged in promoting sustainable practice among businesses. Its members participate in CSR programs or more frequently attend conferences around sustainability issues. In other words, Green Capital's database contains many but probably not the totality of Australian companies interested in sustainable business practice.

This research was conducted in partnership with Green Capital. Green Capital provided access to its database under confidentiality agreements. The database was used to administrate an online survey for which participation was kept anonymous.. A number of

contacts from the database also participated to qualitative interviews that enabled for a cross-check of the data in the online survey and allowed for further interpretation of the results. The questionnaire used in this research is included in Appendix 1 while the interview guide is provided in Appendix 2A and key points from the interviews are highlighted in Appendix 2B.

In terms of process, Green Capital did an email out to approximately 800 participants of previous events selected from its database. This was done with two criteria: all contacts were business contacts, and contacts were managers with direct responsibility in CSR in the company. In this email, participants were given access to an independent website with a firewall to protect privacy for Green Capital. A first reminder was sent two weeks after the initial email.

The focus of the sample is purposive, meaning that the results are not put forward to be representative of the 800. However, the group of respondents did provide insights that enabled interesting qualitative analysis.

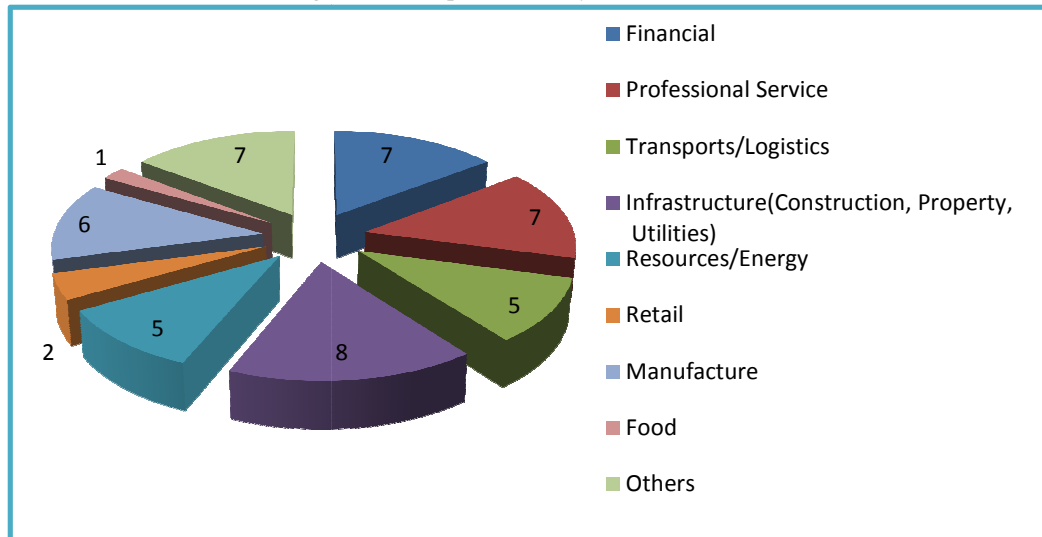
Eventually, 48 respondents from different industries/sectors in the Australian economy completed the online survey. Preliminary questions in the survey enabled the identification of respondents by sector/industries, size of the company (number of employees and annual turnover), position in the company, as well as length of engagement in CSR.

2.2 Industries and Sectors

The following categories were developed: people from the Construction Industry, Property Management and Utilities were grouped under the category “Infrastructure”. Respondents in the category “others” work in Research and Technology, Telecommunication and Media, Consumer Discretionary and the Government.

Figure 1 below shows the repartition of respondents by sector. In this survey, respondents were particularly represented in the Financial Sector (7), Professional Services (7) and Infrastructure (8).

Figure 1: Respondents by sectors/industries



2.3 Size of the company

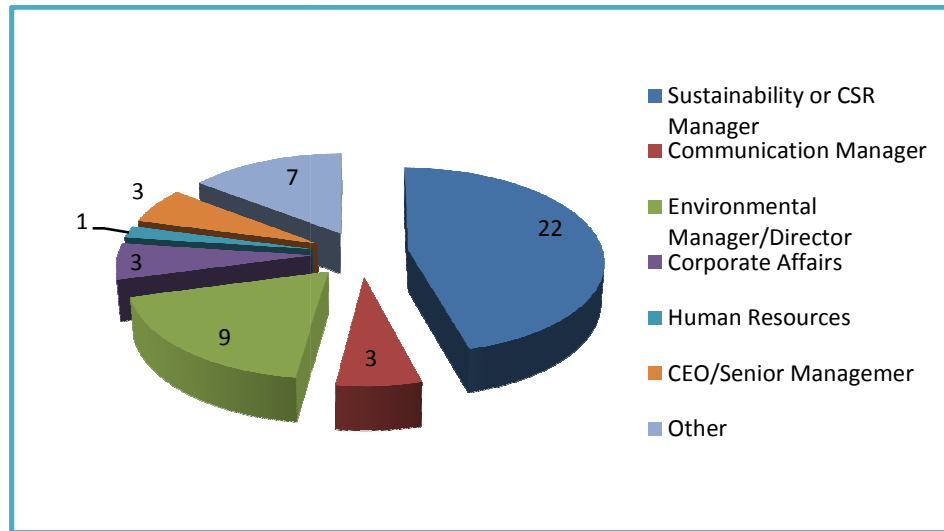
Thirty of the 48 respondents work in large companies of more than a thousand employees, of which 24 have an annual turnover of more than one billion dollars. Although, mainly people in large companies have answered the survey, it is notable that another 6 respondents come from small and medium size companies (SME) with less than 100 employees.

2.4 Position of the respondent in the company

Of those that answered the survey, the most represented groups are that of Sustainability/Corporate Social Responsibility (CSR) Managers and Environmental Managers, respectively 22 and 9 respondents. People in the group “others” are Engineers, Strategic Planning Managers, Investment/Fund manager, Consultant or Company Owner.

Figure 2 below summarizes the repartition of respondents by position in the company.

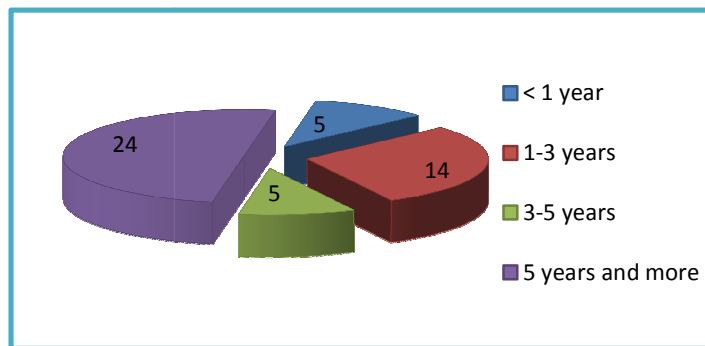
Figure 2: Respondents by position in the Company



2.5 Position of the respondent in the company

It was anticipated that answers to the questions on drivers of CSR and CSR activities would vary according to the company's experience in Sustainable/CSR. To enable analysis on this perspective, respondents were asked to determine for how long their company has been engaged in CSR. Twenty-nine respondents said that their company had been engaged in CSR for three years plus, while 19 said the engagement has been made in the last three years.

Figure 3: Respondents by time of engagement to CSR by the company



III) Overall analysis of the results

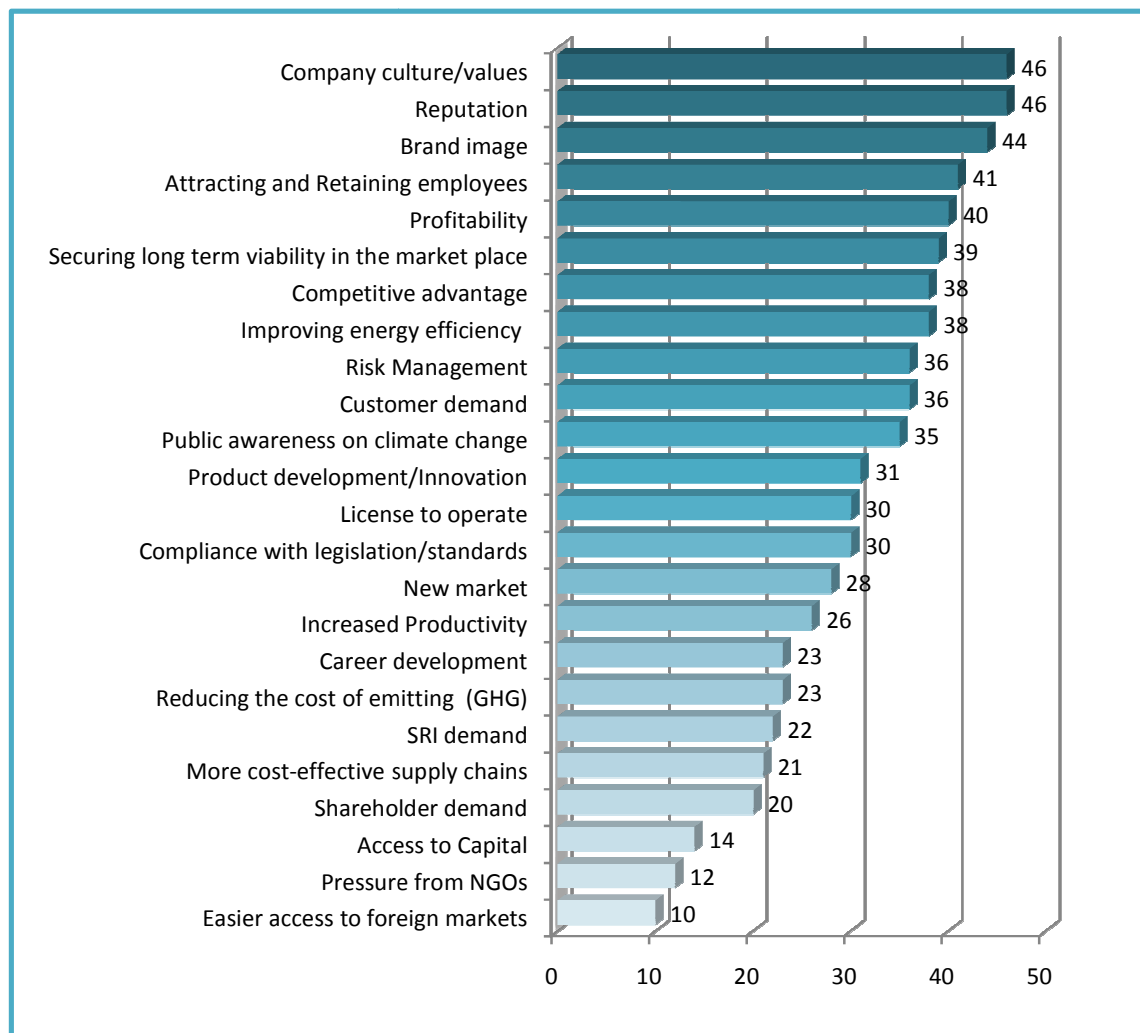
After preliminary questions about demographics, participants were asked to answer questions organised under three main sections: the drivers and barriers to engage to CSR; CSR activities and integration of CSR into the business's strategy; benefits and drawbacks associated to CSR. The results are presented below under the same headings.

3.1 The drivers for Sustainability

3.1.1 Drivers for CSR

This section addresses the main drivers considered by companies in Australia. In the survey, participants were asked to rate 24 drivers for business to engage to CSR, on a Likert scale from “not important at all”, “not very important”, “quite important”, and “very important”. The following table shows the number of participants who answered “quite important” or “very important” to the different drivers.

Figure 4: Drivers for CSR





Most significantly, the survey highlights the prominence of two drivers: for all respondents but two, reputation and company culture/values are important to very important drivers. This observation was reinforced by the findings from follow-up interviews: 6 of the 8 interviewees referred to the importance of values in driving CSR. Three interviewees particularly insisted on the fact that people in the company played a major role in driving change. They also stressed that despite staff being an engine for change, the reluctance from top level management was a barrier to engagement in CSR. On the other end, easier access to foreign markets, pressure from NGOs and easier access to capital were not important drivers for those who completed the online survey.

This trend in results was tested across sectors, company-size and length of engagement in CSR and the result is that the top two and bottom three drivers are very stable: we can conclude that the company values/culture, reputation and brand image are major and constant drivers for CSR in Australia while access to foreign markets, pressure from NGOs and access to capital are not dominant factors driving engagement. To the contrary, we can observe important variations for the other eighteen drivers. Part IV will present the different drivers that companies respond to according to the sector they belong to and the level of integration of CSR in their business.

Brand image also revealed itself as an important driver recognised by 44 respondents. The survey also indicates the strength of “the war for talent” in Australia. Forty respondents answered that attracting and retaining employees was a very important driver for CSR. If they are to attract good staff and most importantly retain them, the company has to demonstrate it is responsible to its people, to the community and to the environment.

Further, engagement in CSR is also driven by a search for profitability -viewed as an important to very important driver by 40 respondents-. Securing the long term viability in the market place is another important driver recognised by 39 respondents, closely followed by the search for a competitive advantage. In addition, the search for improvement in energy efficiency was important/very important for 38 of the 48 respondents. Eventually, specific attention should be given to climate change as it was identified as a major driver by 35 respondents. During qualitative interviews, participants were asked to comment on the evolution of drivers for CSR in the company. Two of the 8 respondents said that with the developing debate around climate change they have perceived a change in CSR strategy with more attention being given to reducing green house gases.

In addition to the above important/very important drivers, managing risk and responding to customer demand were important drivers for 36 respondents.

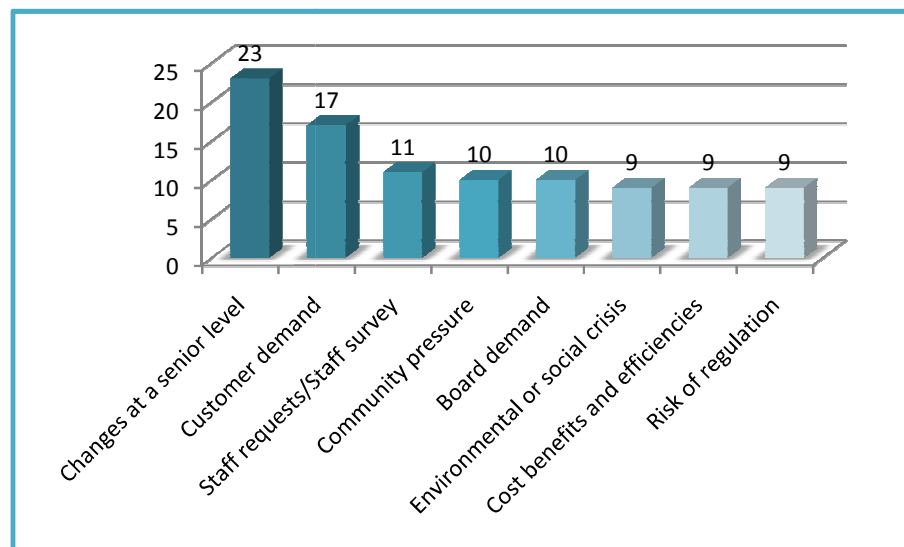
Finally, the survey reveals that companies do not respond to one single driver but rather react to a set of different factors. Indeed, on average, respondents answered that

drivers were “important” or “very important” to more than 14 of the 24 drivers (see figure 4). The numbers correspond to the total number of people who answered that the driver was either “important” or “very important”.

3.1.2 Trigger events

No matter what drivers the company is responding to, engagement in more sustainable practice may have been triggered by a special event. For 23 respondents, changes at a senior level (including executives, CEO and owners) triggered the engagement in more sustainable practices in the company. By changes at a senior level, we mean a change in mindset and values that makes senior managers contemplate sustainability from a new angle, more positively. Customer demand was recognised by 17 respondents, followed by the bottom-up approach whereby staff opinion/requests/survey motivates a company to engage to CSR cited by 11 respondents. The top eight trigger events highlighted in the survey are presented in figure 5.

Figure 5: Top eight trigger events for CSR

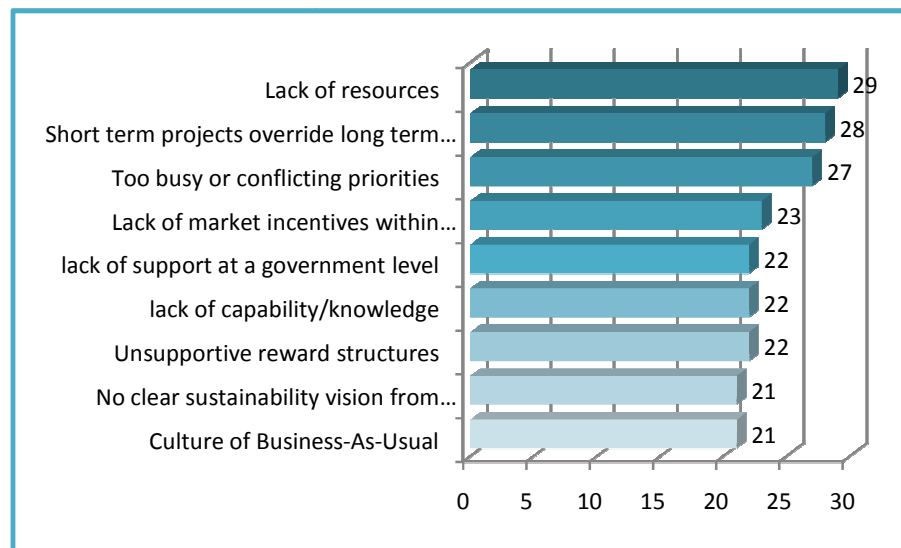


3.1.3 Barriers to engage in CSR

Although, the reasons to move towards sustainability are numerous, some barriers exist and prevent the company from engaging the business in more sustainable practices. For 29 respondents in the survey, a lack of resources is perceived as a major barrier to taking up more sustainable practice.

Overall the answers to this question show that major barriers to CSR are associated to a lack of resources, whether it is money, time, assets, staff and capabilities. Resources tend to be diverted from the sustainable strategy or activities and allocated to projects generally seen as more important or core to the business. Participants highlighted that short-term projects overriding long term strategy and conflicting priorities were major barriers to CSR. The above two factors were been identified respectively by 28 and 27 respondents. The top eight barriers (identified as “significant” or “major barrier”) are presented in Figure 6 below.

Figure 6: Top 8 barriers for taking up CSR in the company



Three of the eight interviewees in this research also commented that CSR implied a huge cultural change in the company that led to CSR to be perceived as a threat. This is evidence of culture of Business-As-Usual being a barrier to CSR.

3.2 CSR in practice in the company

3.2.1 CSR activities

Similarly to the questions relating to drivers, respondents were asked to rate CSR activities on a four level scale ranging from “never considered in the business”, “sometimes considered in the business” to “mostly considered in the business” and “always considered in the business”. Figure 7 shows the results for the different activities, grouped by never/sometimes considered and mostly/always considered.

Developing workplaces that meet relevant Organisational Health and Safety standards is a widely applied activity with no respondents answering they were never

considering it in the business. This is now a widely recognised activity, probably viewed as good practice by some companies or as a minimum to reach by others.

The survey demonstrates that activities around managing greenhouse impact are a top concern for companies in Australia, with 35 of the 48 respondents saying that it was mostly or always considered by the business. Engagement with managing greenhouse impact corresponds to the important driver for CSR identified earlier in the document, most significantly public awareness on climate change. Managing greenhouse impact is seen as a major activity under CSR and is a way for companies to demonstrate they are concerned about climate change and that they are taking action to mitigate its effects.

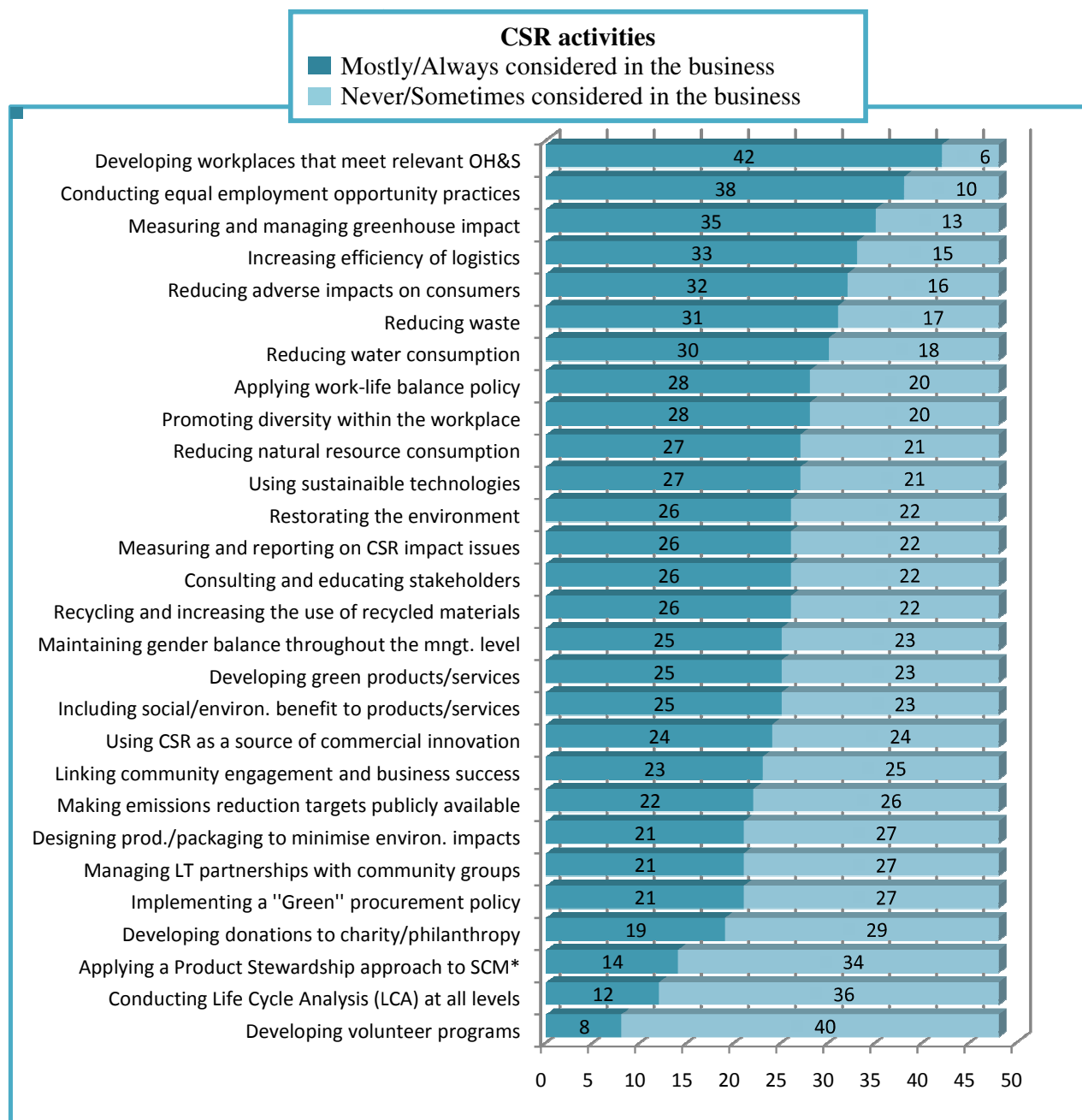
In order to analyse the results for the other activities, we will use a six stage model for companies to become sustainable, this model was developed by Dunphy in 2007. In Dunphy's model, stage one corresponds to a phase where "the firm simply exists to maximize profits and any other claims by the community are dismissed as illegitimate" (Dunphy, 2007). On stage two, community and environmental issues are simply ignored and the company is operating under a Business as Usual model. Simply because respondents to the survey are participating in Green Capital events demonstrate that they are aware of community and environmental issues. The survey was designed to be answered by companies that are at least aware of those corporate sustainability issues. The activities asked for assessment could be classified among the next four stages of Dunphy's model. The third stage of the model is concerned with compliance with regulations and standards in order to reduce the risks of sanctions. The fourth stage is characterised by companies starting to recognise possible gains by engaging in CSR. At the next stage, companies demonstrate leadership in sustainability within their industry and develop what Dunphy calls "strategic proactivity". In the last phase, there is a full integration of sustainable development across the different activities of the business and along the chain of production. This last stage is about innovation and "internalization of the ideology of working for a sustainable world".

If we contemplate activities under the perspective of Dunphy's model, the top ten activities considered as important to very important by companies (presented in Figure 7) would belong to the third and fourth stage (compliance and early voluntary isolated actions). Then, as we go down the list of activities, we climb up in the level of integration of CSR into the business. In the survey, it is evident that activities demonstrating a high level of integration of CSR are not yet considered in the day to day business by the majority of respondents. For instance conducting a life cycle analysis at all levels of supply chain management was mostly/always considered by only 12 of the 48 respondents. However, "volunteer programs" appear as an exception to the correlation between the level of the activity on the list and the level of integration of CSR. In fact, volunteer programs are not directly linked to business operations and can't be associated to an activity of stage six. The

conclusion is that volunteer programs are not considered as pivotal in a sustainable strategy by both beginners and leaders in sustainability.

Cross-tab analysis of those activities with two other indicators (sectors and level of integration of CSR in the company) will be presented in part IV of this section.

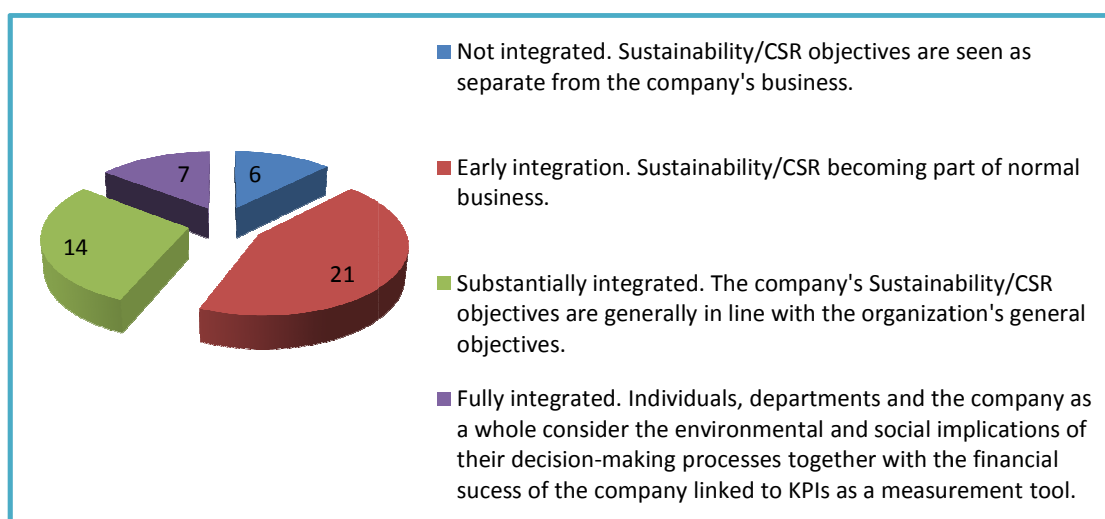
Figure 7: CSR activities



3.2.2 Level of integration of CSR into the company's core business

After rating the different CSR activities, respondents were asked to give their perspective on the level to which sustainability is integrated into the company's business. Twenty-one respondents perceived their company to be at an early stage of integration, in which sustainability activities start to become part of normal business. Fourteen of these respondents perceived sustainability as being substantially integrated; 7 said it was fully integrated and the last six respondents said it was not integrated at all (where CSR objectives are seen as separate from the company's business).

Figure 8: Perception of integration of CSR in the company



3.3 Benefits and drawbacks associated to CSR engagement

3.3.1 Benefits

The survey shows that the main benefits experienced by companies engaged in CSR are non financial: improved brand image, risk reduction, attracting good staff, long term viability in the market place, product/market innovation and higher staff retention are significant/major benefits highlighted by the respondents. However, 14 respondents also said that improvement to the company's bottom line was also an important benefit of their engagement in CSR, while cost savings were important in 11 of the 48 cases.

Table 8 illustrates the different significant/major benefits as identified by respondents and their corresponding drivers. For instance "brand image" as a driver was associated to "improved brand image" in the list of benefits. The main observation is a significant fall in number between the number of respondents who identified a driver and

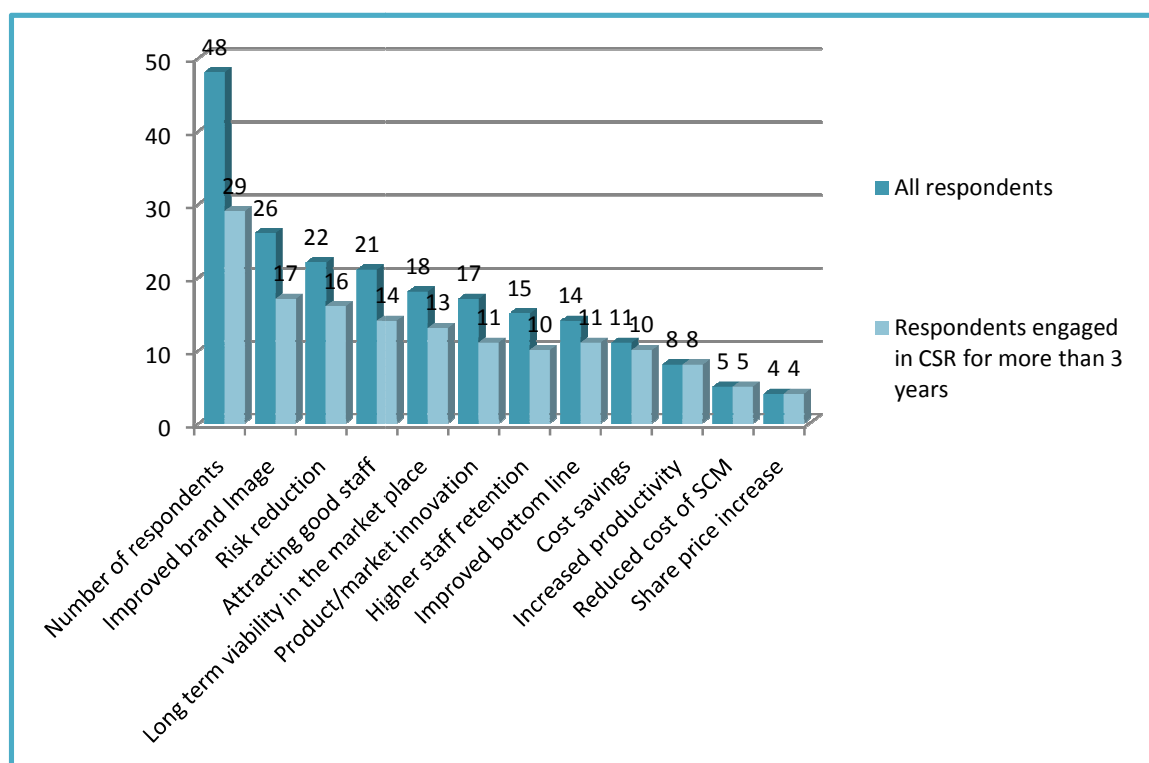
the number of respondent who also experienced the corresponding benefit: not all respondents achieve the benefits they are targeting (drivers).

Table 3: benefits (with the number of responses “significant” and “major”) and corresponding drivers (and the number of respondents who see them as important/very important drivers)

Benefits		Corresponding drivers	
Improved Brand Image	26	Brand Image	44
Risk reduction	22	Risk Management	36
Attracting good staff	21	Attracting and retaining staff	41
Long term viability in the market place	18	Securing Long term viability in the market place	39
Product/market innovation	17	product development/innovation	31
Higher staff retention	15	Attracting and retaining staff	36
Improved Bottom Line	14	Profitability	40
Cost savings	11	-	-
Increased productivity	8	Increased Ptductivity	26
Reduced cost of supply chain management (SCM)	5	More cost-effective supply chains	21
Share price increase	4	-	-

Figure 9 below highlights the correlation between years of engagement in CSR and the number of benefits experienced by the company. The survey demonstrates that most of the benefits identified by the respondents have been experienced by companies engaged in sustainability for at least three years (as identified in the preliminary questions of the questionnaire). Furthermore, financial benefits such as improved bottom line, cost savings, increased productivity, reduced cost of supply chain management, and share price increases have been experienced almost exclusively by companies engaged in CSR for at least three years. However, it is important to note that not all companies engaged in CSR for at least 3 years have experienced financial benefit. Rather the data shows that financial benefits are more common among those companies that have a long-term engagement in CSR.

Figure 9: Significant and Major Benefits associated to implementing CSR in the Company for
a) the totality of respondents and b) companies engaged in CSR for at least 3 years

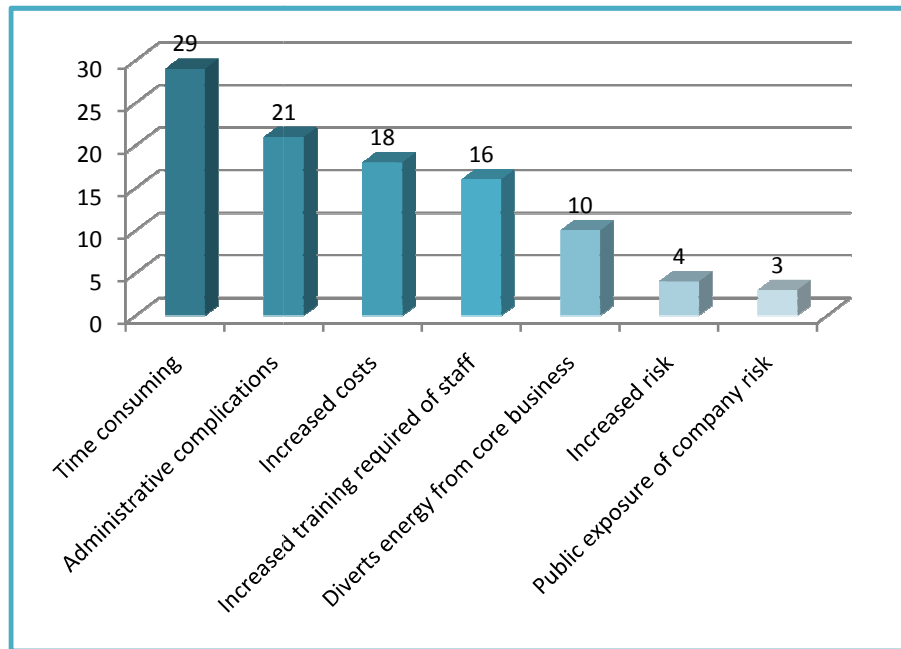


3.3.1 Drawbacks

In the questionnaire, participants were also asked to identify drawbacks associated to the company's engagement to sustainability. The major drawback appears to be the time consuming nature of engaging in CSR (29 responses out of 48 respondents identified this as a drawback). Remember that the lack of resources has been identified as a major barrier to engage to sustainable development. Sustainability in business practice is perceived as highly time consuming. In an economic context of accrued competition, businesses have difficulties to grant some time to CSR objectives which are often considered as not core to the business.

In addition to time consumption, 21 respondents said that CSR entailed important administrative complications. In terms of costs, the results are mixed: 11 respondents said that cost reduction was a significant/major benefit of their engagement to CSR while another 18 respondents answered that increased costs was an important drawback. Cross-tab analysis presented in part IV will help understand those results.

Figure 10: Drawbacks associated with engagement in sustainability



IV) Cross-tab analysis

4.1 Objectives

The objective of this section is to analyse if there is a link between the type of drivers the company responds to, the type of CSR activities the company undertakes and the level of integration of CSR into the general strategy of the company. Secondly, because the strategy a company implements may strongly depend on the industry, the market and the legislative context it operates in, the analysis will be done by sectors. Given the limited number of respondents in the survey, this analysis has been limited to four sectors where a minimum of six respondents was involved. The four sectors are: infrastructure (construction, property and utilities) with 8 respondents, the financial sector and Professional services with 7 respondents and companies in the manufacture industries with 6 representants.

To complete the analysis just mentioned, some qualitative presentation were required. There was a need to answer the following important questions: How can we classify the drivers used in this survey? Are some of them positive as opposed to more negative ones? Then can we associate the actions used in this survey to a particular level of integration of CSR in the company. The following section outlines the preliminary analysis conducted to adress the questions and provides a suggested methodology to classify the drivers for CSR and CSR activities.

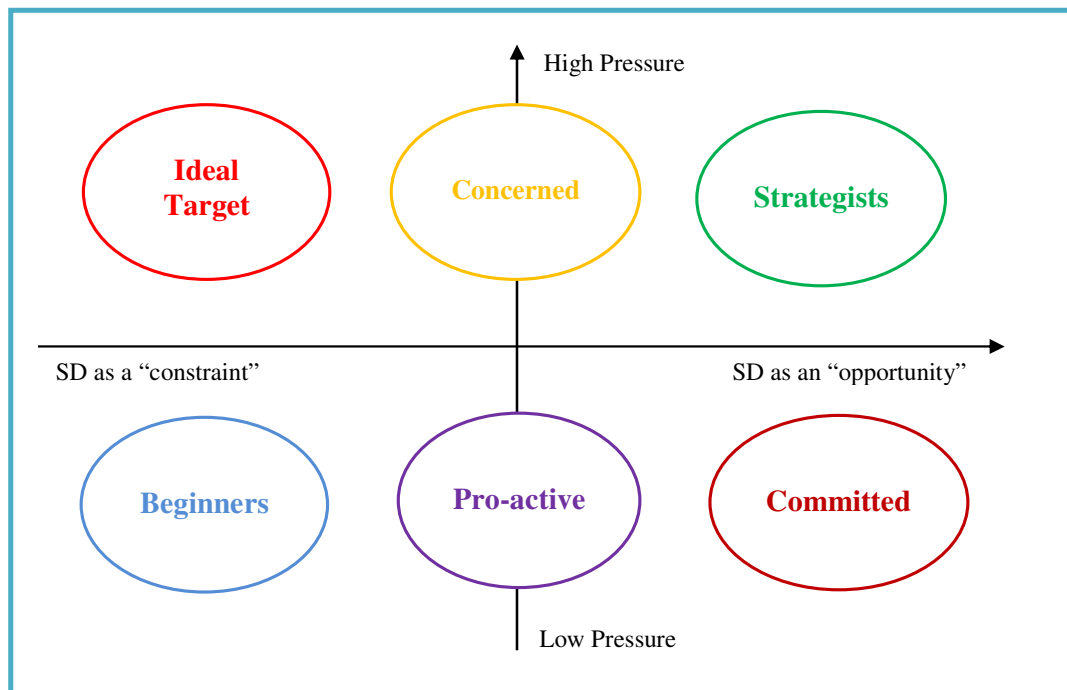
4.2 Classification of Drivers and Activities

To assist in developing a system to classify the drivers and CSR activities, two main references have been used. The first reference is Dunphy's (2007) model of sustainability being integrated to the general practices of a company. It is presented in Part 3.2.1. Inputs from the second reference are presented in the following section.

4.2.1 Novéthiic and CSR strategies

Research completed by a French agency called Novéthiic which specialises in research on CSR and Socially Responsible Investments (SRI) published a report in 2002 about the impact of CSR on the strategy of large companies in Europe (listed in the Eurostoxx 50 and the French CAC40). The results of this research is a typology of six different strategic positioning of large companies towards Sustainable development. The different strategies have been mapped out in figure 11.

Figure 11: Source: *Impact of Sustainable Development on the strategy of large companies. Novéthique, November 2002.*



While Companies in the category “strategists” operate under a strong pressure from stakeholders, “committed” companies operate more on a voluntary basis as they don’t face a high pressure from stakeholders to act in a more sustainable way. However, both groups see Sustainable Development as an opportunity that is deeply integrated into the company’s strategy.

To the contrary, companies in the groups of “ideal targets” and “beginners” tend to see CSR as a constraint. Ideal target’s CSR engagement is limited to managing risks of attacks and beginners have a sustainable approach focused on compliance with standards and regulation.

In the middle sits, the groups of “concerned” and “proactive” companies. These companies are not yet leaders in CSR but are moving towards greater integration of sustainable development into the company’s strategy.

This model that provides a description of different strategies adopted by companies is the basis of the system developed to classify the drivers used in the survey. In this system, we use a scale ranging from CSR viewed as a threat or a constraint for the business to CSR viewed as a business opportunity. The classification of the drivers in this system is presented in the following section.

4.2.2 Classification of drivers for CSR

Table 4: classification of Drivers for CSR

Group of drivers (associated to NovéthiC model)		Drivers (used in the Questionnaire)
Opportunity	4 Direct benefit for the company's profitability	Competitive advantage Profitability Most cost-effective supply chains Increased productivity Customer demand
	3 Indirect benefit for the business in general	(Company culture and values*) New market Long term viability in the market place Product development/innovation Attracting and retaining employees Shareholder demand Career development (Access to capital*) Socially Responsible Investment Demand (Easier access to foreign market*) Improving energy efficiency
Constraint/Threat	2 Indirect negative impact on long term business profits	Public awareness on climate change Brand image Reducing the cost of emitting GHG
	1 Direct threat for the business operations	License to operate Risk management Compliance with legislation/standards (Reputation*) (Pressure from NGOs*)

Drivers marked * are consistent across sectors and will not be taken into account in the cross-tab analysis.

During the qualitative interviews, participants were asked to explain, in their opinion what drivers were really leading to change. Respondents all identified different drivers. This leads to the conclusion as summed up by one respondent: "there is no one fits all approach. There is no generic driver; each company has its own". A main reason given for this observation is the difference in values and viewpoints between employees from different companies. Other factors include industry and market specificities. As a consequence, we

are not claiming that, by responding to a set of specific drivers, companies have a better approach to CSR. Rather, we will try to highlight the existence of a pattern between the level of integration of CSR and the types of drivers a company responds to.

4.2.3 Classification of CSR activities

While defining a scale for drivers could be made on a global basis, for all companies and across sectors, developing typology for CSR activities was more complex. Let's take an example: a company in the financial sector may not be concerned about developing the use of sustainable technologies in its business while this practice is absolutely relevant for companies in heavy industries with a wide and direct impact on the environment. However, this does not mean that because the financial company does not implement this activity, it cannot be deeply committed to CSR. As a consequence, a system of classification has been developed and then activities used in the survey have been classified differently to fit the context of each sector.

The two models of CSR strategies (Novéthic) and CSR integration (Dunphy) have been combined to assist in developing a system of classification of the activities. This system intends to classify CSR activities according to the associated level of integration of CSR in the company. Four levels of integration have been contemplated and provide four company profiles:

- 1) The highest level of integration corresponds to stage six of Dunphy's model whereby CSR is a source of innovation and is integrated throughout the supply chain, from suppliers' suppliers to end user. It also corresponds to the group of "Strategists" on the Novethic model. This level will correspond to CSR activities **fully integrated** to the business.
- 2) The second quarter from the top in this system, is the group of "Committed" companies. At this level, CSR activities are initiated by market incentives and the company shows some leadership in the domain. In this second level, CSR activities are **mostly integrated** to the overall business's strategy.
- 3) The third level of companies are "Beginners". These companies start getting involved in CSR beyond regulation but still on a perspective of risk mitigation. Small initiatives are undertaken and involve limited change in the core business. Sustainability activities are **partially integrated** to the business in this level.
- 4) The last level corresponds to the "ideal targets" companies that are involved in CSR only through complying with standards and legislation. This level corresponds to activities that are **not integrated** to the business.

We would like to reiterate that even though the benefits that an activity can have for the environment and the community are consistent across sectors, the importance for the business can vary from one sector to another. In order to reflect those variations across sectors and in addition to the general system presented above, a triple bottom line approach has been used to determine the place of the different activities on the “integration” scale: Firstly, how important is the activity from a business perspective? Secondly, how important is it for the environment? And thirdly, how important is it for the community? The higher the importance in all of the three dimensions, the higher the level of integration. Similar results for pairs of sectors, professional service/financial sector and manufacture industry/infrastructure have been grouped in a proposition of classification of the different activities on this scale of degree of integration (see table 5).

Table 5: Classification of CSR activities on a scale of integration of CSR into the business

Level of integration of CSR	Activities in Questionnaire classified for: Financial sector and Professional services	Activities in Questionnaire classified for: Manufacture Industry and Infrastructure
4 Fully integrated - “Strategists”	Using sustainability/CSR as a source of commercial innovation Including social/environmental benefit to products/services Improving design of products and packaging to minimise environmental impacts Developing green products/services Measuring and managing greenhouse impact	Implementing a Green procurement policy Increasing efficiency of logistics Using sustainability/CSR as a source of commercial innovation Conducting LCA at all levels Reducing natural resource consumption Applying product stewardship to SCM Using sustainable technologies Improving design of products and packaging to minimise environmental impacts Developing green products/services Measuring and managing greenhouse impact Reducing water consumption
3 Mostly Integrated - “Committed”	Implementing a Green Procurement Policy Increasing efficiency of logistics Conducting LCA at all levels Reducing natural resource consumption Applying product stewardship to SCM Using sustainable technologies Applying work-life balance policy Recycling and increasing the use of recycled materials Reducing water consumption Linking community engagement and business success	Reducing adverse impacts on consumers Managing long term partnership with community groups Including social/environmental benefit to products/services Restoring the environment Applying work-life balance policy Recycling and increasing the use of recycled materials Linking community engagement and business success

Table 5: Classification of CSR activities on a scale of integration of CSR into the business (Continued)

Level of integration of CSR	Activities in Questionnaire classified for: Financial sector and Professional services	Activities in Questionnaire classified for: Manufacture Industry and Infrastructure
2 Partially integrated - "Beginners"	Reducing adverse impacts on consumers Managing long term partnership with community groups Consulting and educating stakeholders Conducting equal employment opportunity practices Restorating the environment Promoting diversity within the workplace Maintaining gender balance throughout the management level Measuring and reporting on CSR impact issues Making emissions reduction targets publicly available	Consulting and educating stakeholders Conducting equal employment opportunity practices Promoting diversity within the workplace Maintaining gender balance throughout the management level Measuring and reporting on CSR impact issues Making emissions reduction targets publicly available Reducing waste
1 Not integrated - "Ideal targets"	Developing workplaces that meet relevant OH&S Developing volunteer programs Developing donations to charity/philanthropy Reducing waste	Developing workplaces that meet relevant OH&S Developing volunteer programs Developing donations to charity/philanthropy

4.3 Results according to the level of integration of CSR

In this section, we will analyse data from the different questions of the survey according to the answer given by companies to the question on the level of integration of CSR into the business. It is important to note that the level of integration used for this analysis is the one perceived by the respondents and not one that we have determined.

To the question on the level of integration of CSR and out of 48 respondents, 7 said that CSR was not integrated into the business, 6 said it was partially integrated, 21 answered it was mostly integrated and 14 said it was fully integrated.

4.3.1 Drivers according to integration

In this section we show that the research suggests that there is a correlation between the level of integration of CSR in the business and the type of drivers the company responds to (classified in section 4.2.2).



An average grade for each driver has been calculated with 1 mark corresponding to respondents who answered “not important” driver, 2 corresponding to “not very important” drivers, 3 to “quite important” and 4 to “very important”. Table 6 shows the top eight and bottom four drivers for companies, grouped according to the different levels of integration (as perceived by the respondent). Please note that five of the drivers presented in the first part of this report have not been accounted for in this analysis. Those drivers are: company culture/values and reputation as they were perceived as important to very important by 46 of the 48 respondents; and access to capital, easier access to foreign markets and pressure from NGOs as they were perceived as only quite important drivers by fewer than 14 respondents.

Earlier in this report we also mentioned that companies were not responding to one specific driver but rather to a set of different drivers. The same analysis of drivers by level of integration reveals that the higher the level of integration, the greater the number of important drivers for the company.

The survey also reveals that companies at different stage of integrating CSR into their general business practice responded to different drivers than those companies that have not done so. Therefore, companies that consider CSR as not integrated into the business respond to drivers linked to a strategy of risk mitigation if we refer to our scale for drivers (table 4). For example, the data reveals drivers such as compliance with legislation/standards or public awareness on climate change on the top eight drivers for the group “Not integrated” while they are less important in the group “fully integrated”. However, if we refer again to our scale on drivers, we can also remark that some positive drivers (directly or indirectly benefiting the business), appear on the top 8 drivers in the groups “partially” and “not integrated”. However, the level of importance of those drivers for the company (as shown by the average grade) is lower in those groups than in the group “fully integrated”. In other words, although positive drivers (linked to opportunities) are contemplated by companies at all level of integration, they are significantly more important where CSR is highly integrated into a company’s business practice.

Table 6a: Top eight drivers according to the level of integration

Fully Integrated: (7 respondents)	/4	Mostly Integrated : (21 respondents)	/4	Partially Integrated : (6 respondents)	/4	Not integrated : (7 respondents)	/4
Securing long term viability in the market place	3,7	Improving energy efficiency	3,6	Competitive advantage	3,4	Profitability	3,2
Brand image	3,7	License to operate	3,4	Brand image	3,4	Compliance with legislation/ Standards	2,8
Reducing the cost of emitting (GHG)	3,7	Attracting and Retaining employees	3,4	Attracting and Retaining employees	3,3	New market	2,7
Improving energy efficiency	3,7	Brand image	3,4	Securing long term viability in the market place	3,1	Public awareness on climate change	2,7
Attracting and Retaining employees	3,4	Profitability	3,3	Customer demand	3,0	Improving energy efficiency	2,7
Risk Management	3,4	Risk Management	3,3	Profitability	3,0	Increased Productivity	2,5
Competitive advantage	3,3	Reducing the cost of emitting (GHG)	3,3	Product development/ Innovation	3,0	Securing long term viability in the market place	2,5
Product development/ Innovation	3,3	Competitive advantage	3,2	Improving energy efficiency	3,0	Customer demand	2,5
Profitability	3,3	Securing long term viability in the market place	3,2	Public awareness on climate change	2,9	Competitive advantage	2,3

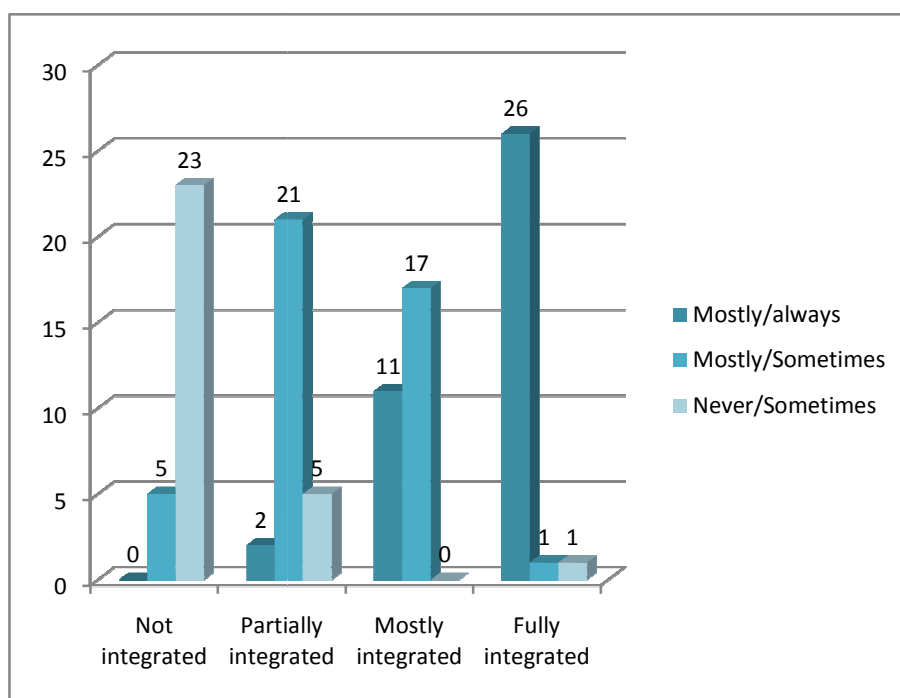
Table 6B: Bottom four drivers according to the level of integration

Fully Integrated: (7 respondents)	/4	Mostly Integrated : (21 respondents)	/4	Partially Integrated : (6 respondents)	/4	Not integrated : (7 respondents)	/4
Shareholder demand	2,9	Increased Productivity	2,7	SRI demand	2,4	SRI demand	1,8
License to operate	2,7	New market	2,6	Career development	2,3	License to operate	1,7
SRI demand	2,7	Career development	2,5	More cost-effective supply chains	2,2	More cost-effective supply chains	1,7
Compliance with legislation/standards	2,1	More cost-effective supply chains	2,5	Shareholder demand	2,1	Career development	1,5

4.3.2 CSR activities according to integration

Concerning CSR activities, the research reveals that the higher the level of integration (as perceived by the respondent) the higher the number of activities always or often considered in the business. For each activity rated by respondents, an average in responses has been calculated and the results have been grouped by level of integration. The figure below shows the number of activities mostly/always considered (average grade between 3 and 4) in the business, mostly/sometimes considered (average grade between 2 and 3) and never/sometimes considered (average grade between 1 and 2) by companies for the different levels of integration. When respondents perceived CSR as fully integrated, 26 of the 28 activities proposed for rating in the survey are mostly/always considered in the business. To the contrary, very few activities are undertaken in companies where CSR is not seen as integrated. In this group 23 of the 28 activities are never or sometimes considered by the company.

Figure 12: level of consideration of CSR activities according to the level of integration of CSR



Similarly to Table 6, Table 7 highlights the top 10 activities mostly or always undertaken by companies according to the level of integration of CSR. In Table 7, average grades obtained by each driver have been calculated on the basis that answering “never consider” gives 1 point, “sometime considered” gives 2 points, 3 points are allocated for “mostly considered” and 4 for “always considered”.

Table 7: Top ten CSR activities according to the level of integration of CSR

Fully Integrated: (7 respondents)	/4	Mostly Integrated : (21 respondents)	/4	Partially Integrated : (6 respondents)	/4	Not integrated : (7 respondents)	/4
Restoring the environment	3,9	Developing workplaces that meet relevant OH&S	4,0	Developing workplaces that meet relevant OH&S	3,4	Developing workplaces that meet relevant OH&S	2,8
Using Sustainability/CSR as a source of commercial innovation	3,7	Reducing adverse impacts on consumers	3,6	Conducting equal employment opportunity practices	3,1	Reducing adverse impacts on consumers	2,2
Recycling and increasing the use of recycled materials	3,7	Conducting equal employment opportunity practices	3,6	Measuring and managing greenhouse impact	2,9	Including social/environmental benefit to products/services	2,0
Measuring and managing greenhouse impact	3,7	Reducing water consumption	3,4	Reducing waste	2,8	Conducting equal employment opportunity practices	2,0
Reducing waste	3,7	Measuring and managing greenhouse impact	3,3	Increasing efficiency of logistics	2,7	Developing green products/services	2,0
Reducing water consumption	3,7	Reducing waste	3,2	Reducing water consumption	2,7	Recycling and increasing the use of recycled materials	2,0
Consulting and educating stakeholders	3,6	Linking community engagement and business success	3,1	Using sustainable technologies	2,6	Increasing efficiency of logistics	1,8
Reducing natural resource consumption	3,6	Measuring and reporting on CSR impact issues	3,1	Reducing adverse impacts on consumers	2,6	Restoring the environment	1,8
Developing green products/services	3,6	Increasing efficiency of logistics	3,1	Using Sustainability/CSR as a source of commercial innovation	2,6	Using sustainable technologies	1,8
Measuring and reporting on CSR impact issues	3,6	Reducing natural resource consumption	3,1	Consulting and educating stakeholders	2,6	Developing donations to charity/philanthropy	1,8



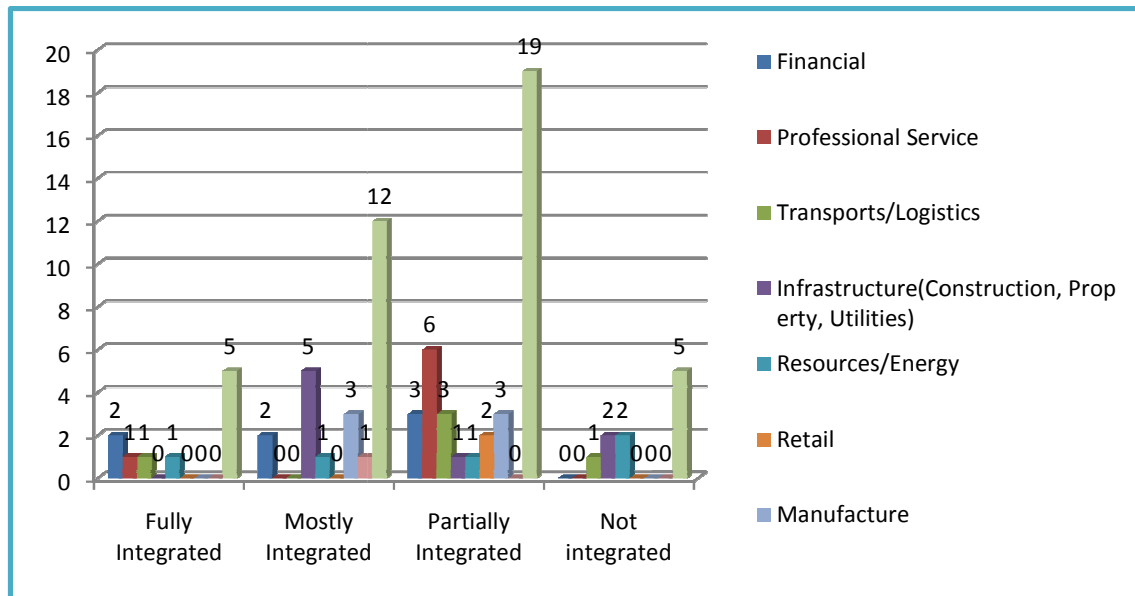
The first observation is that all CSR activities but one (developing volunteer programs) are mostly/always (average grade over 3) considered in the business by companies in the group “CSR fully integrated”. To the contrary, companies in the group “not integrated” are not as deeply committed to CSR activities. They only sometimes to mostly consider (average grade between 2 and 3) 2 activities out of the 28 proposed. The other 26 activities are never or sometimes considered in the business. As a conclusion, the higher the level of integration, the higher the level of consideration for a large number of CSR activities.

The second observation concerns the type of CSR activities applied according to the level of integration. Coming back to Dunphy’s six-stage model of Sustainability, companies in the group “CSR fully integrated” regard activities of stage 5 and 6 (highest levels of integration) as very important. Although activities such as “using sustainability as a source of commercial innovation”, “using sustainable technologies” or “including social/environmental benefit to product/services” are mostly/always considered by companies in the group “fully integrated”, it is important to note that respondents in this group also highlighted activities of earlier stages of the model (such as developing workplaces that meet relevant OH&S) as being equally important. On the other hand, activities such as developing workplaces that meet relevant OH&S or developing donations to charity are more important where respondents said that they viewed sustainability as being not or only partially integrated to the business.

The data shows that companies achieving higher level of integration or climbing up the stages of Dunphy’s model add elements from higher stages to their set of activities but will not overlook activities from earlier stages. Early stages correspond to minimum activities a company cannot be failing at if it is to achieve higher levels of integration.

However, this trend is not as simple: respondents in the group not or partially integrated also identified the use of “sustainable technologies” or “managing and reporting green house gas emissions” as an important activity they undertake. The following question arises: why would an activity demonstrating high integration of CSR be considered by a company where sustainability is not integrated? The general pattern highlighted before has to be regarded in lights of contextual factors such as the industry the company belongs to, existing market incentives or even the technology available to a company to move toward sustainability. In the section on analysis of drivers we have briefly mentioned that interviewees identified the debate around climate change as having a strong influence on a company’s CSR strategy. This is confirmed in the survey as all companies, with different levels of integration of CSR, are responding to this issue by managing and reporting on greenhouse gas emissions. Then, a reason why the use of sustainable technologies comes in the top 8 activities in the group “not integrated” can be found in Figure 13 which shows the number of respondents by sectors for the different levels of integration of CSR.

Figure 13: Number of respondents by sectors for the different levels of integration



Companies in the category “not integrated” all belong to the sectors of resources/energy, infrastructure and transports/logistics, where the use of sustainable technologies is becoming easily available and is more important than for the financial sector for instance.

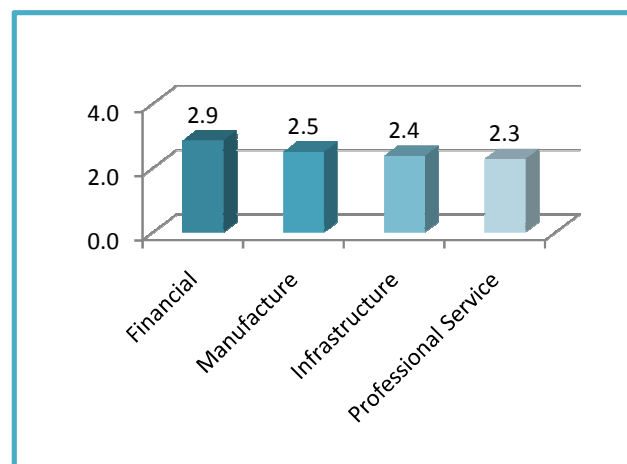
Although the purpose of the research was not to identify the contextual factors having an influence on the company’s CSR strategy, qualitative interviews highlighted some of factors that, according to the respondents can motivate or block a company in taking up sustainability. Different interviewees have identified different contextual factors: the legislation and standards that can push a company towards more sustainable practice or consolidate it in “bad practice” while market demand has a major influence on the company’s practice. However, not all interviewees said the market has influenced their company. Furthermore, the practice of competitors was identified as an important factor influencing the company’s strategy regarding CSR. During the interviews we had two cases. First, the example of a company leader in CSR practice, and second, that of a company adopting a strategy of “wait and see”. In the first example, the company highlighted that the main benefits of initiating change within its industry was to be perceived as the best in terms of CSR practice and associated quality. On the other hand, the company in the second case said they were observing competitors first and learning from their early moves to develop a low-risk CSR strategy. The conclusion is that a company’s approach to CSR may vary depending on its positioning against competitors. Eventually, two of the eight interviewees referred to the global economic circumstances as having a major impact on company’s approach to sustainability. One of them said “engaging in CSR is easier in strong economies”.

A reason may be that when CSR is not fully integrated into the core business, it is not seen as a priority in the case of bad economic conditions.

Getting back to the findings from the online survey and focusing on the context within each sector having an influence in the company's CSR strategy, we can look again at Figure 13. It highlights that the financial sector and professional services tend to see sustainability as being reasonably integrated (Note: none of the respondents in those sectors viewed sustainability as being not integrated at all). The sectors having a more direct impact on the environment (transports/logistics, infrastructure, resources/energy, retail and manufacture) are evenly spread across the different levels of integration with a higher concentration around the middle (partially and mostly integrated).

Because too few people from the food industry, the transports, the resources/energy sector and the retail industry participated to the survey, the average level of integration perceived by respondents in these sectors could not be collated. But with a minimum of 6 respondents in the sectors of finance, professional services, manufacture and infrastructure, the average perception of integration could be highlighted. Results for those four sectors are presented below in Figure 14.

Figure 14: Level of integration of CSR by sectors (four sectors)

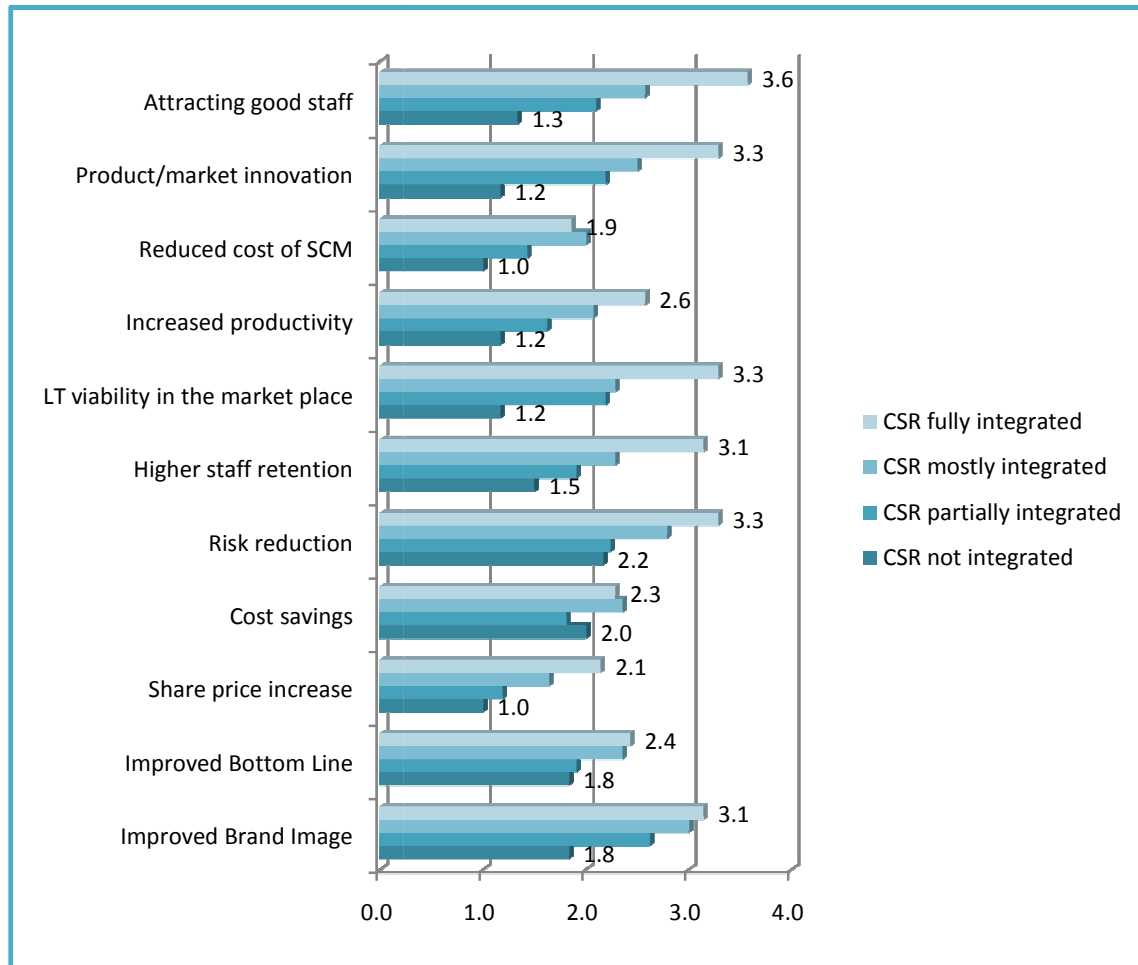


The qualitative interviews reinforce findings from the survey concerning the level of integration according to the sector. During the interviews, volunteers were asked to give their understanding of what is an integrated approach to sustainability. Respondents provided different definitions and although almost all respondents pointed out criteria of what makes an approach integrated, only one definition fully corresponds to what we refer to as being an integrated approach. The definition was provided by a manager from the financial sector was as follows: "An integrated approach to sustainability is not about having a department focusing on CSR but rather integrating sustainability in the business overall".

4.3.3 Benefits according to integration

Figure 15 shows the importance of different types of benefits for companies with different levels of CSR integration. Again, 1 corresponds to not a benefit, 2 is a small benefit, 3 is a significant benefit and 4 a major benefit. According to this figure, it is clear that the higher the level of integration of CSR to the business strategy, the bigger and the more numerous the benefits a company can derive from its engagement in CSR.

Figure 15: Benefits by level of integration

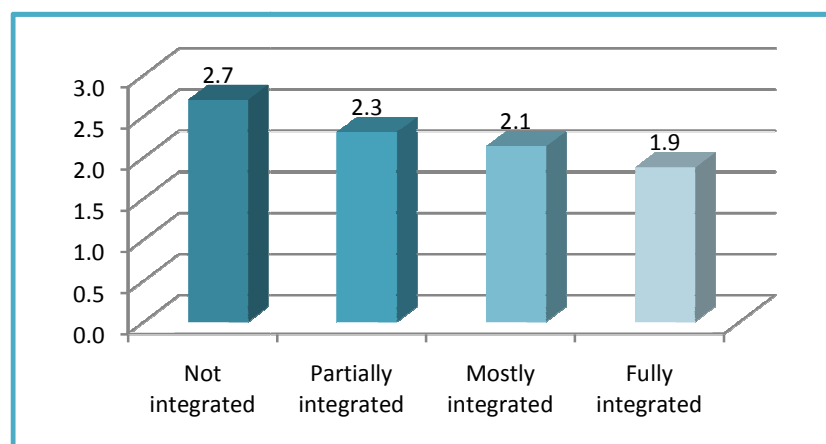


During the interviews, four of the eight respondents referred to CSR as being either an “ongoing process” or a “journey”. For these respondents, the engagement in CSR is an evolving process and is about progressively developing a sustainable strategy that meets the overall business strategy. In other words, companies engaging in CSR engage in a process of integration of CSR into the business. One of the respondents commented that engagement can be hard in the beginning but then “it gradually brings benefits that encourage in engaging into more actions that give even more benefits etc”.

4.3.3 Barriers to CSR according to integration

Similarly to the correlation between benefits and level of integration, there is a correlation between the level of barriers to CSR perceived by the respondents and the level of integration of CSR. Averages of responses have been calculated for each barrier according to the level of integration. Then an average of all of those responses has been calculated and highlights the average level of barrier perceived by companies depending on the level of integration (see figure 16)

Figure 16: Average level of perception of barriers according to the level of integration of CSR



This figure represents the average level of importance of barriers for a company according to the level of integration of CSR. We can see that when CSR is not integrated to the business, the respondents have also identified a larger number of important barriers to CSR. The level of importance of barriers decreases when the level of integration increases. It means that a CSR engagement is generally harder in the beginning and becomes easier with practice.

In particular, we can observe that barriers such as short term projects overriding long term strategies or a conflict in priorities are significantly more important where CSR is not integrated. This confirms that when more integrated to the business's objectives, CSR is no longer perceived as a barrier to core business as it becomes aligned, or mainstreamed with the company's core procedures.

4.4 Analysis by sector

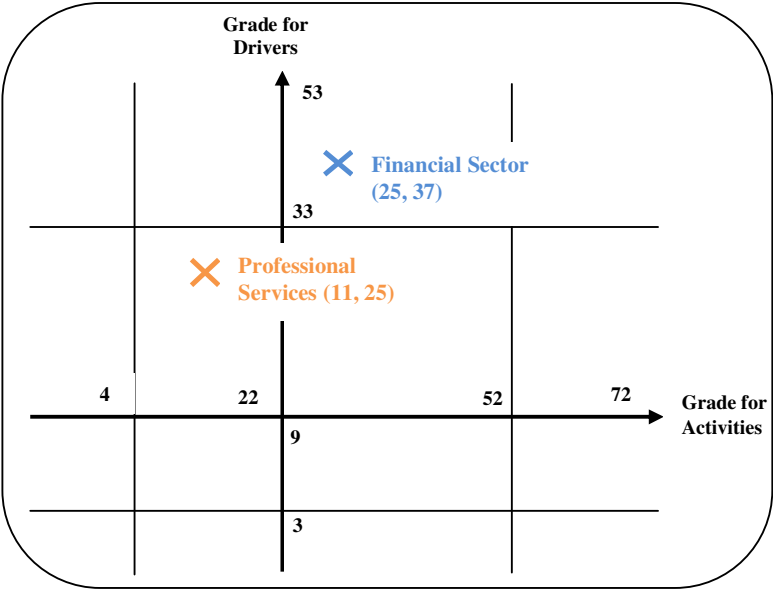
The objective of this section is to outline a "CSR profile" for companies in four different sectors of activity. Through an analysis of the drivers for CSR, sustainability activities, benefits and drawbacks associated with sustainable practice, we could highlight differences in approaches to sustainability across sectors, in the Australian context.

Using a grading calculator system explained in detail in appendix 3, we came to a graphical representation of the analysis by sector. With this methodology, each sector obtained a grade based on the calculator system (Appendix 3). Those grades by sectors have been provided in Appendix 4A and 4B.

4.4.1 Graphical interpretation of the results

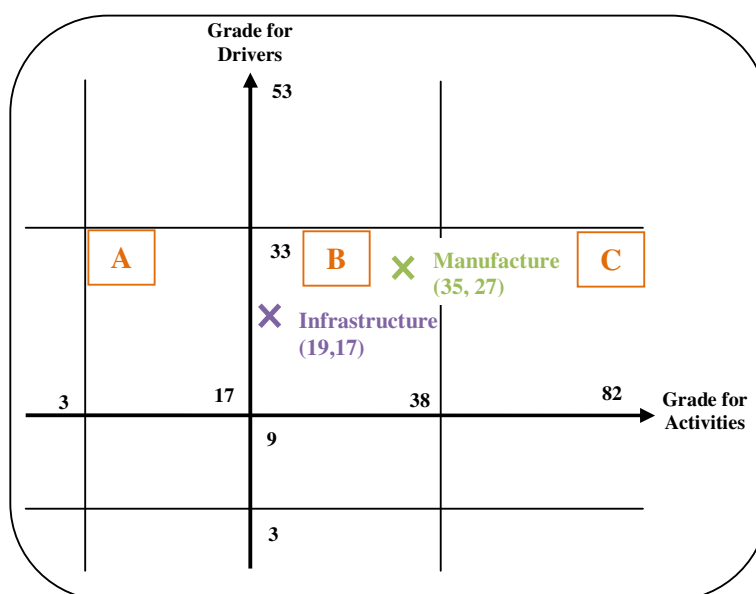
The results have been represented on a graph the x-axis representing the grade obtained for activities, and the y-axis the grade obtained for drivers. The grades we determined for each sector enabled to give them coordinates and locate them on the graph. Two different graphs have been created because of the different use of different scales for the x-axis for pair of sectors. On figure 15a, the Financial Sector and Professional Services have been represented and the results for the Infrastructure and Manufacture Sectors have been highlighted in graph 15b.

Figure 15a: Graphical results for Finance and Professional industries



This graph illustrates that the Financial Sector has obtained a better grade (37) for drivers than the Professional Services (25) which means it responds to more positive drivers (associated to opportunities if we refer to the system developed earlier in table 4, section 4.2.2). We can also see that the Financial Sector is located further (it obtained a 25) on the x-axis about grade for activities which means that it demonstrates a higher level of integration of CSR in the business compared to the Professional Services.

Figure 15b: Graphical results for Infrastructure and Manufacture Sectors



On Figure 15b we can see that the Infrastructure and Manufacture Sectors are located on quadrant B of the graph. Each quadrant corresponds to a “CSR profile” that we will describe further in the report. Although the two sectors are in a similar quadrant, there are some differences: in this purposive sample, the Manufacture Sector demonstrates a significantly higher level of integration of CSR as it obtained a higher grade for activities (x-axis). It is evident that the Infrastructure Sector is closer to quadrant A which corresponds to a lower level of integration of CSR while the Manufacture Sector is close to quadrant C which corresponds to a higher grade for activities and a higher level of integration.

4.4.2 Interpretation of the results by sector

❖ Interpretation for the Financial Sector:

The survey indicates that companies in the Financial Sector tend to respond to very positive drivers for CSR while most of the activities they undertake demonstrate that CSR is mostly integrated into the business.

Companies in the financial sector that engage to CSR are mainly (minimum average of 3,4) driven by a search for competitive advantage, attracting and retaining employees, brand image, profitability, securing long term viability in the market place, customer demand, product development/innovation and improving efficiency.

Companies in the financial sector mostly/always consider 11 of the 28 CSR activities, with some engagement in activities of level 3 (mostly integrated) and 4 (fully integrated): measuring and managing greenhouse impact, linking community engagement and business success, implementing a green procurement policy and reducing natural resource consumption.

❖ Interpretation for the Professional Services

Concerning, Professional Services, it seems like the drivers contemplated by companies are mainly about indirect benefits of CSR on the business. Companies in this sector highlighted the search for competitive advantage and profitability as well as product development/innovation, attracting and retaining employees and the apparition of a new market as major drivers to commit to sustainable development.

Although companies in this sector are following quite positive drivers (having indirect benefits for the business in general), it seems like they are not deeply committed to CSR activities. Indeed, only 3 activities are mostly/always considered by companies in this sector. However, those three activities belong to a high level of CSR integration (using CSR as a source of commercial innovation, developing green product/services, using sustainable technologies). We can conclude that CSR is partially integrated in the professional service sector.

❖ Interpretation for the Manufacturing Industry and Infrastructure Sector

The Manufacturing Industry mostly/always considers 11 of the 28 activities, of which, implementing a green procurement policy, reducing natural resource consumption, improving the design of products and packaging to minimize environmental impact, developing green products and reducing water consumption are activities that demonstrate high integration of CSR. Some activities of level 3 (mostly integrated) are also considered. Most of the activities considered by this sector are linked to reducing the impact of the business on the environment.

The Infrastructure Sector is lagging behind the Manufacturing Sector in terms of level of integration of CSR. The latter could almost belong to the group of beginners in “full integration” of CSR while the former is just above the limit where we could considerate it as belonging to the group where CSR is “partially integrated”. Companies in the infrastructure sector do not undertake many CSR activities but are mainly engaged in reducing water consumption and measuring and managing greenhouse impact.

Both sectors obtained similar grades for drivers (they both respond to quite positive drivers). However, there are some differences in the set of drivers to which they respond. Follow-up interviews with some of the participants confirm that companies in the infrastructure sector are mainly driven to CSR by the need to improve energy efficiency and to reduce the cost of emitting greenhouse gases as increasingly demanded by customers (property managers or end users). For the manufacture sector, commitment to CSR is characteristically associated to the search for profitability, improved brand image, improved energy efficiency or increased productivity.

Table 20: Top 8 drivers for the Infrastructure and Manufacture sectors

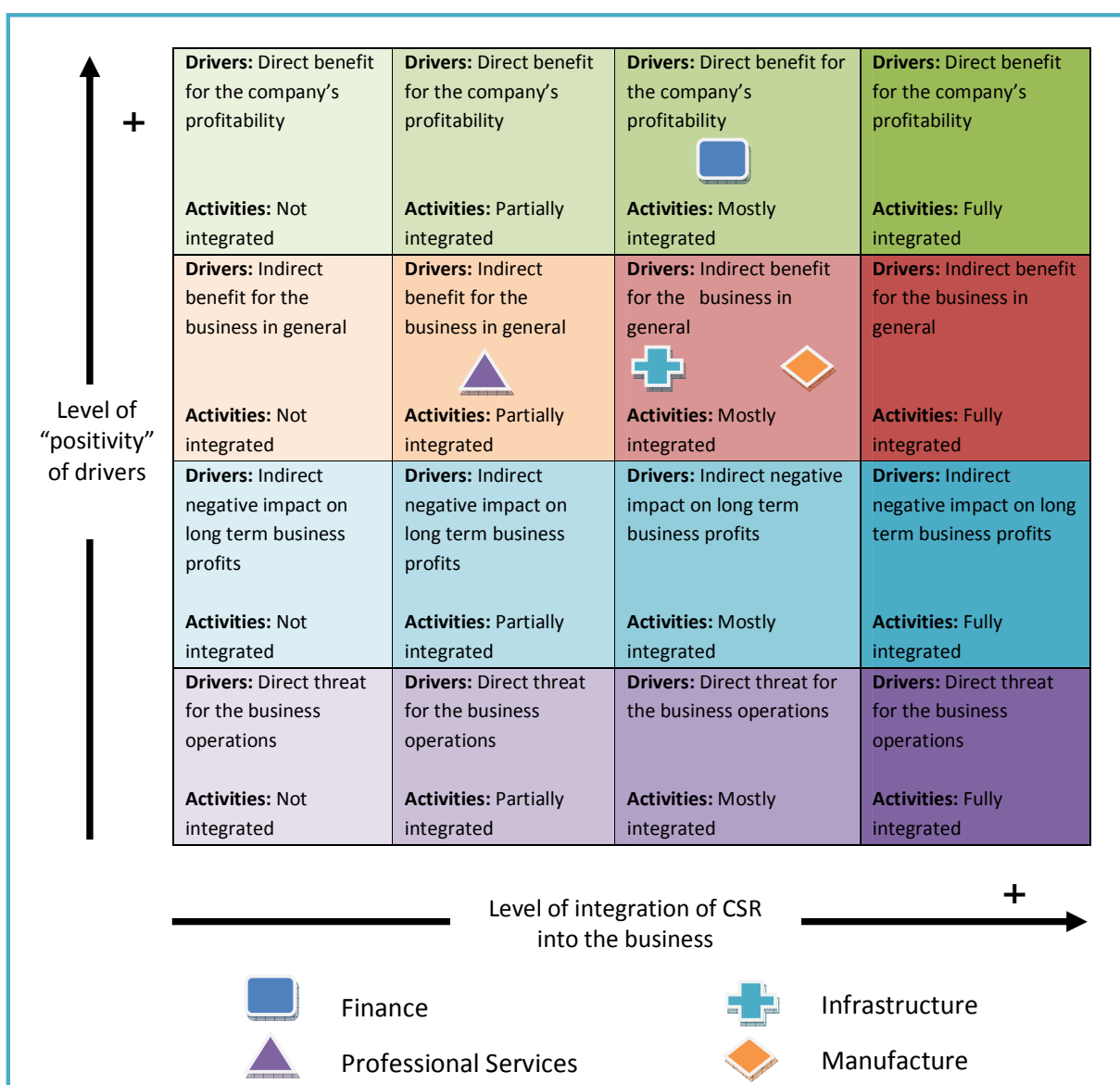
Infrastructure		Manufacture	
Improving energy efficiency	3,6	Profitability	3,3
Compliance with legislation/standards	3,5	Brand image	3,3
Brand image	3,4	Improving energy efficiency	3,3
Reducing the cost of emitting greenhouse gases(GHG)	3,4	Product development/Innovation	3,2
Profitability	3,1	Increased Productivity	3,2
License to operate	3,1	License to operate	3,2
Securing long term viability in the market place	3,1	Attracting and Retaining employees	3,2
Customer demand	3,1	Risk Management	3,2

4.4.3 Profiling

❖ Profiling matrix

For each axis (for both drivers and activities) of the previous graphs, we have highlighted four levels of classification. Through this graphical representation we can highlight a 4*4 matrix of CSR profiles in which: horizontally activities become gradually more and more integrated into the overall business strategy and vertically, the drivers become more and more positive (opportunity). Figure 16 summarizes the matrix. Thanks to the previous stage of graphical representation, we can now locate the different sectors on the matrix and read their corresponding CSR profile.

Figure 16: Profiling of sector on drivers and integration



❖ Profile by sectors:

The Financial Sector mainly responds to positive drivers in which CSR is viewed as directly benefiting the company's profitability and is currently on a level of mostly integrated CSR practice in the business.

The Professional Services respond to the second highest level of drivers where CSR is seen as indirectly benefiting the business in general but CSR is currently only partially integrated into the business.



The Infrastructure and Manufacturing Sectors are responding to quite positive drivers (indirectly benefiting the business in general). Both sectors belong to the category of businesses having CSR mostly integrated into their business. However, as we have noted earlier, this category as well as all the other profiles in the matrix can be broad and encompass “beginners” in the profile as well as “leaders”. For instance the Manufacturing and Infrastructure Sectors obtained grades that put them in the same level of CSR integration. However, the infrastructure sector hardly reached that level while the manufacture sector only missed a few points to climb up the scale and be a beginner in the “fully integrated” level of CSR.

❖ Interest of the profiling model:

By looking at a company’s level of CSR integration into their business, it is possible to look at the associated drivers through the matrix. Companies that engage in CSR are more likely to move forwards, toward a higher level of integration of CSR into the business. In this profiling model, companies will move towards profiles further right on the ladder of integration and upper on the ladder of “positivity of CSR”. According to such an incremental process and thanks to the matrix, it may be possible to predict what companies will find attractive for the next level of their engagement in CSR.

❖ Proofing of this profiling model:

There is an indicator that can confirm the relevance of the matrix and in particular the way we classified activities on a scale corresponding to the level of integration of CSR. This indicator refers to the answers from respondents to questions regarding their perception of integration CSR in the company. They were asked to assess this level of integration of CSR on a scale from: not integrated (score 1), partially integrated (score 2), mostly integrated (score 3) and fully integrated (score 4).

In our matrix, the Financial Sector tends to have a mostly integrated approach to Sustainability while on average, this sector obtained 2.9 for the question on integration. The average for the Professional Services Sector is 2.3 and we have classified this sector as having a partial integration of CSR into the business. The Infrastructure Sector has an average 2.4 is the average and thus has been put in the category “mostly integrated”. Note that this sector was very close to the category “partially integrated”. Finally, the group of Manufacturers answered 2.5 on average to the question regarding integration while we have classified this sector in the group where CSR is “mostly integrated”.

Of course, this cannot be considered as an absolute test to legitimate the system as it relies on individual and subjective opinion: the perception of the respondent

concerning integration can differ from the perception of integration from other employees and from the reality.

4.4.4 Benefits by sector

We have seen in the previous section that the benefits of CSR experienced by companies varied according to the level of integration of sustainable development in the business. We can also observe that not all sectors highlight the same benefits.

First, the Financial Sector (the sector where CSR is the most integrated according to our analysis), generally experiences a higher level of benefits for a larger number of items compared to the other sectors. Again, the higher the level of integration, the most significant benefits a company can take out of its commitment to CSR. However, the conclusion is not that more important benefits are experienced by a specific sector. Indeed, companies in the four sectors we have focused on have only experienced a few important benefits (where the average is over 2.5), and see other benefits as not really important (average below 2.5). When the level of integration is higher, the company can experience greater benefits.

However, the analysis of benefits by sector also reveals that not all sectors experience exactly the same benefits. The major benefits they identified echo back to the drivers they highlighted.

In the financial sector, the main benefits highlighted by respondents include attracting and retaining good staff, risk reduction and long term viability in the market place. However, these benefits are not considered as significant as having an improved brand image. This benefit is also the first or second benefit highlighted by all the other sectors and is the only benefit rather consistent across sectors.

Respondents in professional services also said that attracting good staff was quite an important benefit (average 2.9), but the most noticeable benefits for this sector is that it is experiencing product/market innovation (average 2.7) and ensuring long term viability in the market place (2.6).

The infrastructure sector did not highlight very important benefits except brand image and cost savings. For the manufacturing sector, product/market innovation is the second most important benefit experienced after improved brand image.

4.5 Conclusion on the cross-tab analysis

The degree to which CSR is integrated into Australian Companies varies significantly in our sample. Consequently, the type of drivers to which a company responds depends on this level of integration. Almost all people from follow-up interviews referred to their engagement in sustainability as a “Journey”. Sustainability is not a status to achieve but rather is an ongoing process. Part of this process is to gradually integrate CSR into the business’ overall strategy and objectives, aiming to achieve a point of total integration whereby sustainability is inherent to the existence of the corporation. Some of the participants envisage an integrated approach to Sustainability involving an alignment between the environmental, social/community and economical objectives of the company.

For all the companies who responded to the questionnaire, engaging in CSR has created some benefits for the business. One of the participants to the interview explained that in general it is hard to get started in CSR and then “as the engagement progresses, it becomes easier and more rewarding”. This is also one of the conclusions from the online survey: we have seen that the higher the level of integration of CSR, the more important and numerous the benefits to the business. At the same time, it is evident that respondents identified fewer and less important barriers to CSR when the level of integration (as respondents perceive it) was higher.

The set of drivers and activities highlighted by companies varies greatly according to the sector of activity. Four of the 11 participants in the follow up interviews commented that CSR is not a “one size fits all” approach and that it is particular to the given company and its unique situation. It is important to note that industry factors such as market demand, competition and legislative standards can shape the way a company engage to CSR. In this project, the objective was not to intent to identify the nature of those factors and their influence on the company’s sustainability strategy but we have demonstrated that companies in different sectors had different “CSR profiles”: they respond to industry specific drivers and undertake CSR activities relevant to the context in which they operate.

A number of qualitative observations and analyses have been developed in this report and the research only claims validity for the size of the sample that had been used (48 respondents). Throughout the report, findings from the online survey have been reinforced by insights from follow-up interviews.

While the sample is purposive rather than representative, its findings can nonetheless be extrapolated to suggest trends that warrant further investigation. The main conclusions from this research can be articulated around answers to three main questions:

- 1) To what kind of CSR drivers did Australian companies respond to?
- 2) What kind of CSR approaches did Australian companies undertake?
- 3) Was there any link between the type of drivers companies responded to, the type of activities undertaken and the benefits they received from this engagement?

1) To what kind of CSR drivers do Australian companies respond to?

Whatever the size, the sector or the approach to CSR, all companies but two in the survey rated company culture/values and reputation where very important drivers for CSR. Apart from those two drivers, we observed some variations in responses according to the level of integration of CSR, and the sectors. In terms of integration, the higher the level of integration the more positive the drivers addressed by the company.

The analysis by sector suggests that the financial sector responds to very positive drivers (associated to opportunity) while the other three sectors respond to less positive drivers (where CSR is seen as indirectly benefiting the business).

A second major conclusion regarding drivers is that surveyed companies responded to a set or complex of drivers rather than to one single driver. This suggests companies may have sets of parallel relationships between drivers and types of CSR activities.

2) What kind of CSR approaches did Australian companies undertake?

In this research we have contemplated the approach to sustainability taken by companies through the set and type of CSR activities they undertake. Using cross-tab analysis of activities and degrees of integration of CSR, it has been possible to establish that companies engaged in a wider range of activities when CSR was more highly integrated to the business. And, more importantly, they also contemplated more activities that demonstrated higher levels of integration. The analysis strongly supported the claims of

respondents concerning levels of integration: no one respondent who claimed a top level of integration did not highlight activities that the scales linked to this level of integration.

In terms of sector-specific responses, the research shows that companies in the Financial Sector and the Manufacturing Sector undertake types of CSR activities that are mostly integrated to the business. This level of integration was less important for companies in the Infrastructure Sector, and even lower for companies in the Professional Services. The sectoral analysis has been limited by the number of responses to the survey and it is suggested that further research could further test the associations, and extend to other sectors as well as to other regions/countries.

3) Was there any link between the type of drivers companies responded to, the type of activities undertaken and the benefits they received from this engagement?

We have already outlined the positive link existing between the level of integration of CSR in the business and a) the types of drivers and b) the types of activities a company undertook. The research also revealed that when CSR is more deeply integrated into the business, the company reaped both more and more significant benefits.

The level of reported negative impacts or risks associated to CSR also decreased when the level of integration increased. It seems like positive drivers are mainly responded to by companies with a higher level of integration, which were also the companies that identified the highest levels of available benefit. In particular, only companies with higher level of integration of CSR said that they experienced financial benefits such as higher profitability, costs savings and share price increase.

Although the research suggests that companies with a high level of integration of CSR respond to more positive drivers, the contrary was not necessarily followed: some positive drivers are also contemplated by companies with lower levels of integration.

Another significant conclusion of this research is that CSR was not a fixed status to achieve for a firm to achieve, but was seen an ongoing and progressive process through which companies work to embed CSR into their business. As a consequence, the research suggests that a company responding to positive drivers with a limited level of integration is in process of moving towards more integration: it has identified positive drivers that are associated with benefits and will only be able to achieve them through increasingly integrating its approach to CSR into the business's strategy.



In addition to responding to those three main questions, the research led to the development of a model for analysis of a CSR profile. This model is based on findings from two main researchers on strategies of CSR (Novéthic and Dunphy). It involved looking at a company's drivers and CSR activities and grading them according to a calculation system also developed in the research and described below. The company or sector was located on a 4x4 matrix of profiles varying from: a) drivers associated to CSR viewed as a threat or burden, to more positive drivers linked to a perception that CSR is a major opportunity for the business as a whole and b) approaches to CSR ranging from not integrated to fully integrated to the business. In this research, the model has been used to determine the "CSR profile" of four sectors. It is suggested that further research could be conducted for other sectors and profiles could be determined using this model.

This report can be considered as a pilot research that opens up new ways to look at drivers for CSR. The methodology developed in this research could also be adapted to investigate other aspect of CSR within companies. In particular the classification scales of drivers and activities used in the survey could be applied in a wider study using a representative sample. The exercise of profiling could be extended to more sectors and more countries. It could be also used by companies to assess their own profile and assess what would be the next "natural" step for them in terms of CSR integration.

Because this research has been conducted on a qualitative basis using a purposive sample, the findings warrant testing in a more quantified approach to the topic. Further research could also highlight evolution in the types of drivers mainly considered by businesses. At the time when the research was conducted, climate change was at the heart of public concern and participants commented that they noticed an evolution of the debate around CSR and of the drivers for companies to engage in CSR. As a consequence it would be useful to see if there is an evolution over time in the type of drivers a company responds to.

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Appendix 1: Survey on drivers for Sustainable Development

In the survey, the terms Sustainable Development (SD) and Corporate Social responsibility (CSR) will be used interchangeably.

Preliminary Questions:

Sector:

- | | |
|--|---|
| ☐ Financial | ☐ Resources/Energy |
| ☐ Professional Services | ☐ Transports/Logistics |
| ☐ Retail | ☐ Infrastructure (Construction, Property, Utilities) |
| ☐ Manufacture | ☐ Other: _____ |
| ☐ Food | |

Size of the company:

- Number of employees
 - ☐ < 100
 - ☐ 100-150
 - ☐ 500-1000
 - ☐ >1000

- Annual Turnover
 - ☐ < 1M
 - ☐ 1M-10M
 - ☐ 10M-100M
 - ☐ 100M-1B
 - ☐ >1B

Position of the interviewee in the company:

- ☐ SD or CSR Manager / Officer
- ☐ Communication Manager
- ☐ Environmental Manager
- ☐ Public relations
- ☐ Human Resources
- ☐ Other: _____

Questionnaire:

1

A) Drivers and Barriers to SD/CSR

- 1) The following are commonly seen as drivers of CSR/SD. How important are/have been those drivers for your company? Please, rate all drivers by relevance within your company: 1: Not important at all; 2: Not very important; 3: Quite important; 4: Very important

DRIVERS	1	2	3	4
Company ethos				
Competitive advantage				
Product development/Innovation				
New market				
Cost savings				
Increased productivity				
Profitability				
License to operate				
Attracting and retaining employees				
Securing long term viability in the market place				
General business improvement				
Shareholder demand				
Top line growth				
Risk Management				
Career Development				
Closer supplier relationships				
Lower cost of capital				
Access to Capital				
Compliance with legislation/standards				
Reputation				
SRI demand				
Industry trends				
Easier access to foreign markets				
Long-term viability in the market place				
Increased Customer Loyalty				
Customer demand				
Pressure from NGOs				
Public awareness on climate change				
Supply Chain Demand				
Brand image				

- 2) What other drivers are important?

- 3) Whatever a company's drivers to CSR/SD, action may be triggered by a specific event or cause. What specific trigger event started CSR/SD considerations in your company? Please all relevant boxes.

- ☐ Eco-disaster
☐ Conference
☐ Changes at a senior level
☐ New national/International Standards
☐ Local Government requirements
☐ Lack of success of attracting staff
☐ Community pressure
☐ Board demand
☐ Cost Benefits and efficiencies
☐ Risk of regulation
☐ Risks on the financial market
☐ NGO attack
☐ Staff requests / Staff survey
☐ Publicity eg on climate change
☐ Reputation crisis
☐ Competitor advance
☐ Customer demand
☐ Others. Please specify _____

- 4) What is or could be a future barrier for your company to (keep on) commit(ing) to SD/CSR. Rate those barriers from: 1: not a barrier at all; 2: a small barrier; 3: a significant barrier 4: a major barrier.

	1	2	3	4
Lack of resources				
Lack of knowledge on technologies				
Lack of market opportunities/demand				
Reluctance to change from senior management				
Short term projects override Long Term Strategy				
Lack of upward movement of initiatives				
Culture of Business As Usual / Organizational culture				
Lack of capability/knowledge with employees – and management				
Lack of market forces or incentives within industry sector				
Unsupportive reward structures				
Lack of support at an industry level				
Lack of support at a government level				
Too busy				

- 5) What other barriers to CSR can you identify?

- 6) Which of these activities are considered important to your business? Rate these activities as: 1: not considered in business decisions; 2: sometimes considered in business decisions; 3: mostly considered in business decisions; 4: always considered in business decisions

	1	2	3	4
Life Cycle Analysis at all levels				
Procurement policy applies equal weighting between "green", "social" and financial considerations				
Product responsibility extends to impacts on consumers				
Efficient Logistics				
Reuse				
Use of CSR/SD as source of commercial innovation				
Managing Longer term partnerships with community groups				
Linking community engagement and business success				
Products/services include social/environmental benefit				
Stakeholder education and consultation				
Workplaces meet relevant OH&S				
Equal employment opportunity practices				
External measures of CSR/SD impacts				
Stakeholder council				
Volunteer program				
Product stewardship approach is applied to resources used and products /services				
Developing the use of sustainable technology				
Improving design of products and packaging to minimize environmental impacts				
Donations to charity/philanthropy				
Work-life balance policy				
Diversity within the workplace				
Gender balance throughout the management level				
Supply Chain Management including environmental and social considerations				
Green products/services				
Reuse, Recycling and waste management (Cradle to Cradle)				
Measure and manage CO2 impact				
Measuring and reporting on CSR/SD impact issues				
Use of targets and forecasting				
Emissions reduction targets publicly available				
Reduce waste				
Reduce water consumption				
Reduce natural resource consumption				

- 7) Are there any other CSR activities that your company mostly or always undertake?

8) What is your perception of integration of SD/CSR in your own company? Please tick one box only.

- ☐ Not integrated. SD/CSR objectives are seen as separate from the Company's business
- ☐ Early integration: some practices being part of normal business
- ☐ Substantially integrated. The company's SD/CSR objectives are generally in line with the organization's general objectives.
- ☐ Fully integrated. Individuals, departments and the company as a whole consider the environmental and social implications of their decision-making processes together with the financial success of the company linked to KPIs as a measurement tool.

C) Business benefits and drawbacks from SD/CSR activities

9) Has your company experienced any benefits from implementing a sustainable business practice? Please rate the following benefits: 1: no benefit; 2: some benefits; 3: significant benefits; 4: major benefits

	1	2	3	4
Improved brand image				
Improved bottom line				
Share Price Increase				
Cost savings				
Risk reduction				
Higher staff retention				
Long term viability in the market place				
Increased productivity				
Reduced cost of supply chain management				
Logistics costs reduction				
Product/market innovation				
Reduced cost of recruitment				

10) Any other benefit?

11) Have you found any drawbacks as a result of CSR/SD practices? Please tick if yes.

- ☐ Time consuming
- ☐ Administrative complications
- ☐ Increased costs
- ☐ Diverts energy from core business
- ☐ Public Exposure of company risk
- ☐ Increased risk
- ☐ Increased training required of staff
- ☐ Other: _____

Appendix 2A: Interview Guide

2A

This interview is confidential and no statements will be attributed to individuals and no companies will be identified. Any questions about protocols?

A. Demographics

- Sector, Industry and general activity of the company:
- Number of employees in the company:
- Annual Turnover

B. Sustainability in your company

- 1) Can you describe what sustainability is in your company, both in theory and in practice?
- 2) In your opinion, what is an integrated approach to sustainability?
- 3) How long has your company been involved in sustainability?
- 4) Please comment on the evolution of this engagement? In particular, we would be interested in having your opinion on the evolution of integration of more sustainable practices into the company's day-to-day business.

C. Drivers for CSR

- 5) Thinking broadly about the social and environmental aspects of CSR, what sort of practices does your company apply? What have been the main drivers for those engagements?
- 6) Have those drivers evolved over time? If yes, what have been the reasons for this evolution? If no, why do you think not?
- 7) In your experience, which drivers really lead to change?
- 8) Do you think that key drivers can vary from one company to another? One industry to another? If yes, what are the reasons and factors that can explain these differences?

D. Contextual factors

- 9) What contextual factors have shaped the way your company has responded to drivers and engaged in sustainable practices and CSR? (prompt: eg industry trends, competitors practice, market size, government, and other industry specificities)
- 10) Please comment on the contextual factors you feel will encourage or block companies taking up more sustainable or more socially responsible practices over the next few years?

E. Influence on companies

- 11) What should Government or NGOs do to encourage companies towards responding positively to the drivers of sustainability and CSR?

F. Open

- 12) Any other comments?

Thanks for your time and insights

Appendix 2B:

Key points from interviewees on drivers for CSR

A) Demographics

For confidentiality reasons, no individuals or companies will be identified in this report on follow-up interviews. Eleven of respondents to the online survey also offered their participation in follow up interviews. The repartition in sector is as followed:

- Professional Services including Consultants: 4
- Fund Management: 1
- Financial Sector: 1
- Property Management: 1
- Energy: 2
- Food Industry: 1
- Environmental risk management: 1

It is to be noted that not all respondents answered all questions. Because the interview was conducted in an open-ended manner, some of the respondents gave insights for two questions in one answer. For some another two interviewees, some questions were not appropriate and were reformulated and answers were integrated were relevant.

B) Sustainability in your company

1) Definition in theory and in practice

In theory:

- "It is the ability to operate without negative impact/ no adverse effect on the community and the planet we live in"
- "It is about reporting on the TBL "
- "No one sentence answer to define what sustainability is". Hard to define, different visions.
- "Aligning environmental social and financial objectives and maximizing the success of the business "
- Sustainability has 4 pillars: economic and financial longevity, social sustainability (impact on the community), environmental footprint, institutional/government (right to operate, process and structure: governance)
- It is associated to the environment. And to corporate responsibility towards customers, staff, the community and the environment.
- Brundtland definition; encompassing all economic, social and environmental aspect of the business. It has to be a sustainable economy, Society and Environment (SEE)
- Linked to our responsibility on the environment and the community
- Sustainability: the bigger version of LT thinking and securing access to resources for future generations

In practice:

- Getting staff involved; light system and power used in warehouses and in the business; green power (30% reduction of electricity consumption); reporting on environmental and social initiatives; carbon credits to compensate petrol consumption;
- Strong emphasis on the environment and now also including social aspect (employee and community involvement)
- It is about CSR activities that lead to a better place; “ongoing development”
- Focus on reducing the costs that have an environmental impact (water, energy) + increasingly it is about enhancing the relationship with customers and achieving their environmental objectives. Developing brand value (+ initiative to benefit the tenant directly)
- It is bind to the company’s core value: customer first. Providing premium financial service to customers, being a responsible bank, making sure they engage the work force, volunteering program and managing assets responsibly in the SC: broader responsibility to all stakeholders. The responsibility has to be balanced across the different stakeholders
- “It is a journey”. Through the different projects the company is involved in.
- About embedding environmental initiatives in our day-to-day activity
- It’s a journey.
- Summarized in the TBL report

2) What is an integrated approach to sustainability?

- Initiative: doing a carbon footprint in the company for everybody. Trying to get everybody involved (employees, top level): have an environment committee every quarter = CSR is about transparency across the company, about what they do with the money. + looking at suppliers and preference to those who are making an effort.
- Recognize that we are part of the community in which we operate (for them 70% of their 1400 employees live in the area in which they operate)
- It is a way of doing business
- An approach where you are doing CSR not just for the right reason but you make sure all people are motivated and involved (all stakeholders)
- For some companies, sustainability is about energy and water. But it is actually broader than that.
- It is not about having a department focusing on CSR but rather integrating sustainability in the company overall. Targets are set around and each department is in charge of reaching them. It is managed across the company, not in a centralized body
- One that covers the 3 “SEE”, opportunities across the 3 dimensions
- It is integrated across the organization, from the top, all the way through to practices. Sustainability is about managing and measuring performance in four areas marketplace, community, environment, workplace.

3) Years of involvement:

- Since 1992 but 2001, stronger focus with environmental products
- Many years but really new, broader practices recently (2 years)
- 2 years
- First Step in 2002: committee with directors on sustainability. 2003: major step when published targets.
- 7 to 10 years with the Program Corporate Responsibility 3-4 years
- Back in the 80s philosophy. Already they wanted to make sure that the communities from where RM was sourced had a sustainable environment + make sure they will be able to meet long term relationships. Then it expanded.

4) Evolution of the engagement:

- Strong environmental ethics from top management/directors. They started to do business more responsibly and then all staff started to be more willing to do things more sustainably. With the focus on climate change in the media, you are enticed to do business differently
- Learning journey: evolving in practice as we learn from it. Learning how it can add value to the social, economic, environment areas
- Evolving. It is hard to get started and then easy and rewarding. Cultural change: this is really what is difficult
- The initial focus was on reducing risks and complying with regulation = traditional environmental management. Then 2003: specific targets to reduce costs that have an environmental impact + programs with tenants. Make products more attractive and help them save energy in their operation. Building stronger relationship with suppliers and tenants. In the future, they would like to be viewed as a preferred provider of office buildings and manager of institutional investments = lot of work.
- The issue of climate change and the Al Gore movie are tipping points, people being more aware. Leads to company being more aware of its responsibility to broader stakeholders. Over the years, they have become more focused, more precise actions
- Awareness has grown across the business.
- Progressive engagement. Increasing recognition of CSR from the board enables greater involvement.

C) Drivers for CSR

5) Drivers

- Personal values from top management. NOT driven by legislation
- Employee engagement with regional employees engaging in the community. It raises awareness of the brand and this is important for the company and employees to be proud of their work
- Recycling, water management and bio fuels. The drivers come from the owners of the company. Values, Mission, Vision
- The office portfolio that attaches a specific value to CSR. By building credibility, they wanted to encourage demand for it. Key drivers: credibility led approach, emerging market, quality
- First: either regulation that give a business sense; second: consumer driven because this is the right thing to do. + combination of both
- Main drivers: shortage of good talented employees; staff program; increased awareness for protecting the environment; acknowledgement of the company's value: customer first; competitive landscape, CSR becoming a competitive advantage.
- But it is an heritage + the way the business is structured has a strong impact: it is a strong large local operating company. Obligation to develop the community in which we operate. There is no healthy business without healthy community. Recognizing interdependence
- Values firstly. Then associated to the bottom line

6) Evolution in drivers

- Having children (personal values and beliefs) changed the way they view the world
- The drivers have always been becoming more prominent
- Became more aware of our responsibilities
- Drivers appeared recently, early days. Quality premium attached to the product they sell = added value and customers are willing to pay for it. Early stage, currently educating the market
- Drivers evolve

- The values have not changed (Customer first). But external factors have had a strong influence (financial market, awareness...)
- Change because of: the climate change debate although they have been conscious for many years, they started to recognize it (eg. Refrigerator units using CFC. But the debate has accelerated faster than the company has been able to keep up with it.
- They are evolving: 1) corporate collapsing: requirement of better ethical governance 2) climate change and government and consumer expectations 3) new and fast media 4) Development of SRI 5) choice of employer according to ethical criteria

7) Drivers that really lead to change:

- Legislative drivers. When there is no incentive, they are not encouraged. They can force the market into better practice
- Economic driver. + employee and community (emerging) and environmental issues
- Business culture and when it is embedded in Mission, Vision, Strategy.
- Having alignment + demonstrating the potential to make money, not only because this is the right thing to do. When there is alignment, there is creativity
- Innovation is a major driver. Understanding sustainability with innovation is easier for everybody
- When there is a direct business benefit. Eg: employee engagement and the company has a better overall performance
- Bottom line, recognizing that there is money to save through CSR practice, showing the business case. Demonstrating that it is not only the good way to operate but also because it can lead to the business case
- Climate change but afraid that it might take over all the other aspects of CSR

8) Variation from one company to another

- The individual values are a major variation. It tends to be: bottom line drivers in bigger companies (value to shareholders). Easier to institute change in smaller companies
- No "one fits all" approach. It is particular to one situation. There is no generic drivers, each company have their own (differences with industries). Main reason: employees and people different viewpoint
- All companies taking CSR seriously are lead by the Mission, Vision, Strategy
- Can be hard in some companies (eg. Gun manufacturer)> all companies are facing different issues, are targeted for different reasons (ethics). You have to be creative and credible. Letting the marketing department in charge of it is not a good idea (greenwash)
- Drivers are different in different industries, mainly because regulation varies. Influence of the size of the company: for a bigger company it is more difficult as there are more people to get on board. When it is owner operated, it is easier.
- Some drivers are consistent across size of companies: shortage of talented staff, customer demand.
- Depends on industries

D) Contextual factors

9) Contextual factors

- The broader economy: with environmental awareness increasing; customer demand (with customer themselves being touched by environmental problems or awareness): opportunities to foster change
- Greater awareness of Climate change; no regulatory incentives in their business: voluntary Not been lead by the market, no competition but legislative requirements
- Proper to the industry: emergence of rating tools (5 star rating): opportunity to demonstrate a point of difference. Used to have skepticism. Have been a bit leaders and now followed by the competitors. Can be hard to see that competitors are not doing it: are we doing the right thing?
- An industry body can have a strong influence. Competition has an influence: you follow trends.
- Competitors doing strong marketing campaigns: the answer was to keep a low profile and focus on actual results while competitors focus on raising awareness; regulation is another factor
- Government requirements and competitors actions. But they have been driven by the “right reason” because it is the right thing to do. It then helps building the business and can lead to differentiation.

10) Contextual factors that can encourage or block companies

- Political and government: can drive forward with carbon trading scheme; public opinion: pressure on firms to engage to CSR to remain profitable
- Companies will think that CSR practice is a cost, not a benefit to their company. Looking for the business case, see value in practice
- Legislation such as carbon trading scheme
- Economic argument, financial market and credit crisis have an influence. It is easier in a strong economy. But with the growing awareness of sustainability issues in the company, it balances the challenge of economy
- There is a lack of incentive where the cost can be high. Some companies take the lead while others follow when they perceive a high cost. But if they don't see the benefits, they see that they are losing market share and they follow competitors. It can be an un-integrated approach for lots of companies. They may have no goals, no strategy and implementation plan. But opportunity can develop as action creates action: if they take the right action, then they start the journey and start seeing benefits and engage into more actions
- Changing financial landscape: it would be interesting to see if there are the same investments and focus on CSR. It can be very difficult for small companies with less capital.
- Complying with regulation can be a limitation of good practice; employee base can encourage CSR in a company while CEO level can be reluctant
- Regulation for laggards + can push initiatives forward

E) Influence on companies

11) Government and NGOs:

- It depends on the company: for them, a strong environmental context (and values), for others, social initiatives as well. The government can put expectations on companies practices + Media bombarding with climate change, poverty and environmental degradation: impossible to pass over
- Should continue awareness campaigns. And adopt brokering: bring opportunity to work together. Identifying lobbying opportunities to influence business. NGOs may take an advocacy role with the business sector, develop opportunities to work together
- Companies should measure and benchmark competitors and compare drivers with other companies
- Government should have a role of encouraging companies, recognizing good practice, raising awareness, working together in partnership instead of forcing regulation
- Education role, showing case studies. They should also work towards reducing the red tape, as sometimes positive opportunities can be limited/constrained by government, impediments.

F) Open

- The issue we are facing is a journey, it is an ongoing process that implies a different way of thinking
- Companies are now realizing that CSR has to be integrated into the day to day business. It has to be a business model to improve the bottom line.

Appendix 3: Grading calculator system

❖ First step:

The first step was completed in sections 4.2.2 and 4.2.3, where we have developed two systems of classification for drivers and CSR activities.

- 5) For the drivers, we have created a system to classify drivers on a scale ranging from CSR seen as a major threat or barrier to business to CSR seen as an opportunity for improving business profitability and prosperity.
- 6) CSR activities have also been arranged on a scale, with two different classifications for different sectors.

❖ Second step:

A second step involved organising the data obtained from the survey according to sectors. For both drivers and activities, averages in answers were calculated, based on the following systems:

- 7) For drivers: 1=not an important driver, 2=not a very important driver, 3= quite an important driver, 4= a very important driver;
- 8) For activities: 1= never considered in the business, 2= sometimes considered in the business, 3= mostly considered in the business, 4= always considered in the business.

Averages were then collated under the four different sectors of our study (financial sector, professional services, infrastructure and manufacture).

❖ Third step:

At this stage, the objective was to give a grade to each sector according to their answers for drivers and activities. The main rule to grant points was to say that an average grade over 3 (3 included) would get some points. Grading systems for drivers is detailed in tables below. They are based on classification systems presented in sections 4.2.2 and 4.2.3.

Grading system for Drivers:

	Category of driver	Points granted to drivers in this category	Number of drivers in this category	Cumulated points by category
Opportunity	4 Direct benefit for the company's profitability	4	5	53
	3 Indirect benefit for the business in general	3	8	33
Constraint/Threat	2 Indirect negative impact on long term business profits	2	3	9
	1 Direct threat for the business operations	1	3	3

Grading System for Activities

	Points granted to activities in this category	Financial sector and Professional services		Manufacture Industry and Infrastructure	
		Number of activities for those sectors, in this category	Cumulated points by category	Number of activities for those sectors, in this category	Cumulated points by category
4 Fully integrated - "Strategists"	4	5	72	11	82
3 Mostly Integrated "Committed"	3	10	52	7	38
2 Partially integrated "Beginners"	2	9	22	7	17
1 Not integrated - "Ideal targets"	1	4	4	3	3

❖ Fourth step:

The last step was to actually grant points for 1) the drivers companies respond to and 2) the activities they are engaged in for the different sectors. The results from this step are presented in Appendix 4A (for the divers) and 4B (for the activities).

❖ Fifth step:

The fifth and last step involved translating the results on a graphical format. Presenting and commenting on those results is the objective of the following section.

Appendix 4A: Grades for drivers per sectors

For each sector, when the average obtained for a driver is superior or equals 3, the points in the column “points to be attributed” are received by the sector.

		Financial sector		Professional Services		Infrastructure		Manufacture	
Drivers	Points to be attributed	Average	Points received	Average	Points received	Average	Points received	Average	Points received
Competitive advantage	4	3,7	4	3,6	4	2,8	0	2,8	0
Product development/Innovation	3	3,0	3	3,3	3	2,8	0	3,2	3
New market	3	2,9	0	3,6	3	2,8	0	2,5	0
Increased Productivity	4	2,9	0	2,1	0	2,6	0	3,2	4
Profitability	4	3,4	4	3,0	4	3,1	4	3,3	4
License to operate	1	2,9	0	2,6	0	3,1	1	3,2	1
Attracting and Retaining employees	3	3,6	3	3,1	3	2,8	0	3,2	3
Securing long term viability	2	3,4	2	3,6	2	3,1	2	3,0	2
Shareholder demand	3	3,3	3	1,9	0	2,5	0	2,3	0
Risk Management	1	3,1	1	3,1	1	3,0	1	3,2	1
Career development	3	2,4	0	3,0	3	2,4	0	2,0	0
More cost-effective supply chains	4	2,3	0	1,9	0	2,4	0	2,5	0
Compliance with legislation/standards	1	2,6	0	2,1	0	3,5	1	3,0	1
SRI demand	3	3,0	3	2,0	0	2,5	0	2,5	0
Customer demand	4	3,4	4	2,7	0	3,1	4	2,8	0
Public awareness on climate change	2	3,3	2	2,6	0	2,8	0	2,8	0
Brand image	2	3,6	2	3,1	2	3,4	2	3,3	2
Reducing the cost of emitting (GHG)	3	3,3	3	2,3	0	3,4	3	3,0	3
Improving energy efficiency	3	3,4	3	2,7	0	3,6	3	3,3	3
Total points	53		37		25		21		27

Appendix 4B : Grades for Activities per pair of sectors

For each sector, when the average obtained for a driver is superior or equals 3, the points in the column “points to be attributed” are received by the sector, given that there are two sets of points to be attributed (one for each group of two sectors)

		Financial sector		Professional Services			Infrastructure		Manufacture	
Drivers	Points to be attributed	Average	Points received	Average	Points received	Points to be attributed	Average	Points received	Average	Points received
Linking community engagement and business success	3,0	3,3	3	1,9	0	3,0	2,5	0	2,7	0
Developing workplaces that meet relevant OH&S	1,0	3,9	1	2,9	0	1,0	3,5	1	3,7	1
Reducing adverse impacts on consumers	2,0	3,1	2	2,3	0	3,0	3,1	3	3,5	3
Increasing efficiency of logistics	3,0	2,4	0	2,4	0	4,0	2,8	0	2,8	0
Using Sustainability/CSR as a source of commercial innovation	4,0	2,6	0	3,0	4	4,0	2,4	0	2,5	0
Managing LT partnerships with community groups	2,0	2,6	0	2,1	0	3,0	2,5	0	2,2	0
Conducting LCA at all levels	3,0	2,3	0	1,7	0	4,0	2,4	0	2,3	0
Including social/environmental benefit to products/services	4,0	2,6	0	2,3	0	3,0	2,6	0	2,7	0
Consulting and educating stakeholders	2,0	2,7	0	2,9	0	2,0	2,4	0	2,7	0
Implementing a "Green" procurement policy	3,0	3,0	3	2,1	0	4,0	1,8	0	3,0	4
Conducting equal employment opportunity practices	2,0	3,7	2	2,7	0	2,0	3,5	2	3,5	2
Reducing natural resource consumption	3,0	3,0	3	2,3	0	4,0	2,6	0	3,2	4

Restoring the environment	2,0	2,7	0	2,1	0	3,0	2,6	0	2,7	0
Developing volunteer programs	1,0	2,0	0	1,7	0	1,0	2,1	0	2,0	0
Applying a Product Stewardship approach to supply chain management	3,0	2,4	0	1,6	0	4,0	1,9	0	2,8	0
Using sustainable technologies	3,0	2,6	0	3,1	3	4,0	2,5	0	2,5	0
Improving design of products and packaging to minimise environmental impacts	4,0	2,4	0	2,3	0	4,0	2,3	0	3,2	4
Developing donations to charity/philanthropy	1,0	2,1	0	2,1	0	1,0	2,6	0	2,0	0
Applying work-life balance policy	3,0	2,9	0	2,7	0	3,0	2,5	0	2,3	0
Promoting diversity within the workplace	2,0	3,0	2	2,7	0	2,0	2,8	0	2,5	0
Maintaining gender balance throughout the management level	2,0	2,6	0	2,6	0	2,0	2,6	0	2,5	0
Developing green products/services	4,0	2,4	0	3,1	4	4,0	2,6	0	3,0	4
Recycling and increasing the use of recycled materials	3,0	2,7	0	2,6	0	3,0	3,0	3	3,3	3
Measuring and managing greenhouse impact	4,0	3,1	4	2,6	0	4,0	3,1	4	3,0	4
Measuring and reporting on CSR impact issues	2,0	3,3	2	1,9	0	2,0	2,5	0	2,8	0
Making emissions reduction targets publicly available	2,0	3,3	2	2,1	0	2,0	2,4	0	2,5	0
Reducing waste	1,0	3,0	1	2,7	0	2,0	3,1	2	3,5	2
Reducing water consumption	3,0	2,9	0	2,6	0	4,0	3,0	4	3,3	4
Total Points	72,0		25		11			19		35

