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CSR Report

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CSR Report
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Foreword by Barbara Kux:
Sustainability – A window to the future

Siemens proves that sustainability means business

If we humans had a balance sheet with planet earth, we would clearly be in the red. Today we are already consuming the natural resources equivalent to 1.6 planets and counting. If we maintain the current speed and amount of consumption we will fast run out of them. The driving forces behind resource scarcity are population growth, increasing standards of living and urbanization. Urban areas account for two-thirds of the world’s energy consumption and about 60% of its freshwater needs.

Take the example of India. 90% of India’s housing needs for 2025 are yet to be met. The way in which these houses will be constructed will impact on resource needs and global resource prices. Over the past ten years we have seen that resource scarcity triggers significant resource price increases and we don’t know where it will end. We are going to face massive changes and extraordinary challenges. But there is a silver lining: If we have the right mindset, we can turn these perceived hurdles into unique opportunities.

In fact, companies can be the main drivers for creating a global economy that could meet these challenges and seize these opportunities. By making sustainability part of their strategy, companies can grow in a productive way and significantly cut costs and greenhouse gas emissions. A recent study concluded that today’s global market for environmental technologies amounts to €2 trillion. It is expected to double to €4.4 trillion by 2025. The most tangible effects will be substantial revenues for manufacturers of green technologies and a trickle-down effect for their customers in terms of visibly lower costs through reduced energy bills. The world’s tallest green building, the Taipei 101 tower in Taiwan, saves about $1million per year due to advanced environmental technology.

However, sustainable economies are not only about lower costs and reduced emissions, they are also about creating jobs. Sixteen US cities mention green jobs as one of the potential benefits from the transition to a more resilient, low-carbon economy, according to the not-for-profit organization Carbon Disclosure Project. The city of Portland has introduced the Clean Energy Works Oregon program that pays for the up-front costs of building retrofits whereby the loan is repaid on energy bills over a 20 year period. The program provided jobs for more than 400 people and delivered 1,200 home energy retrofits in its first two years. In Berlin, Siemens retrofitted 164 buildings with its technology and used a similar business model, reducing the associated CO_2 emissions by 25%.

Siemens is a living example of how companies can benefit from putting sustainability at the heart of their company strategy. Our understanding of sustainability is deeply rooted in our company's history and our values. More than a century ago, our founder Werner von Siemens pledged that his company fulfill its responsibilities to its employees, to society and to nature. He said: “I won't sell the future for a short-term profit”. We still live by these words today. Through the collaborative effort of our entire workforce, Siemens is now the most sustainable industrial company in the world, according to the Dow Jones Sustainability Index 2012. First and foremost sustainability means business for Siemens. We have become the world's largest provider of environmental technologies. Since 2008, our Environmental Portfolio grew in revenue from €19 billion to €33 billion, now generating more than 40 percent of our total turnover. The business benefit of our strategy is conclusive.

There are even more benefits that are only apparent on closer examination. In 2012 our customers saved approximately 332 mega tons of CO2. This is equivalent to six times the annual CO2 emissions of New York City. In the long run, the environment could be the biggest beneficiary of our business. One further incentive for maintaining a competitive edge through sustainability is to respond to the aspirations of our future employees. For the so-called Generation Y sustainability credentials are crucial when deciding to join a company.

The upside is that we have all the means available to create a sustainable future if business, politics and society join forces and make this a common goal. Companies play a vital role because they are at the forefront of innovation and technology. The downside is that time is running out. We have to act now. The race to the moon that started in the 1950s sparked an unprecedented innovation boom. This accomplishment might have seemed impossible at the time – yet we have been to the moon and back. We need to tap into this spirit and embark on a race for sustainability. Countries, cities and companies are increasingly joining the race, setting themselves sustainability targets. Siemens is proud to be a frontrunner in this venture. We need competition. Siemens is all geared up for this challenge. The more of us there are, the better.

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1. **Rethinking Sustainability – a Daunting Agenda** by Francesco de Leo

Around this time, about three years ago we embarked on a journey to make progress towards a more comprehensive understating of sustainability, as a fundamental issue, affecting our view of the economy, the evolution of the global geopolitical context, as well as the impact on management as a discipline.

We set for us an ambitious goal, to make sustainability a more relevant issue, and by doing so we aimed at closing up the gap in terms of media coverage, by making the sustainability agenda a driving force shaping the public debate on innovation, growth and competitiveness.

The starting point of what later on became the CSR 2011 Report was the focus on engaging a selected number of visionary leaders to contribute with their views about why does sustainability matter, and how does it shape the way they run their organizations, both in the private as well as in the public sector.

While we achieved our goal to build consensus on the overarching proposition that sustainability is a powerful force shaping the evolution of the global economy, we were fully aware of the monumental work still ahead of us, in making sustainability a priority in terms of policy making for governments, corporations, the academic world and communities at large.

The debate that originated from the CSR 2011 Report was centered on three fundamental issues:

First, and foremost, sustainability, as a driver of change shaping the world economy and the geopolitical context is here to stay. You can avoid the issue, or postpone the process of defining policies and actions aimed at addressing the way you leverage sustainability to build a more resilient economy, or a more competitive organization, but you will be doing so at your own peril

Second, we acknowledged that the transition under way was generating a number of daunting, unprecedented challenges that require mobilizing innovation on a global scale, this time at a much faster pace, than previously recorded in the history of modern capitalism

Third, we pointed the attention towards the issue of governance and policy coordination. We shared the overall view that addressing sustainability as the key challenge of our age was better addressed if each one of us realizes that neither government, nor corporation can succeed on a stand-alone basis. Harnessing the power of innovation on a global scale, engaging a new generation of entrepreneurs, adjusting to the magnitude of change due to the impact of climate change, while acknowledging that we all live on a planet with limited resources, requires engaging on global scale with multiple constituencies. Mobilizing innovation with an unprecedented reach and scope could be achieved if new, and more energized international institutions can emerge to build consensus on how to drive investments and resource allocation across industries and regions of the world.

The CSR 2011 Report set the ground for a more focused, and disciplined-based approach towards the issue of sustainability. The variety and the sources of the diverse contributions represented a key step towards building awareness of sustainability as a driver of change across a world shaped by widespread fragilities, and ever increasing volatility.

While acknowledging that sustainability, if translated into actionable goals, supported by a shared consensus on the multiple metrics to be adopted, could and must shape, inspire, mobilize innovation across the world, we remain cautious and humble about how quickly an agreement can be reached in terms of a global agenda.

What is sustainability, and why does it matter? What if sustainability is not just a “nice to have” opportunity to recreate a sense of “purpose” for the corporate world, but it is by itself the defining challenge of our times? A challenge that requires a new sense of urgency aimed at rethinking policies on the widest imaginable range of challenges, while facing unprecedented changes affecting the resilience of the world economy, due to the impact of climate change, and the emergence of new forms of scarcity, from energy to water, to natural resources.

The mix of strategic shocks that erupted in September 2008 across the global financial community, coupled with the growing frequency of climate-related catastrophic events has exposed the world to a number of unprecedented vulnerabilities. Suddenly, with little or no anticipation we found ourselves swept into a fundamentally different world: a world where emerging fragilities and ever increasing volatility are shaping a new reality challenging the world economic order, the survival of industries, and the future and prosperity of the next generations.

While the events shaping the world economy are inflicting painful costs in terms of future growth exposing the failing of many countries, too weak or poorly prepared to address challenges within their borders, there are reasons to believe that the current economic turmoil is not just a temporary, cyclical setback. On the contrary, it is time to acknowledge that climate change and the end of cheap energy will be a source of permanent discontinuities, and structural changes.

The sequence of unpredictable shocks does not seem to reach an end: the liquidity crisis erupted in September of 2008, the demise of Wall Street, the challenge for survival of industries that have been part of our economic landscape, the systemic crisis affecting the euro-zone, the ever increasing frequency of disruptive weather events such as hurricane “Sandy” are exacerbating disruptive fragilities, imposing ever increasing costs to countries, corporations, and society.

In a multipolar, more interconnected world, few of these challenges, if any, can be met by governments or corporations on a stand-alone basis: no country has the resources nor the capability to influence the global agenda, nor to build and mobilize innovation with the scale and scope needed to change the course of the current economic transition.

What has changed, since the publishing of the CSR 2011 Report, is how we view sustainability, climate change, and the progress towards a more efficient use of energy across the world, as the key drivers of competitiveness and value creation.

The joint impact of sustainability, climate change, and the drive towards energy efficiency and conservation is shaping the policy agenda raising new challenges, within and across countries, redefining the spectrum of threats to be addressed, and disclosing a few emerging opportunities. The very concept of national interest will have to be reviewed to capture how the impact of a new wave of vulnerabilities will affect the dynamics of change within states and the distribution of power among them.

Addressing the impact of permanent disruptions, and structural discontinuities requires more than just a set of individual actions, and it needs more than the collection of individual positions: it demands a realistic assessment of the downside risks of delaying the progress towards a more sustainable world, the selection of meaningful yet achievable goals that can promote a global consensus on the policies to be adopted, and innovative ways to engage multiple and diverse constituencies. Not even the most powerful nations can shape the events according to their own preference, nor they can mobilize innovation capabilities on a stand-alone basis, with the scale and scope required by the challenges threatening the planet.

Making progress towards a more sustainable world, while addressing climate change and promoting energy efficiency and conservation should not come at the expense of growth. On the contrary, the only possible long lasting growth comes from addressing existing and emerging vulnerabilities while making sustainability the paradigm for value creation and outstanding financial performance.

In a volatile environment shaped by new forms of scarcity due to emerging fragilities of the world economy, countries and corporations will be competing for a finite set of natural resources, while chasing capital flows that will favor those that command a credible track record in terms of sustainability, energy efficiency and conservation. The success of few will exacerbate the failings of many others: in a multipolar, interconnected world these changes will affect the distribution of power among states, their competitive ranking, as well as their capability to attract investments, and they will impact on the chances for survival of industries that have been part of our everyday life.

Given the time required for countries, industries and corporations to adjust to the new reality, we can anticipate that without a new sense of urgency, and bold actions a few of them are now exposed to an irreversible decline, with little or no chances to change their destiny of demise and extinction.

The financial turmoil affecting the entire world, the crisis hitting southern Europe, the challenges faced by “old” industries such as automotive are just one more sign of the irreversible weakness of countries and regions of the world that have been consistently unable to meet the challenge of building a more resilient economy. Failing to address the emerging vulnerabilities due to obsolete infrastructures, lack of governance, and volatile policies such as in the case of Italy and Spain, is proving more destabilizing than expected, and it has the chance to spillover the contagion to the rest of Europe.

Lack of governance, weak or biased understanding of the impact of sustainability on the economy, absent an effective energy and climate-change policy, will expose countries, corporations and investors to irreversible decline, inhibiting the capability to address disruptive challenges within their borders, destabilizing the international order, and posing a threat to the chances to re-ignite growth on a global scale.

While writing these pages, the financial community and governments across Europe are looking at investments in basic infrastructures as a way to stimulate growth, with a specific focus on transportation hubs, as in the case for airports. We expect the enthusiasm of investors that are reaping the benefit of a significant rise in the share value of holdings controlling major European hubs to be short-lived.

If you have ever flied to or out from peripheral European airport, you are likely to have experienced the many failings of an obsolete infrastructure, where there are no signs of investments in energy conservation or efficiency. The goal of “building one more runway” that epitomizes the appetite for investors to see more building of infrastructure at the time when “national” airline companies, regardless the country of origin, are facing a doubtful future and while the global airline industry is fighting for its own survival does not seem to be a long term strategy for value creation. If you add that a number of peripheral airports are located far away from metropolitan areas and they are far from being well-known hubs in terms of being an integrated transportation infrastructure there is room for questioning if these investments will be able to meet the test of times. If you add that a number of them are located at or below sea levels, you should guess how safe is investing billions of Euros while there are growing concerns regarding the climate disruptions that will impact the European coastlines.

If you consider that these investments will come short of any realistic assessment of the present and future energy needs, and they are likely to fall short of a more comprehensive understanding of how modern, sustainable infrastructure should be built, we are advising investors to sell short. The best days for this kind of investments are behind us. There are few, if no chances for these investments to pay out within the foreseeable future. We estimate that the billions Euros already committed to air transportation are just a fraction of the new investments needed to make European airports "sustainable" hubs: within a few years, Europe and its taxpayers will be asked to invest twice if not three times more to re-think, re-design and re-purpose an already obsolete infrastructure.

The wrong kind of investment at a wrong time is not just a missed opportunity, but it exacerbates the spillover effects beyond the border of the Euro-zone. The lack of governance at the European level, and the weak assessment of the disruptive consequences of biased capital allocation, will end up generating more of sovereign debt, subtracting sizeable resource to policies focus on growth, posing a serious threat to the chances of recovery across Europe.

Misallocation of scarce financial resources, lack of policies aimed at addressing emerging vulnerabilities, and the challenge of energy conservation and efficiency are contributing to an unprecedented waste of investments and taxpayer money, while weakening the chances for countries and regions to meet their sovereign responsibilities.

While these events are taking place under our watch, and it seems that we are doomed to a destiny of enhanced volatility and sudden disruptions, we are hopeful that this should not be the case.

As with every transition, there will be winners and losers, and this time will be no different. But there are new ways to make the impact of sustainability more visible, and to leverage the power of financial markets to correct the course, and improve our capabilities to select investments, while promoting industries, and corporations that are leading the change towards a more sustainable world. For many wrong calls, like in the case investments into obsolete infrastructures, there will be a few bright spots that will ignite a new wave of innovations, and nurture the next generation of entrepreneurs.

To make progress in addressing an unprecedented array of challenges due the combined impact of climate change and energy conservation and efficiency, we need a new and fresh perspective on why sustainability matters, and how it does affect competitive advantage: the missing link between sustainability and superior financial performance should become more visible, more clearly measurable in terms of impact, more transparent in terms policy goals, and it should reach more widespread media coverage.

If sustainability is not just one more fashionable way to engage multiple constituencies, but it is, indeed, the ultimate test of what is competitive advantage and superior performance in a world shaped by emerging vulnerabilities, and sudden disruptions, then we should ask why so little progress has been achieved towards building a consensus across the corporate world and the international community on how to define the road ahead.

While it is easy to agree on the magnitude of the challenges, and there is little doubt about the need for more public-private coordination, there is still a lot of ground that needs to be covered in terms of diagnosis, strategy selection, and policy implications.

This is why, while writing of the CSR 2012 Report about one year ago we had a clear agenda centered on why sustainability had to be addressed in the light of three different sets of "failures":

1. We labeled the first one as “lack of theory”, to signal a fundamental in gap in the strategy making process due to a persistent failure in developing a comprehensive theoretical framework focused on what is sustainability, and why it matters
2. We identified the second one as “lack of strategy” to underline a fundamental gap in competitive analysis together with a progressive decline in the quality of strategy work due to a number of shortcomings, such as mistaking goals for strategy
3. We addressed the third one as a “lack of governance”, to raise awareness of the pervasive failure of governments and corporation in building up the level of coordination required by challenges ahead.

While analyzing a voluminous body of empirical evidence, an ever growing set of literature, and the proliferation of metrics with little or no theoretical background, we have to acknowledge that little progress has been made in making sustainability the defining management issue of these present times. Taking for granted that the current transition is just an incident, and that our world will be getting back to normal, even after a number of disruptive changes and costly adjustments is a risky bet, as well as an unlikely scenario.

Depending on where you seat, the role you play, and the responsibilities you have with respect to your colleagues, employees, stakeholders, and the diverse and multiple constituencies that are part of your environment you must to face a number of daunting challenges.

Sustainability is not an abstraction, or a fashionable way to address the public opinion by marketing the progress towards a more responsible way of managing any given organization or institution: on the contrary sustainability is about facing the brutal reality of a world that is increasingly shaped by a number of pervasive vulnerabilities, that are challenging the way we think about competitive dynamics, value creation, and financial performance.

Failing to address these unprecedented challenges, while keeping a passive or reactive behavior is not an affordable solution.

If you are leading a corporation, you and your management team need to address a number of fundamental issues:

- How safe are your assets in the face of emerging vulnerabilities, due to climate change and a more uncertain energy future?
- How ready you are to adjust to unprecedented fragility and volatility of the overall economic environment?
- How resilient is your logistics, how robust is your business model, how costly will it be for your organization to thrive in the age of sudden disruptions?
- How can you mitigate the costs of adaptation to a new reality, where fragility and energy efficiency and conservation will be driving force of superior economic performance?
- How safe is your industry, how resilient will your competitors be, how can you evaluate if your industry, as a collective set of players, will have a chance to survive and to adapt?

A new perspective and renewed sense of urgency applies, as well, to the decisions that governments and countries need to address in the immediate future. The challenges policy makers have to face within the foreseeable future are going to shape the world economy, and their choices will affect the prosperity of the next generations.

In a global environment where new forms of scarcity will shape the allocation of resources, and where emerging vulnerabilities will become more severe in magnitude due to sudden, unforeseen disruptions, governments will have to prove capable to meet the challenges within their borders, and redefine the content and policies that shape the overall concept of sovereign responsibility.

The challenges ahead are the widest possibly imaginable, and they come at the most dramatic time when the tradeoff between growth and sovereign debt seems to elude a "workable" solution.

The new reality requires a much deeper understanding of what contributes to a country competitive advantage, a policy framework that mobilizes innovation capabilities to an unprecedented scale within and across borders, and more than just a random collection of individual actions plans, aimed at addressing emerging fragilities.

The joint impact of climate change and the search for enhanced energy efficiency and conservation will shape the policy agenda, by exacerbating new forms of scarcity in terms of resources, capabilities, and finance. Governments and international institutions will have to address more than just a temporary cyclical economic setback: they will have to embrace a new reality shaped by the impact of sustainability and climate change on the survival of industries, and the preservation of jobs, while managing the pressure coming from the magnitude of their sovereign debt. The irreversible link between sustainability and economic growth will become the defining ground for the agenda setting process with huge geostrategic implications, so far virtually neglected.

The long lead time required to make the much needed adjustments towards a more sustainable world economy will require coordination and cooperation within and across borders. The journey towards a more effective way to balance the challenges due to climate change, and the search for viable energy efficiency and conservation solutions, will require building an internationally-wide consensus on the seriousness of the situation, and the agreement on a well-defined and coherent set of policies, where compromises and sacrifices should be shared by every single player, or community.

While this transition should take place without undermining economic growth, we expect to see staggering differences between countries in their readiness and capability to address the emerging vulnerabilities of a world economy shaped by sustainability as a driver for competitiveness.

Making sustainability the driver of long-term economic growth is not an easy choice, and it requires a bold attitude to face a new reality, whose implications have been, so far, virtually neglected.

The twin challenge of dealing with unprecedented fragilities due to climate change, and the drive towards a more serious assessment of the impact of energy efficiency and conservation, while facing a new set of scarcities from clean water, to food requires the courage to deal with a number of fundamental issues:

- Which and how many “core” industry clusters will your country be capable to support and preserve competitive within its borders? As an example, which is the optimal number of mobile telecom players that you can afford as a country, given the increasing energy needs of telecom networks?
- To what extent governments will be ready to address the unavoidable sacrifices of industries and jobs, which will have no chance to be preserved because they are simply too far behind in their progress to embrace a more sustainable future?

There are a number of unknowns that governments will have to face, to make a transition towards a more sustainable future: national security will be shaped in depth and reach by the challenges of managing the current transition and what is national interest will be redefined in the light of the impact of emerging fragilities.

The way we view growth and competitiveness will change and it will require a careful re-examination of a number of critical issues:

- How safe are the backbone infrastructures that contribute to your country overall competitiveness? How resilient are your energy and telecommunications grids in the face of emerging vulnerabilities?
- How safe is your energy future, how proven and transparent is your track record in terms of policies aimed at enhancing energy efficiency and conservation at the national level?
- How many chances does your country have to maintain its industrial base while facing emerging vulnerabilities, and increased volatility?
- How capable is your country to attract the critical mass of investments needed to make the transition towards a more sustainable economy?

- How does your country contribute to shape the global policy debate on the issue of sustainability?

Governments and countries must face the challenge of mitigating the risks associated with pervasive vulnerabilities that are threatening their industrial base, while making progress towards a mix of more energy efficient sectors. Achieving long term sustainability, without jeopardizing growth will require more than just a set of individual actions: it will need a coherent policy agenda, setting ambitious, yet achievable goals, and the capability to build a nation-wide consensus on the sacrifices aimed at redesigning the industrial landscape for the prosperity of the next generations.

While the overall focus on sustainability has been centered on the issue of promoting green tech investments we propose to readdress the attention towards making traditional industries more capable of facing the challenge of world economy shaped by the joint impact of energy efficiency and new vulnerabilities, due to a pervasive underestimation of the fragilities resulting from climate change. Future growth will not come just from adding new “green jobs”, but from a coherent transformation of industries that are already part of our industrial landscape.

To make progress in addressing the transition now taking shape, we need to identify:

1. the link between sustainability and competitive advantage
2. the impact of sustainability on financial performance and resource allocation
3. how to build a consensus on a set a specific metrics and measurement tools to allow for global benchmarking, and goal-setting.

2. Transitioning CSR from “nice to have” to “must have”

by Francis Quinn

Corporate Social Responsibility (CSR) is a new and advanced approach to assess the vitality of companies. Born in Europe it is becoming increasingly relevant on a global scale for the in depth evaluation of investment and development opportunities. CSR is of paramount importance because investors faced with the uncertain evolution of the global financial crisis are now looking to evaluate not only the short term financial performance of companies, but also their real viability, in other words their ability to grow in the context of new challenges and manage new risks generated by a fast changing world.

The CSR approach permits analysis of companies’ capacity to:

- Develop innovative technologies;
- Secure their access to raw materials essential to their business, despite the fact that these raw materials are often present in high-risk countries or subject to protectionism under the cover of environmental regulations; and
- Manage economic recession trends and their impact on sustainable consumption.

Furthermore, it is critical that this approach be considered by companies operating in emerging countries (including China, India, and Brazil) where national values are strongly supported by local authorities and appear in the form of political pressure framing new social and environmental regulations.

This chapter will examine the rationale behind CSR, and the new paradigm for business reporting in the 21st century—and its consequences on how business viability and growth potential are evaluated.

Finally, the chapter will present a new initiative: the Global Sustainability Index (GSI), a multi-stakeholder, not-for-profit initiative designed to provide an estimation of companies’ sustainability performance in a transparent and pertinent manner.

2.1. Rationale behind CSR

In the past, it was common to hear the Chairman or CEO of a global company share his or her vision of CSR in the following terms:

> *We provide good jobs under very decent conditions with fair wages and benefits; contribute financially to local worthy causes; and, most importantly, we provide quality goods and services to our customers.*

This vision of CSR was perhaps acceptable 25 years ago, but in today's global market place it is not nearly enough. Stakeholders – who come in all shapes and sizes, and can be directly as well as indirectly associated with your business – have a lot of questions. They want to know, many would argue have the right to know, how a company goes about its business today and what the future may hold. Questions are varied, and include: Where does the money go? Where do you source your raw materials? Is this new product safe? Is your research conducted in an ethical manner? Who oversees what you do?

The more enlightened companies recognized that it is in their own vested interest to acknowledge stakeholder queries and thus see CSR and the rationale behind it very differently from their predecessors. In fact, they recognize two aspects to CSR that are not mutually exclusive, rather they are complementary: risk management and business growth opportunities.

2.1.1. Risk management

A good example of CSR comes when we consider the worldwide dependence on fossil fuels. The gradual depletion of these non-renewable resources leads quite naturally to the question of the sustainability of this industry - and all other downstream users -but also to the very nature of our model of society[1]. Indeed, for most people it is difficult to imagine what our daily lives would be like without cars and trucks, airplanes, electricity (for most cities) and consumer goods made

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1 http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=57&aid=6

from plastics. Not to mention the energy-rich lifestyle that goes with fossil fuels. Hence the importance of developing and exploiting renewable energy sources, including wind, solar, hydroelectric and biofuels.

Of course, less fossil fuel means that companies are looking for it in new places, such as the Arctic, Alaska and Antarctica as well as deep sea, off-shore drilling that raises concerns about environmental, geo-political and human rights issues surrounding these developments[2]. There are those who see a bright future as long as society is willing to continue to pay the price for our dependence on fossil fuels[3]. However, exploitation of new zones often requires new technologies and new related risks as well as the acceptability of those new technologies. Fracking is a good example in that it raises the issue of potentially contaminating one precious resource—water—to extract another[4].

Water is another example of the importance of CSR. The environmental and societal impact of global water usage by the food and beverage industry is creating tension with local farmers in some regions—such as parts of India—who are concerned that there may not be enough water left to irrigate their crops[5]. Although some companies are engaged in multi-stakeholder initiatives to address these issues, the situation

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2 http://www.sustainalytics.com/sites/default/files/unconventional-oil-and-gas-arctic-drilling_0.pdf; http://eu-arctic-forum.org/publications/opinions-publications/no-licenses-for-arctic-oil-gas-european-parliaments-environmental-committee-voting-on-offshore-safety-regulations-affecting-the-arctic/?goback=.gde_1569157_member_167391722

3 International Energy Agency (IEA) World Energy Outlook 2012, ISBN 978-92-64-18084-0 (2012)

4 Wright P. et al. Groundwater-quality and quality-control data for two monitoring wells near Pavillion, Wyoming, April and May 2012: U.S. Geological Survey Data Series 718 (Revised October 2012).

5 Aiyer A. The allure of the transnational: Notes on some aspects of the political economy of water in India. Cultural Anthropology, 22 (4), 640-658, 2007. DOI: 10.1525/can.2007.22.4.640

will likely continue indefinitely on a planet that is increasingly water challenged on a global scale[6].

Securing supplies of raw materials for production is a priority for any manufacturing company. However, if the company makes electronic devices or uses them as components, then Congolese warlords and their militiamen may be key players in their tantalum, tin, tungsten or gold supply chains. Hence the U.S. Securities and Exchange Commission introduced reporting requirements for companies manufacturing, or sub-contracting the manufacture of, products containing so-called "conflict minerals." [7] The SEC requirements are part of a larger effort to end the extremely violent conflict in the Democratic Republic of the Congo, which has been partially financed by the exploitation and trade of conflict minerals originating in that region of Africa[8].

It would be naïve to believe that criticism on CSR issues is reserved solely for Western firms operating in emerging nations. Locals in Singur, India, successfully blocked the building of a Tata car plant in their region. The state government of West Bengal facilitated the controversy by conducting a domain takeover of farmland to have Tata build its factory. The rule is meant for public improvement projects—and the West Bengal government wanted Tata to build in its state—but the project

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6 http://www.environmentalleader.com/2012/06/19/rio20-coca-cola-pepsi-levi-strauss-target-water-efficiency-other-summit-business-news/; http://www.nestle.com/csv/creatingsharedvaluecasestudies/allcasestudies/water-saving-initiatives-india

7 The term "conflict mineral" is defined as (a) columbite-tantalite, also known as coltan (the metal ore from which tantalum is extracted); cassiterite (the metal ore from which tin is extracted); gold; wolframite (the metal ore from which tungsten is extracted); or their derivatives; or (b) any other mineral or its derivatives considered to be financing conflict in the Democratic Republic of the Congo or an adjoining country.

8 U.S. Securities and Exchange Commission 17 CFR PARTS 240 and 249b [Release No. 34-67716; File No. S7-40-10] RIN 3235-AK84, Conflict Minerals.

was opposed by activists, displaced land-owners and opposition parties in Bengal[9].

In all likelihood, innovation will answer some of the issues mentioned above. However, over the last 10 to 20 years, the concept of innovation has changed and taken on a new, different meaning. Scientific advances are no longer sufficient to produce innovation that will be welcomed by the public. Concerns have been expressed over the most recent scientific advances; nanotechnology is an excellent example[10]. Recently a series of town-hall meetings organized by the French government to debate the future of nanotechnology in that country was abandoned following a series of violent protests[11]. In Spain, Switzerland and Mexico, nanotechnology research centers were the target of bomb attacks[12]. Clearly there is no place in any civilized society for this kind of extremism, but it does illustrate the level of concern that can be triggered when new technologies are introduced into everyday products if the technology is perceived to pose a significant health or environmental risk, or infringe on civil liberties. And where public concerns go, regulatory pressure follows. Hence the introduction of the precautionary principle into the French constitution and subsequently into the European Union Maastricht treaty as a defense mechanism for consumers worried about new technologies installed into daily life that have not been sufficiently tried and tested.[13] Indeed under the precautionary principle, the burden of proof is squarely placed on the shoulders of the company introducing the new innovation to prove

9 http://www.nytimes.com/2008/09/03/world/asia/03tata.html?_r=0 ; http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aP8iIdFX6l9w&refer=asia

10 Berube D. Nano-Hype: The Truth Behind the Nanotechnology Buzz, Prometheus Books (2005)

11 http://www.debatpublic-nano.org ; http://www.lemonde.fr/idees/article/2010/02/18/nanotechnologies-oser-mettre-en-debat-les-finalites-par-bernadette-bensaude_1308062_3232.html

12 http://www.nanotechia.co.uk/global-news/standing-up-against-anti-technology-violence

13 http://fr.wikipedia.org/wiki/Principe_de_précaution

that there is no risk. This poses a problem for many companies because innovation, by its very nature, is calculated risk taking.

Another cutting-edge, yet highly contested technology is Genetically Modified Organisms (GMOs) that, addition to the issues previously mentioned, raises the vital question of "Who controls, and therefore ultimately decides, what we eat?"[14]

Companies have to rethink their research and development process in light of CSR to ensure that major innovations, in which they are investing heavily, are compatible with the principles of sustainability. Otherwise the technology may be considered unacceptable and could be rejected by society.

2.1.2 Business growth opportunities

Sustainability is a growing consumer expectation that reflects society's increasing concerns about environmental deterioration. When asked about climate change in a global survey, respondents in emerging nations ranked as the most concerned[15]. They also expressed the highest level of concern that climate change would directly impact their lives. It is not surprising that citizens in emerging nations—with Chinese and Indians occupying the top two positions—challenge the Western business model, and recognize the need to rein in overconsumption patterns. Societal forces can be as strong as market pressure in some cultures. For example, social pressure is a very important motivator for people to take concrete actions to reduce their level of carbon emissions. In the 2010 Presidential election in Brazil, Marina Da Silva campaigned for a sustainable approach to the continued development of the nation and got 19 million votes (19.6%) in the first round[16]. It is also worth noting that Dilma Roussef, the new President, is the former Energy Secretary.

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14 http://ec.europa.eu/food/food/biotechnology/evaluation/docs/ evaluation_gm_report_en.pdf

15 Accenture 2007 https://www.supplychainacademy.com/Sca1HtmlResources/ClimateChangeSurvey.pdf

16 http://en.wikipedia.org/wiki/Brazilian_presidential_election,_2010

If companies are considered by many to be part of the problem, the good news is that they are also seen by many to be part of the solution. Sustainability is a shared responsibility between industry and its stakeholders, so it is important to establish an ongoing dialogue based on trust. Unilever is an example of a company who recognized the risks – critical to its very existence – as well as the business opportunities in CSR and has made significant progress[17]. The strategic positioning of CSR has, in particular, helped Unilever to grow its business in emerging markets[18].

2.2. Lessons learned

Three lessons can be learned from these considerations.

The first is that companies operate in markets AND societies. It is natural to report CSR activities to stakeholders, as companies operate not only in markets but also in societies. Keep in mind that employees are consumers and citizens, which at times have conflicting wants and needs. Consumers' expectations tend to focus on a company's products and services and the benefits that they provide. However, at the same time, appropriate legislation and regulations for businesses, as well as the economic and social wellbeing for people, are preeminent for citizens. It is important to note that in a multinational group approximately three-quarters of the staff are of diverse nationalities and cultures. In other words, the employee, who is also a citizen in his or her own right, will, at some point, raise the question of social responsibility of their company when it operates in their own country.

The second lesson is the vital role of the "license to operate". It is imperative to establish, maintain and protect the license to operate in the market place; otherwise there is no business, no profits and no business growth. Consider the following examples: The Indian government was forced to suspend its decision to allow international supermarkets, such as Wal-

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17 http://www.unilever.com/sustainable-living/uslp/

18 http://www.unilever.com/investorrelations/ annual_reports/AnnualReportandAccounts2011/index.aspx

Mart, Tesco and Carrefour, to invest in India's $500 billion retail market in the face of opposition claiming that it would put millions of shopkeepers across India out of business and threaten the livelihood of farmers. At the time of this writing, the situation is still unresolved[19]. The sale of foie gras in California has been banned because the state considers its production inhumane and made it illegal[20]. In Argentina, the government of President Cristina Fernandez de Kirchner seized the local affiliate of the Spanish oil company, Repsol, expelled executives from their offices and hinted that it would pay far less than the $10.5 billion being demanded in compensation. The seizure delighted nationalists across the region and stunned the oil market, in part because the Repsol affiliate had recently announced that discoveries in remote Patagonia could hold 23 billion barrels in natural gas and oil[21]. Based on what country you consider, GMO's are both banned and authorized in the European Union[22].

Finally the third lesson: In the globalized economy there is a new paradigm for reporting company performance and results. Financial reporting we have. But increasingly, the big question on investors' minds is "How long is all this going to last?" How many companies listed on the NYSE on its first day still exit today? How many well-known iconic brands have disappeared? How about Pan Am, ICI, Hummer, Wang Laboratories, Bowery Savings Bank?

Increasingly Chief Sustainability Officers (CSOs) carry out roadshows to investor communities around the world to discuss data, results and the roadmap to future growth, supported by KPIs. For investors, CSR is becoming increasingly rele-

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19 http://www.guardian.co.uk/world/2011/dec/05/india-postpones-walmart-tesco-plan; http://www.guardian.co.uk/commentisfree/2012/sep/20/india-supermarket-chains

20 http://abcnews.go.com/US/californias-foie-gras-ban-effect/story?id=16687059#.UOTB2anv6S0

21 http://articles.washingtonpost.com/2012-04-25/world/35451334_1_antonio-brufau-ypf-repsol

22 http://ec.europa.eu/food/food/biotechnology/gmo_intro_en.htm

vant for the in-depth evaluation of investment and development opportunities. This is of paramount importance because investors faced with the uncertain evolution of the global financial crisis are now looking to evaluate not only the short-term financial performance of companies, but also their real viability, in other words their ability to grow in the context of new challenges and manage new risks generated by a fast-changing world.

It is generally felt that investors lag behind companies when it comes to integrating sustainability into their capital allocation decisions. This is partly due to the lack of relevant information and to the way asset owners select, evaluate and reward their asset managers. As the quality and quantity of disclosed CSR information gradually improves, the situation is evolving and the attitude of the investment community is changing. That is one of the reasons so many asset owners and asset managers are becoming members of the Principles for Responsible Investment[23].

It is becoming increasingly important for companies to clearly define what they mean by CSR and how it is being leveraged for their business growth. The sustainable development of a company is driven by sustainable innovation and the sustainable consumption of its products and services that leads to sustainable business growth. This is a strategic matter for companies: How to manage this new paradigm of challenges?[24]

For example, is Apple capable of developing sustainable innovation beyond the iPad? Is nanotechnology a marker for sustainable innovation? For how much longer will people continue to consume soft drinks in a water-stressed world? A recent book by senior members of the medical establishment suggested that 50% of pharmaceutical drugs that are taken in France have limited efficacy and may even be unsafe[25]. What

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23 http://www.unpri.org/signatories/signatories/

24 Deloitte 2012
http://www.deloitte.com/view/en_GX/global/69225ae4960b9310VgnVCM3000001c56f00aRCRD.htm

25 Even P. and Debre B. Guide des 4000 médicaments utiles, inutiles ou dangereux, Le Cherche-Midi 2012

does this mean for the innovation capacity of big pharmaceuticals companies, their products' consumption and for healthcare in general against the backdrop of national social welfare programs increasingly seeking to limit payouts wherever possible.

It is hardly surprising that there is an emergence of a reactive political, economic, and social movement that advocates for the downscaling of production and consumption—the contraction of economies—as overconsumption lies at the root of long-term environmental issues and social inequalities. Supported by qualified economists, the concept of "de-growth" is that reducing consumption does not require a decrease in wellbeing. Rather, the aim is to maximize happiness and well-being through non-consumptive means such as sharing work and consuming less, while devoting more time to art, music, family, culture and community.

Today many products are "made in China" and in other countries where much remains to be done on CSR topics including supply chain, labor practices and manufacturing quality[26]. Chinese dairy companies are looking abroad to fulfill the countries demand for safer dairy products after the problems they have been experiencing with melamine and aflatoxin contamination in domestic produce[27]. The long-term impact on consumer confidence in products made in countries perceived as unreliable is an open question, but surely an important one for companies with well-known branded goods wanting to grow their business by selling products manufactured there. Frankly, it's no surprise that consumers are increasingly looking for more sound alternatives in the burgeoning organic and environmentally, as well as socially, responsible goods and services sector[28].

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26 Midler P. Poorly Made in China: An insider's account of the China production game, John Wiley & sons, 2011.

27 http://www.dairyco.org.uk/news/news-articles/october-2012/chinese-investing-in-europe-and-oceania/

28 http://www.organicnewsroom.com/2012/04/us_consumerdriven_organic_mark.html;
http://www.guardian.co.uk/environment/2012/feb/27/uk-consumers-go-bananas-fairtrade;

2.3. Where do we stand today?

There are some very encouraging and exciting developments happening right now in CSR reporting. Clearly the number of CSR reports published each year is growing. They are evolving in terms of scope, content and form, no longer limiting themselves to a storytelling presentation of a number of cherry-picked, feel good environmental and societal initiatives—at least the reports that are worth reading[29].

Moreover, there is an increase in reports that present financial and the extra-financial information about a company and its activities in the same document – a so-called integrated report. This is best practice in companies such as Natura, Novo Nordisk, Philips and Southwest Airlines.

Whether a company is producing a stand-alone CSR report or an integrated report, the process begins with the first major challenge: data collection. A good CSR report provides a meaningful and transparent snapshot of the company's current activities as well as its roadmap for the future, and therefore requires supporting data from across the company: from brands to R&D, from environment to human resources, and from supply chain to communities directly affected by the business. Identifying content providers, collating data, verifying data and working this large quantity of information into a format that is accessible to stakeholders – to the level of detail that is appropriate for building trust and lasting relations—before getting the final document signed off by senior management is a formidable task that most companies struggle with. But the good news is that help is on the way.

There are a number of reporting guidelines to help the CSR team structure the report, wholly or in part, and they include Global Reporting Initiative G3 (and G4), Carbon Disclosure Project, AccountAbility AA1000 series, Social Accountability International SA 8000 and ISO 26000. Although these methodologies are a useful guide to key topics of concern to stakehold-

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http://www.telegraph.co.uk/finance/personalfinance/expat-money/9538282/Surge-in-demand-for-British-milk-from-China.html

29 Corporate Register 2012 http://www.corporateregister.com

ers, they are highly technical and provide little assistance on how to make the CSR report accessible to a large audience with varying levels of expertise.

The International Integrated Reporting Council (IIRC) is due to publish guidelines for an overall architecture for integrated reporting in 2013, and the newly created Sustainability Accounting Standards Board will begin developing sector specific standards that can be used for reporting on the non-financial portion of the integrated report.

Regulatory requirements for CSR reporting are already in place in Denmark and Sweden. In 2012, for the first time, all listed companies on the Johannesburg Stock Exchange have filed their integrated reports on an "apply or explain why not" basis and a similar initiative began in France as of January 2013. It is thought that the European Union is preparing legislation requiring CSR disclosure in annual reports, but it is yet to be implemented.

Most companies publish annually, but some have tried shorter reporting cycles[30]. However, quarterly disclosure on CSR is a resource intensive exercise that, in addition, is not generally compatible with the rhythm of progress on certain key topics, such as sustainable consumption.

2.3.1. CEO and CFO support

These complex CSR reports cannot be produced successfully without the support of the CEO and CFO. The easiest way to get that support is to talk about topics they see as vital for the business. Hence it is important to frame the CSR report in terms of risk management, business growth, license to operate, sustainable innovation, and opportunities for sustainable consumption.

Frankly speaking, the evolution towards integrated reporting is ineluctable so that even if the CEO & CFO don't get it, it will someday be imposed either by regulators, shareholders, investors, market pressure or stakeholder pressure. Given the emerging politico-regulatory context and increasing pressure

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30 http://responsibility.timberland.com/reporting/report-archive/

from civil society groups, and given the worldwide economic crisis that has crystallized this paradigm globally—as much in developed as in emerging countries—the CSR reporting trend will be demanded by a large variety of stakeholders, including shareholders and investors for many years to come.

2.4. Tagged business reporting

Business reporting has standards for measuring financial activities, thanks to the 15th century Franciscan friar, Luca Pacioli[31]. His treatise on double-entry bookkeeping provided a common mechanism for representing the lowest level of financial information, a standard method for (ac)counting. The next revolutionary improvement in financial reporting arrived with the establishment of generally accepted accounting principles in the early 20th century. This codified terms (e.g. current assets, revenue from services) and structures (e.g. balance sheet, income statement) and increased the efficiency and reliability of interpreting financial statements.

The recent agreement on both technical and standardized models for representing financial data is the revolution currently under way, having begun at the tail end of the 20th century. This revolution made headlines with the (motivating) failure to track the interconnectivity of financial instruments that lead to the liquidity freeze and capital markets failure of 2008.

How can such failures happen? First, that they happen at such frequency provides evidence that this is a systemic problem, and any possible mitigation of it likewise will be system-based. The fact that it takes between several months to several years to identify the cause(s) proves two things: forensics work and the need to get ahead of these problems rather than just being able to explain them after the fact.

One way to reduce such occurrences that would benefit both regulators and regulated, stakeholders and the capital markets is *tagged business reporting*. And it has much to offer the CSR community.

31 http://en.wikipedia.org/wiki/Luca_Pacioli

Tagged business reporting provides a language (syntax), standardized terms (semantics), and templates for relating these terms (models). It brings consistency, transparency, and comparability to reporting. Because it is a shared resource for all companies, it can bring significant improvement in the efficiency of cyclic reporting and automation to the tests for verifiability and regulatory compliance.

A standardized language provides a vocabulary and grammar to facilitate the exchange of information. Now what happens when you speak different languages? Imagine a conversation between a French speaker and a Gaelic speaker. The accurate exchange of information, without resorting to hand gestures, would be very difficult indeed. The colloquial expression “we speak the same language” speaks to the benefits of a standardized language.

XBRL (eXtensible Business Reporting Language) is the most common language for tagged business reporting. It has a set of core terms and a grammar for using them. The core terms are used to construct a rich vocabulary for business reporting. This is how we are able to use a dictionary to learn the meaning of unfamiliar terms: all terms are defined using other terms in that language. It is this self-referential flexibility that makes human languages so powerful.

Just like a French or Gaelic dictionary, the language of XBRL also features something akin to a dictionary: In XBRL it is called a taxonomy. A dictionary consists of a set of terms. A taxonomy consists of a set of terms, too, but then goes further by also capturing the relationships between the terms. In financial reporting, one set of relationships might be called a “balance sheet” consisting of terms such as “assets,” “liabilities” and “equity.” Another set of relationships might be called an “income statement” consisting of terms for “revenue,” “expenses” and “net income.”

A reference to a “balance sheet” is a reference to this collection of terms and the relationships within them. Relationships allow us to test the use of terms to ensure they are being used correctly. For example, if one can record the classic accounting relationship that “assets = liabilities + equity,” then one can automate the testing of values reported or tagged with that idea. For example, if a company reports the value of US

\$5 million tagged with the standard term “assets,” US \$2million tagged with the standard term “liabilities,” and US \$6 million tagged with the standard term “equity” then we can today use XBRL and compatible software to represent the terms, the relationship, and then test these values to see if they comply with the terms and relationships. In the example above, a computer can alert the user to the fact that these reported values don’t add up.

A XBRL taxonomy provides a literal model for action. A standardized taxonomy brings these benefits to entire industries and activities. The best-known examples are the US GAAP taxonomy and the IFRS taxonomy. CSR-focused taxonomies include MIX Microfinance Taxonomy, Global Reporting Initiative Taxonomy and Climate Change Reporting Taxonomy (CCRT).

The CCRT was created by the Carbon Disclosure Project with the aim of putting climate change reporting information at the heart of financial and policy decision-making and is a good example of the key structural difference between business reporting in the 20th century and tagged business reporting in the 21st. In the 20th century, people with domain expertise gathered information and preserved this information in word processor and spreadsheet documents. This information is understandable by them. It can be read by computers, too, but not understood by them. Why? Because they are stored in documents concerned with how things look–not what they mean.

Consumers of this information – investors, regulatory agencies, rating agencies – would take this unstructured information and copy and paste or rekey it into their systems and then (re)structure the data so they could then take action on it. This step is problematic because humans make typographical errors. The (re)structuring requires domain expertise, too. So, now it is twice that experts – who have better things to do than format documents – must transfer, format and (re)structure the data.

Alternatively, some consumers of this information purchase it from data aggregators, delivering the data in a standardized format and they make mistakes, too. A Fortune 100 company recently inspected several aggregators’ presentations of their company's quarterly financial statements. They found multiple numeric mistakes in every report they examined.

But even if there were no mistakes, the information remains of modest benefit because companies still have to get these data into their systems, and they are not likely to be based on the same standards as those of an aggregator. And even if the systems speak the same language, that language almost certainly does not include the information about the relationship between the values reported.

In contrast, tagged business reporting allows us to use standardized taxonomies to capture the values, terms, and relationships. We capture these at the beginning of the process. Note the reduction in transformational steps and the reduction in miscommunication (i.e. a loss of information fidelity). It also eliminates the burden on domain experts by having them structure the information only once.

By using an appropriate language for modeling information, such as XBRL, instead of software that preserves appearance only (Word) or placement in a grid (Excel), the expertise is preserved along with the data. The CCRT is an example of a taxonomy that provides these benefits.

The CCRT provides accurate and sufficient coverage of the terms and the relationships between the terms. It is useful and ready to be used. The criteria of accuracy and sufficiency is the first requirement for successful use of this—and any other taxonomy standard—for tagged business reporting. The next requirement is that the data reported and tagged with standard terms must adhere to the meaning of the terms, and the values must be accurately reported. Third and last, the community that reports and consumes this information must have ready access to business user-friendly software that provides transparency of meaning as well as of data.

In the financial reporting realm, standardized taxonomies are in near-ubiquitous use in the United States, Australia, Netherlands, the United Kingdom, and in increasing use in developed and emerging nations. This is driving the creation of software tools to provide the means of capturing and consuming XBRL-tagged information.

The standards bodies for financial and CSR reporting are making regular strides improving the quality and utility of their respective taxonomies. Most of these taxonomies are designed for architectural compatibility with each other, facilitating the creation of a single consolidated digital business report—an efficient and meaningful model for action.

2.4.1. Protecting and securing your data

Harnessing global CSR information is a daunting task with enormous room for error. Massive amounts of data from disparate sources have to be recorded, analyzed, understood and compiled into meaningful internal and external reports. When there is a significant deficiency in disclosure controls and procedures, shareholders bear the cost – in a recent case $22 billion was wiped from a company's market capitalization in minutes[32]. These types of errors are what keep risk officers and audit committees up at night.

Many global companies struggle with the heavy load of CSR reporting. There is a lot of pressure to be right and be on time, because their reputation is at risk. One misstep can result in severe consequences, especially when doing business in a variety of countries. So, it is surprising that many corporations still employ an archaic system based on inefficient methods, outdated indexes, draft documents, and unencrypted emails.

These types of risks will continue until management adopts new ways to handle sensitive data. They must keep the data secure and under the control of the team ultimately responsible for the outcome. Corporations must also get rid of numerous versions of the same document and the confusion of who's doing what and when. It's no wonder that companies that pass around rolling versions of hundreds of spreadsheets and word documents have difficulty managing data and controlling errors. Shareholders are not sympathetic to such chaos.

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32 http://www.businessweek.com/news/2012-10-18/google-blames-r-dot-r-dot-donnelly-for-early-earnings-statement-release

2.4.2. WebFilings Productivity Cloud[33]

A current tagged business reporting solution is available – the WebFilings Productivity Cloud – that use “one active document” within a tagged information data model; thus ensuring consistency among the different formats, such as HTML, PDF, and XBRL, for CSR reporting. This technology also permits seamless, instant collaboration for multiple authors and enables disclosure controls. It includes a tracking system so the owner of the process and his or her team can see who makes changes. Lastly, if the data have to be publicly distributed, then the software encrypts the data. This puts the control where it needs to be: squarely in the company’s hands, with no conflicting versions, and most importantly, no security breaches.

The WebFilings Productivity Cloud is an end-to-end reporting software based in the cloud that is fundamentally changing the integrated reporting process. Because it is a web-based application, the Productivity Cloud can be accessed from any computer, with any internet browser. It allows business teams to collaborate in real-time to create documents with an intuitive and familiar format. WebFilings’ software integrates word processing, presentations, and spreadsheet capabilities into a single application. The entire reporting effort is streamlined, with process and document controls.

This technology significantly reduces the time spent on editing and controlling revisions. It has a complete version history that provides a full audit trail, including comments with detailed version comparisons for efficient reviewing. Data linking, document review and validation capabilities improve accuracy, transparency and compliance, and help meet stakeholder expectations. The linking capability enables a single change to source data to instantly update all referenced usages across the entire report, therefore eliminating the clerical work of manually updating changes.

33 https://www.webfilings.com

In sum, the WebFilings Productivity Cloud integrated reporting tool reduces the time, risk, and costs associated with creating and managing CSR reports and integrated reports.

2.5. Global Sustainability Index (GSI)

The theme for the 13th International Agenda Setting Conference (ASC) was “no more surprises – a matter of solid facts and research excellence.” It brought together global leaders and experts from around the world in various fields including science, business, government, media and NGOs to discuss the latest trends around media impact and agenda setting[34].

Not surprisingly one of the main conclusions from the conference is that there is a vital need to see CSR transition from “nice to have” to “must have” if we are to avoid catastrophic failures in the mid- to long-term.

As this chapter has discussed, from a business perspective, in today's fast-changing world companies are facing multiple new environmental, social, cultural (and therefore political) challenges that in large part determine their capacity to establish, maintain and protect their business, and to deliver sustainable growth to benefit all.

The achievements of companies in the area of sustainable development are currently evaluated using the data provided on their website, in their annual report and in their CSR report – with a strong underlying trend to merge these into an integrated report that discloses in one reference document the company’s financial and extra-financial information. Rating agencies re-work and interpret the elements provided using criteria and methodologies they have developed in-house to rank companies’ performance and results.

It is widely recognized that the approach adopted by rating agencies presents a number of shortcomings, including:

- Inadequate transparency on evaluation criteria and methodology;

34 13th International Agenda Setting Conference Lucerne, Switzerland (1-3 November 2012) ; http://www.agendasetting.com

- Low level of expertise among agency analysts in the sector be evaluated;
- High degree of inter-agency divergence with respect to a company's evaluation and ranking ;
- Absence of media impact and reputation analysis;
- Essentially backward-looking evaluations that provide little prognosis.

In addition, rating agencies sell their analyses to the evaluated companies, thereby creating a potential for conflict of interest. Not surprisingly the output from these rating agencies is of limited value to both the companies concerned and its stakeholders, including the financial sector in search of sustainable investment opportunities.

A broad range of stakeholders from academia, government, NGOs and industry attended the two ASC workshops to determine the most appropriate next steps towards building a robust Global Sustainability Index (GSI) that overcomes the limitations previously cited and allows companies to be ranked in a transparent and pertinent manner – and, importantly, to be compared with others in the same sector driving consciousness and investment. In this way companies working to develop win-win scenarios can be clearly identified and those attempting greenwashing can be exposed.

The GSI is a multi-stakeholder, not for profit initiative whose goal is to provide an estimation of companies' sustainability performance in a transparent and pertinent manner. Standards-based approaches are cumbersome and insufficient on their own. What is needed is a tool that will provide guidance and benchmarking to companies and stakeholders, including investors, that encourages progress. Clearly, in the case of GSI, perfection is the enemy of progress.

Two approaches are possible to establishing the GSI. The first involves compiling a set of weighted social, environmental and economic KPIs – applicable to all businesses – that would be used to establish an overall classification with the possibility of direct comparison between companies (even those in different sectors of activity). A variant on this would be to use the KPIs to estimate the level of sustainability of a company's activities using a rationale similar to the planetary boundaries approach.

The second approach involves compiling a sustainability taxonomy with both general terms and terms that are specific to individual sectors of activity. Ideally the taxonomy should be compiled in collaboration with industry experts, academics, representatives of NGOs and public agencies to ensure both the quality and general acceptance of the initiative. The taxonomy provides the basis for establishing the most pertinent KPIs on a sector-by-sector basis so that companies can be evaluated, ranked and compared with others. It is important to realize that many groups operate in several business sectors simultaneously and, therefore, their evaluation is much more complex and difficult to compare to others (for example, Unilever on food / detergents / personal care; Siemens on transport / healthcare / energy).

In fact, these approaches are complementary and not mutually exclusive. Considerable interest was expressed during the workshops for the need to develop a sound theoretical basis for the GSI with appropriate academic partners. Setting up the GSI will require some time (two to three years) as well as considerable financial and human resources to get all the necessary expertise around the table building, testing and validating the index, irrespective of the approach taken.

As a multi-stakeholder initiative in a complex field that will have to coordinate the efforts of several specialized international expert teams and supervise the allocation of resources to multiple working groups, work is in progress to establish a formalized GSI decision-making body with a governance structure as well as a stakeholder consultation mechanism. Its first task will be to launch the GSI in 2013 and then coordinate with stakeholders to set out the road map and timetable for rolling out the index.

2.6. Conclusion

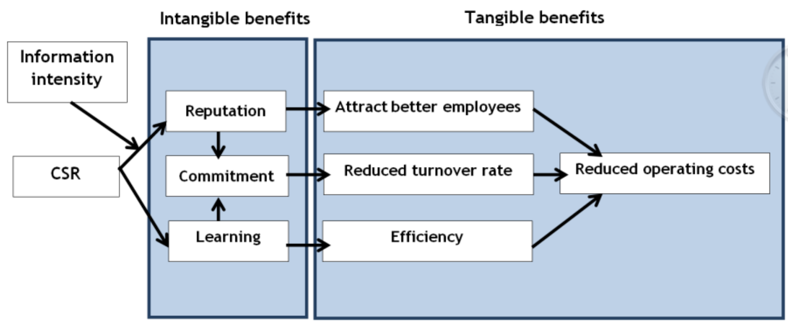
Faced with the uncertain evolution of the global financial crisis it has become vital to look beyond short-term financial performance and to evaluate companies’ ability to grow in the context of new challenges and manage new risks generated by a fast changing world. A long-term trend is underway that will see CSR increasingly integrated into the manner in which the results and performance of businesses are evaluated that will benefit companies as well as their shareholders, investors, stakeholders and society at large. Standardized tagged business reporting will facility this process and allow companies to be compared with others in the same sector driving consciousness and investment. In this way companies working to develop win-win scenarios will be able leverage their achievements to create net commercial advantage.

3. CSR Communication in Need of a Paradigm Shift
by Theresa Lötter

Definitions have changed, coverage has not.

Over the past decade, corporate social responsibility (CSR) has grown from a narrow definition into a complex and multifaceted concept, one which is increasingly central to much of today's corporate decision making. However, despite a shift in definitions, Media Tenor's research indicates that not much has changed with regards to corporates' CSR media profiles; coverage on CSR has yet to exceed 1% of total corporate coverage. Research conducted by Du, Bhattacharya and Sen (2010) indicates that when companies engage in corporate CSR activities, they not only generate favourable stakeholder attitudes and better support consumer behaviours, but also, over the long run, build corporate image, strengthen stakeholder relationships, and enhance stakeholders' advocacy behaviours. According to Nurn and Tan (2010), CSR activities can lead to both tangible and intangible benefits. Tangible benefits are those that are easily quantifiable in financial and physical terms, for example sales revenue, whereas intangible benefits are harder to quantify and are non-physical in nature, for example reputation.

Figure 1: **Conceptual framework of how CSR leads to intangible and tangible benefits**



Source: Nurn & Tan, 2010

This chapter seeks to explore the way in which corporates currently communicate on their CSR activities, and to explain why, after the financial and reputational benefits of CSR have been demonstrated time, and time again, companies are still failing to generate significant media coverage on their CSR initiatives.

Stakeholders a communications challenge

Stakeholders' low awareness of and unfavourable attributions towards companies' CSR activities remain critical impediments in companies' attempts to maximize business benefits from their CSR activities, which highlights a need for companies to communicate CSR more effectively to stakeholders. Recent studies have revealed that an awareness of a company's CSR activities among its external stakeholders, for example consumers, or even among its internal stakeholder, for example employees, is typically low, hence constituting a key challenge in a company's drive to reap strategic benefits from its CSR activities (Du, Bhattacharya & Sen, 2010). However, once companies manage to create the perception amongst stakeholders of being socially responsible, it leads to the attainment of a competitive advantage. A recent global survey of 1,122 corporate executives suggests CEOs perceived that businesses benefit from CSR because it increases attractiveness to potential and existing employees (Economist, 2008).

Beyond awareness, the next key challenge of CSR communication is how to minimize stakeholder scepticism. Stakeholders quickly become weary of the CSR motives when companies aggressively promote their CSR efforts through advertisements or other marketing campaigns. In general, stakeholders' attribution of a company's CSR motives may be of two kinds: extrinsic, in which the company is seen as attempting to increase its profits, for example sponsorships; or intrinsic, in which it is viewed as acting out of a genuine concern for the focal issue, for example fair trade supply chain practises. (Nurn & Tan, 2010). Media Tenor's analysis of CSR coverage indicates that extrinsic CSR initiatives, for example, sponsorships, generate 48% more coverage than other CSR activities. While sponsorships are a 'quick win' in terms of visibility, they should not be the only CSR narrative which a company is communicating to its stakeholders; sustainability, value creation and advancing the interests of society remain vital aspects of CSR.

Communication channels are key

Companies generally utilize a variety of communication channels through which to disseminate information about their CSR activities; these include more 'controllable' internal channels such as annual corporate responsibility reports, press releases, advertisements, product packaging and corporate websites. Nearly 80% of the largest 250 companies worldwide issued corporate responsibility reports, up from about 50% in 2005 (KPMG International Survey of Corporate Responsibility Reporting 2008). More 'uncontrollable' external channels include editorial content, whether broadcast, online or print; positive communication through this channel is much sought after as it represents unbiased, external endorsement. There is also often a trade-off between the controllability and credibility of CSR communication; the less controllable the communication is, the more credible it is, and vice versa. Stakeholders often perceive the company as more self-interested than other non-corporate sources in CSR communication and are thus more critical of these messages (Bhattacharya, Sankar & Korschun 2011). As such, CSR communication via internal corporate sources will trigger more scepticism and have less credibility than non-corporate sources.

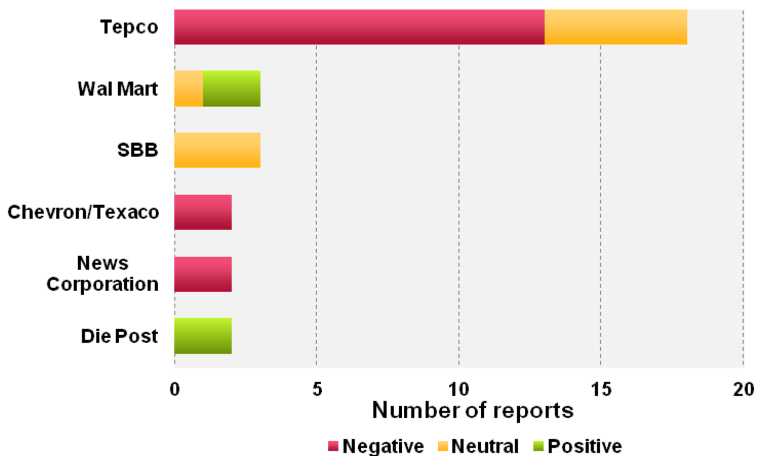
However, obtaining the elusive, external endorsement represented by positive editorial content is difficult; the usual 'do-gooder' messages framed in press releases do not suffice. Journalists are increasingly looking for stories that reflect the link between a company's CSR activities and its overall sustainability; stories that either build or damage corporate reputation.

Media coverage on CSR activities

Based on Media Tenor's analysis of international TV news, companies in general garnered very little media attention on their CSR activities. If a company did receive CSR coverage during 2012, it was due to an average of two news reports. This result raises the question as to whether corporate communications departments are able to effectively translate CSR initiatives into newsworthy items. This may also signal that corporates need to re-invent the way in which they engage in

CSR; return on investment initiatives need to translate into reputational growth.

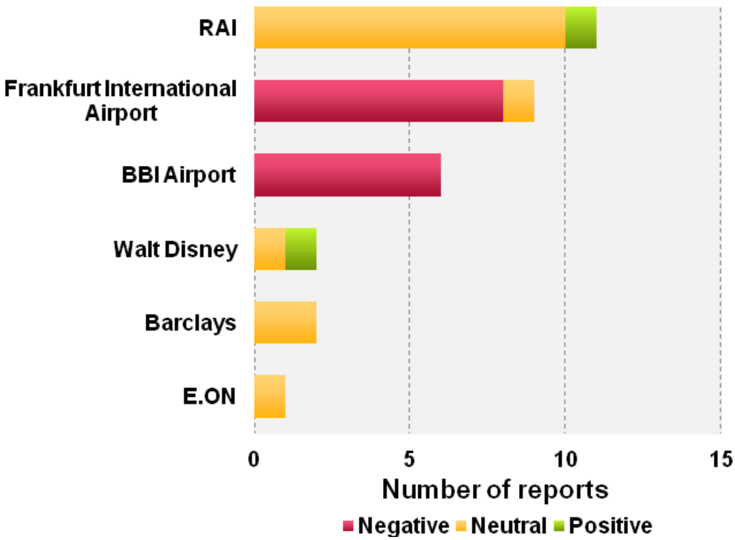
Figure 2: **Top six companies receiving coverage on their CSR activities: 2011**



Basis: 30 reports from the television media set for the period 01/01/2012 – 30/11/2012

A comparison between 2011 and 2012 of the most visible companies with regards to CSR indicates that none managed to maintain a consistent media presence, regardless of the tone of reportage. Of the top six companies in 2012, there was a dearth of positive coverage, with critical news stories dominating the list. However, RAI was the exception and achieved both media visibility and a relatively high proportion of positive coverage. This was due to the company's successful internship programme, as well as its various competitions which aim to encourage different journalistic endeavours, including investigative video journalism, which highlight national and international news stories which are of relevance to political, social or cultural Italy. Walt Disney, although not as visible as RAI, was notable in the charity outreach efforts of its parks.

Figure 3 **Top six companies receiving coverage on their CSR activities: 2012**

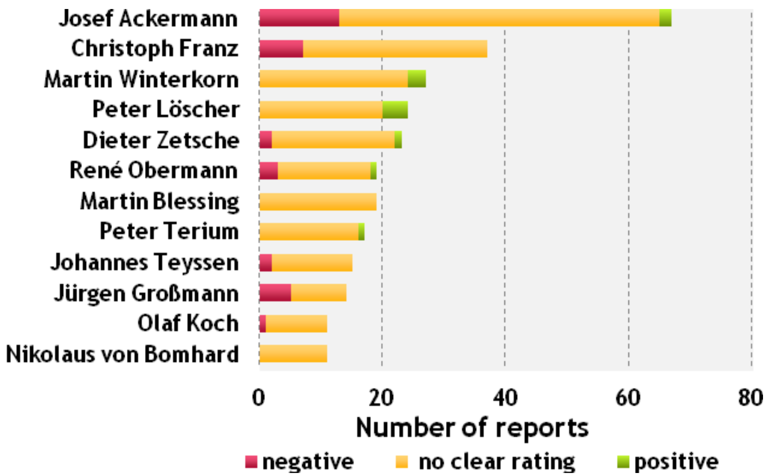


Basis: 31 reports from the television media set for the period 01/01/2012 – 30/11/2012

The negative coverage received by Frankfurt International Airport is reflective of its ground workers strike over working conditions and pay which disrupted around 50% of the airport's flights, while the Berlin Brandenburg International Airport faced protests against noise pollution, with protesters claiming they had been lied to by policy makers. Both these cases indicate the damage that once-off events such as strikes and protests can inflict on corporate reputation when there is no existing CSR profile to buffer negative coverage.

Visible leadership on CSR is virtually non-existent; corporate management still appears to prioritise communication on financial issues over 'softer issues' such as CSR and sustainability. As such, the media space is available for those CEOs who have carefully crafted CSR platforms. The only corporate figures who received coverage in Media Tenor's global business media set during the latter part of 2012 were Patrick Daniel and Jochen Zeitz, both for very different reasons. Mr Daniel, CEO of Enbridge, was criticised for the effect his pipeline has had on local communities, while Mr Zeitz has been lauded for his push for Puma to review their profit and loss account. The picture is quite different when we look at the most visible DAX 30 Managers associated with CSR.

Figure 5 **Most visible DAX 30 managers associated with CSR**



Basis: 362 stories on DAX 30 managers in 32 analyzed media

DAX 30 managers were highly visible during 2012.Agro speculation allegations brought forward against Deutsche Bank in early 2012 were only the start of a series of stories linked to social responsibility of companies which in turn negatively impacted on management profiles.

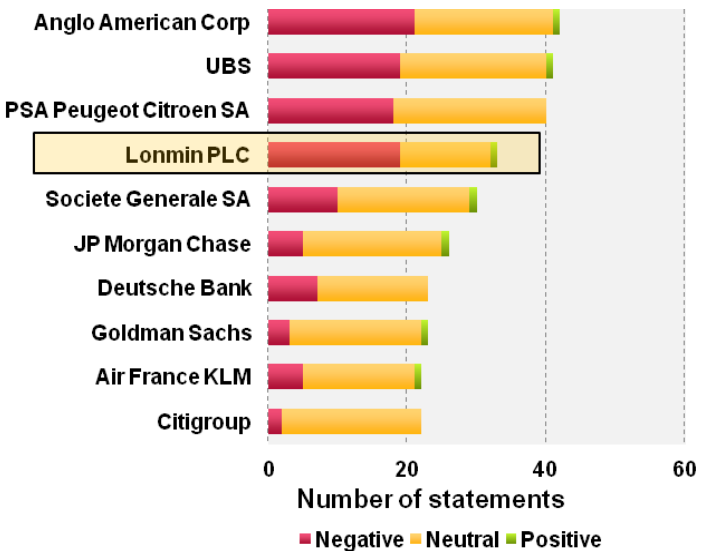
Prior CSR record counts

A company's existing or prior CSR record is often taken into consideration when stakeholders evaluate CSR communication; as such, a corporate CSR strategy requires a long-term focus, rather than a reliance on a few sporadic ‘feel good’ events, if it is to have a meaningful impact on reputation. An example of the latter is Wal-Mart. Since 2005 the company has pledged an overhaul in terms of its sustainability record and in 2012 the company made significant progress by installing clean energy technologies and eliminating waste at its stores. However, all this ‘good communication’ was negated by a horrific fire in Bangladesh in November 2012 that killed 112 apparel factory workers. Wal-Mart was lashed by the media, and the public, as it was found that the company had resisted paying for any safety improvements (New York Times 2012). In addition to corporate reputation, the industry in which a company operates also moderates the effectiveness of CSR communication. For instance, stakeholders are often suspicious of companies in certain industries, for example the mining industry. The reason for this suspicion is the lack of congruence between a company’s CSR activities and its corporate or industry image; this perceptual disconnect poses a significant challenge for effective CSR communication. As such, CSR initiatives need to be aligned with the company’s own business strategy, as well as broader industry objectives.

Employee relations a key pillar of CSR

An important aspect of CSR, and one which most readily receives media traction, whether positive or negative, is employee relations. A company that builds its CSR profile around this key pillar would pay fair salaries to its workers, would maintain a safe work environment and tolerable working hours, and would not otherwise exploit a community or its labour force. A company would also typically “give back” by contributing to the strength and growth of its community with healthcare and education initiatives. Neglecting this pillar can result in serious financial and reputational damage for a company.

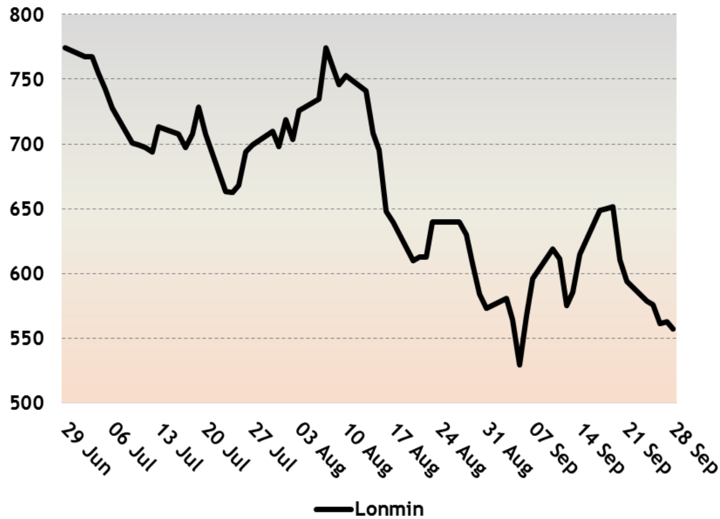
Figure 6 **Tone of coverage on companies' employee relations in business media**



Basis: 302 statements from the business media set for the period 01/01/2012 – 30/11/2012

One example of neglect of employee relations and the impact thereof was the Marikana Massacre at Lonmin's Marikana mine near Rustenburg in South Africa which resulted in severe reputational and financial damage for Lonmin PLC. In this case, the benefits of the mining operations were not reaching the workers or the surrounding communities. Lack of employment opportunities for local youth, squalid living conditions, unemployment and growing inequalities contributed towards seething tensions between unions and Lonmin. This 'ticking time bomb' ultimately resulted in the death of 47 people, the majority of which were striking mine-workers. The company failed to address its employees' concerns and paid a heavy price in terms of its reputation. This reputational impact is clearly evident in the company's declining share price which fell steeply during November 2012.

Figure 7 **Impact on Lonmin PLC's share price resulting from coverage on its employee relations**



Beyond the direct financial and reputational damage to Lonmin, the ANC, South Africa's ruling party, has stated that this incident, as well as country-wide mining strikes, justified a review of mining licenses across the industry. As such, CSR transgressions can be viewed as sufficient reason to revoke a company's license to operate.

Conclusion

The impact of a company's CSR activities depends on the intensity and clarity of the information received by both internal and external stakeholders. This flow of information is vital for the development of a company's CSR strategy, in terms of effectiveness and commitment, and in terms of the impact that CSR has on corporate reputation. However, beyond these intangible benefits, CSR has been shown to lead to a variety of measurable, and tangible benefits, for example greater corporate attractiveness to prospective employees, reduced turnover rate, increased efficiency, and ultimately, reduced operating costs. Despite the motivation provided by this solid business case for CSR, many companies are still failing to communicate their CSR activities effectively to stakeholders. Media Tenor's analysis clearly shows that CSR is still far from a communication priority, while companies only achieve CSR visibility through once-off successes or more commonly, 'bad' news stories such as strikes and protests. A number of variables have been shown to contribute towards this low awareness, including a greater corporate focus on internal vs. external communication channels, as well as a lack of congruence between a company's corporate or industry image and its CSR activities.

While definitions of CSR have become more refined and multifaceted, the majority of companies appear 'stuck' in their approach to CSR. A reinvention of corporate CSR communication would require, amongst others, a change in issue focus and channel prioritisation.

Media set (television news): ARD Tagesthemen; ZDF heute journal; RTL Aktuell; ARD Tagesschau; ZDF heute; TF 1; RAI Uno; SF DRS Tagesschau; TVE 1; BBC 1 10 o'clock news; ITV News at Ten; BBC World; BBC 2 Newsnight; CNN; NBC Nightly News; ABC World News Tonight; CBS Evening News; Fox News; SABC 3 News @ One; SABC 2 Afrikaans News; SABC 3 English News; E-TV News; SABC Sotho News; Summit TV. Media set (business papers): Financial Times; Wall Street Journal; Les Echos.

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4. An analysis of media reporting on CSR activity by industry
by Kate Dinota

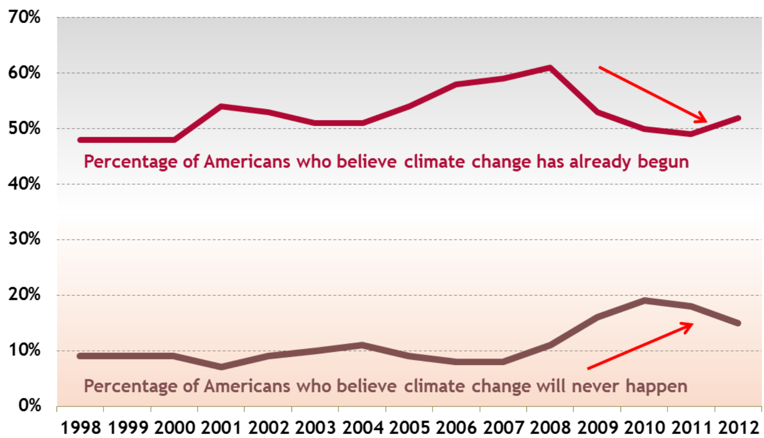
Part I. An evaluation of the media coverage of CSR-related activities by industry

Media Tenor's annual CSR index strives to bring awareness to the environmental and social responsibility in the corporate world which. The past five years have been ridden with economic hardships around the world, continuous protests and unrest in the Middle East, various elections, violent crime and international policy changes that have seemingly left little room for a robust global discussion about the state of our environment, and the role of the corporate world in working to improve it. Without adequate discussion among policy makers and opinion leaders, corporates are under little pressure to improve their relationship with society and the environment. If corporates do not see potential value in expanding their CSR-related activities, or increasing pressure from stakeholders, then no incentive exists to report on these activities.

The media is an entity which does not create pressure for corporates to expand their CSR. Regardless of whether companies across different industries are communicating on aspects of their CSR disclosure, the international media is rarely covering such activity. In fact, in all 729,991 reports analyzed in our international TV media set for 2012, only 52 reports referred to companies' relationship with society and the environment. Thus, only .00007% of all reporting in TV news around the world is devoted to reporting on CSR. In TV news in 2012, a total of 69,234 reports included stories about companies- CSR coverage made up .0008% of total company coverage. This is the major challenge to companies trying to disclose their CSR activities, and the subsequent challenge for environmentalists and social activists to create interest and support from the public. In order for an audience to consider a topic relevant and important to their everyday lives, TV news must devote at least 1.5% of their coverage to said topic, thus bringing it about the awareness threshold. During the US election, for example, the economy and foreign affairs each received about 20% of TV coverage during the campaign season. The media's continued reporting on these topics, and the public's subsequent constant exposure to them, made the economy and foreign affairs a vital part of the campaign discussion. The environment was rarely part of campaign reporting and was therefore missing from the entire election discussion.

According to the Guardian, despite the fact that the pentagon considers climate change a national security threat that could cost the US billions of dollars, neither candidates mentioned climate change during the presidential debates- the first time since Congress was briefed on the threat in 1988. (Guardian.co.uk, 2012) At the same time, the percentage of the public which sees the effects of global warming as evident have been steadily decreasing since 2008, with a slight increase in 2012. Simultaneously, the number of Americans who believe climate change will never happen has increased steadily in the same time frame. One contributing factor is likely the media's lack of interest in such a topic, and the absence of qualified professionals and scientists being covered on the matter.

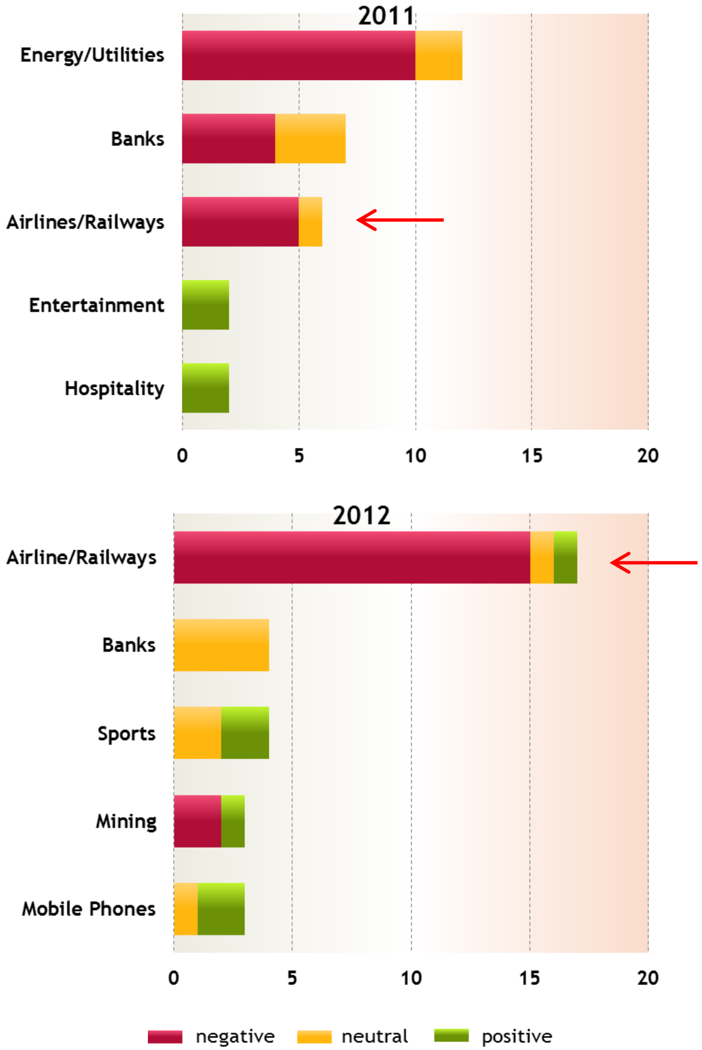
Figure 1: **Gallup Poll: Opinions on when the effects of global warming will happen**



In addition to the low salience of CSR in TV news, the bulk of reporting devoted to CSR is largely negative, and is more likely to highlight stories of industries which may be failing to adequately satisfy stakeholder's expectations.

Some companies have excelled in CSR-reporting. Southwest Airlines was one of the first companies in the world to manage integrated reporting and remain pioneers of a now-championed standard of corporate reporting. However, that has not translated to a positive image of the industry in international TV news. The airline and railways industry has received negative CSR-related coverage for the past two years-tripling its coverage and negative tone from the media from 2011 to 2012. While the industry may be making strides to improve its relationship to the environment (decreasing dependency on fossil fuels through biofuels) and society (improving employee relations), the industry remains potentially at risk by not communicating effectively on these measures. One possible source of the criticism comes from the emergence of other low-cost airlines such as Ryanair and Easyjet. According to the Exeter Economic and Social Research Council, most low-fare airlines (LFAs) "do not have a policy, strategy or detailed implementation plan to guide their CSR practices. They do not have CSR 'champions' and targets are not set, monitored or evaluated." LFAs which have been increasingly important to consumers in the last few years have an undefined, "elementary" analytical framework for the CSR activities. Media Tenor data shows the airline/railway industry received the most CSR coverage in 2012 (and the third most in 2011), but has received overwhelmingly negative coverage on the topic. Even when some specific companies improve their CSR strategies, the airline industry's negative overall image in this sphere detracts from specific companies' successes with CSR. Although what TV news covers may be a small part of all of a company's activities, it *is* what the public perceives-and this is important to any company's bottom line.

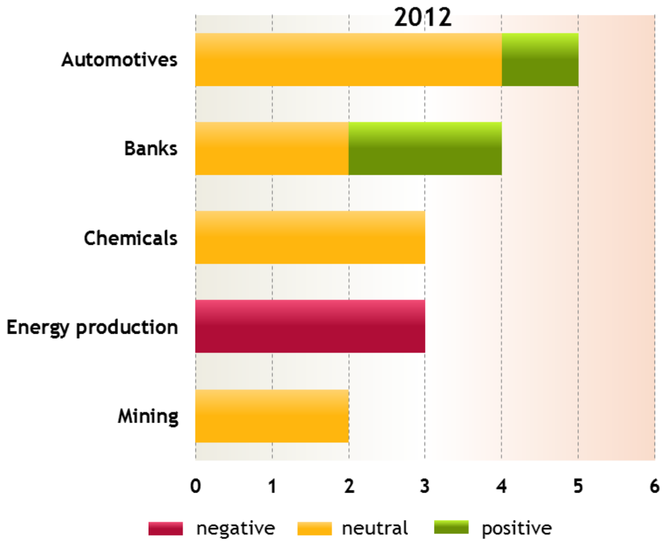
Figure 2: **Top five industries receiving coverage on their relationship to society and the environment (international TV news)**



Basis: All 69,234 reports on industry in opinion-leading international TV media, January 1, 2011- December 31, 2012

In addition to analyzing the content of international TV news, Media Tenor also analyzed all 82,991 reports in opinion-leading business media from May-December, 2012. The CSR activities of companies totaled 22 reports during the given time period, or .00003% of total coverage- slightly lower than international TV, and still far below the 1.5% of coverage necessary to receive adequate attention from the public.

Figure 3: **Top five industries receiving coverage on their relationship to society and the environment (business media)**

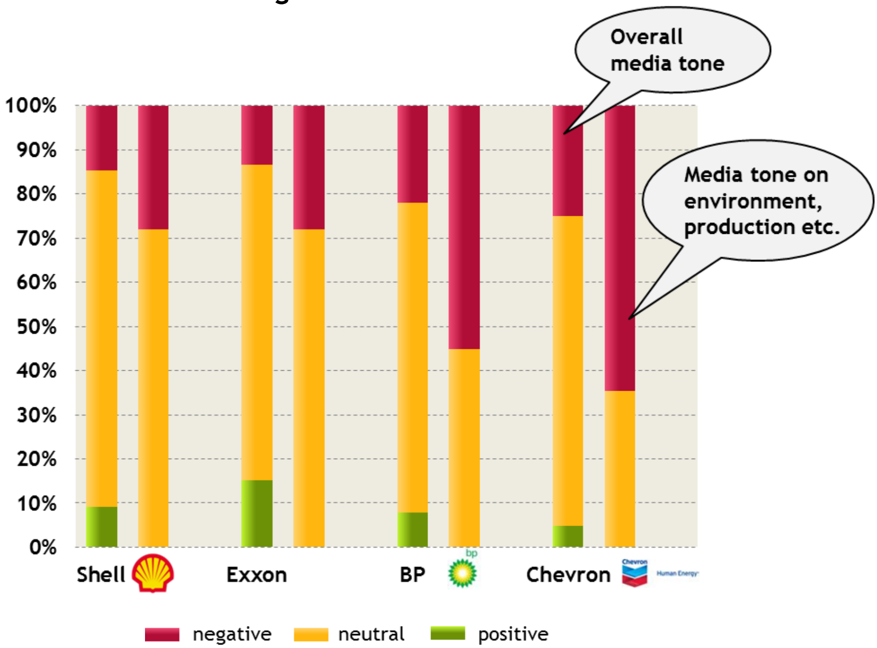


Basis: All 75,561 reports in opinion-leading business media, May-December 2012

Business media was more neutral on industries overall, reporting mostly on neutral or positive aspects of CSR activity by industry, with the energy production sector being the only negative.

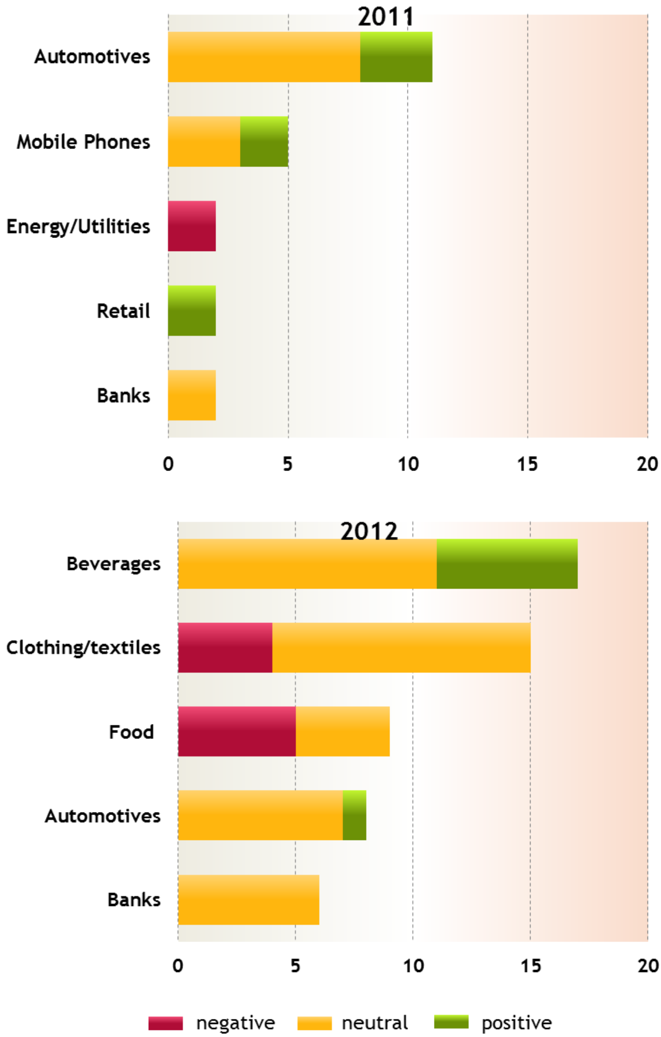
The energy/utilities sector received the fourth most amount of coverage among all industries, and 100% of reporting was negative. This is somewhat surprising. In the first three months of 2012, the US Energy Information Agency (EIA) reported that CO2 emissions fell to about 1992 levels, primarily because coal companies switched to natural gas, and fracking increased in the US. (EIA, 2012) This should have been good news for the energy sector, but neither business media nor international TV seemed to have picked up on the “good news.” Economists and analysts have considered a re-industrialization of the US from fracking-technology, and a benefit to consumers from new cheap energy. Any company considering investing in such technology would have to consider the potential reputational risks. As figure 4 shows, in 2012, major oil companies maintained a fairly neutral overall tone from the media, but the tone relating to environmental, fracking-relevant issues, was far more negative.

Figure 4: **Tone of overall media coverage versus coverage on fracking-relevant issues**



If the media is not reporting on the relationship of companies to society and the environment, perhaps they are interested in other aspects of CSR. For example, is the media reporting more often on donations and sponsoring opportunities of major corporations? The answer is: unfortunately, no. Where industry relationship was .00007% of total coverage with 52 reports in international TV, donations and sponsoring make up was slightly less with 48 reports in 2012. Coca-Cola's sponsoring of the 2012 summer Olympic Games gave the beverage industry the most visibility in international TV with 16 reports, compared with zero reports in 2011. McDonalds also helped sponsor the Olympics but strangely the food industry received negative reporting on their 2012 sponsoring and donations for 2012.

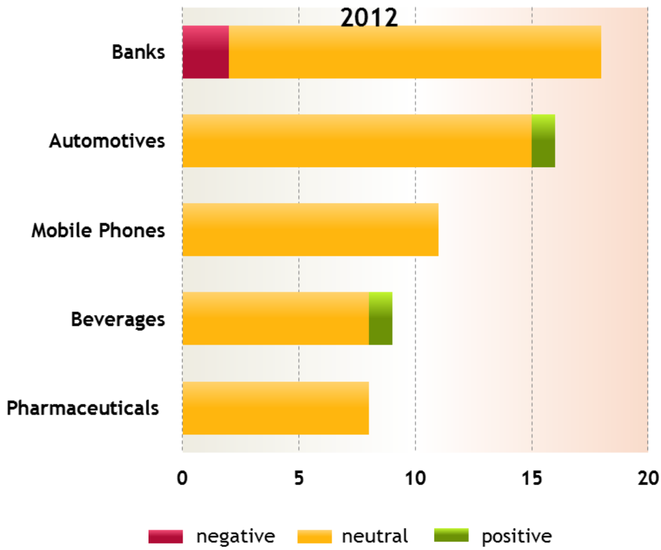
Figure 5: **Top five industries receiving coverage on donations and sponsoring (international TV news)**



Basis: All 69,234 reports on industry in opinion-leading international TV media, January 1, 2011- December 31, 2012

As was the case with the first round of data, business media reported much more neutral on the donation and sponsoring activity of industry in 2012. The banking industry got the most coverage for its donations and sponsoring in 2012 (a much needed help for the overall image of an industry which has received extraordinarily negative coverage since 2008).

Figure 6: **Top five industries receiving coverage on donations and sponsoring (business media)**



Basis: All 75,561 reports in opinion-leading business media, May-December 2012

Overall, the media reports very little on the CSR activities of various industries. More important to the media in 2012 was the euro-crisis, the US economy, and protests in the Middle East. Until the structure of international TV news changes, it is likely that CSR will not get the attention is so deserves into 2013.

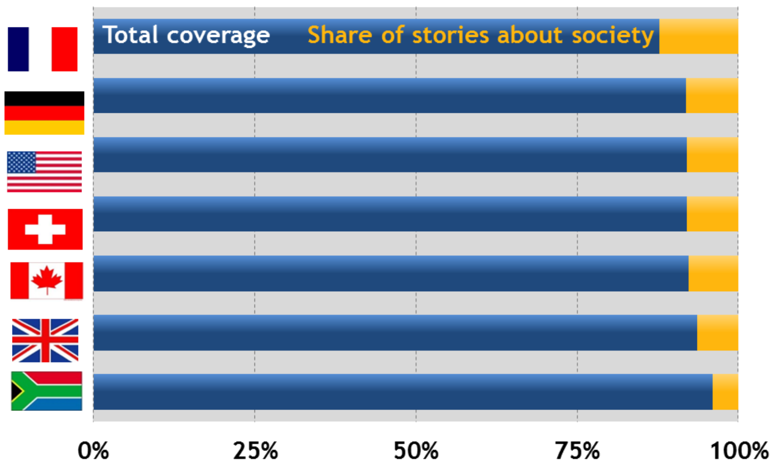
Part II. The structure of the media and its effect on CSR

When analyzing the data discussed in part one, there is one particular industry that is conspicuously missing from the top industries which receive CSR coverage: the media. In the past two years, the media industry has received only xx number of reports on their CSR activity. Prior research has found that some companies, such as Time Warner, Walt Disney and CBS

Corporation have complete CSR reports that can be accessed from their website, and others such as Dish Network Corporation have no form of CSR disclosure available to their audiences. Other companies had partial documents with only selected information retrievable. (Hou and Reber, 2011) Our data shows that regardless of which information companies posted on their websites, none used their own media outlets as a tool to report on their CSR activities to the public.

Once we take a closer look at the structure of international TV news, it is no surprise why the public is slow to demand CSR transparency and why industries are remaining silent on their CSR-related activities. The media set analyzed in 2012 shows a low percentage of coverage on stories related to our societies. In a year where the media was consumed with stories of economic woes across the globe, reports on social welfare, the health system, education and family issues were put to the side. French TV devoted the largest share of coverage to societal issues, with German, US, Swiss and Canadian TV following, respectively.

Figure 7: **Share of stories about society in international TV news**



The same pattern exists when the media reports on the environment. In Figure 8a, we demonstrate that stories about the environment represent a small share of the total reporting done by each TV news station. French TV news devotes the largest share of coverage to environmental issues and reports about environmental policy, with Canada devoting the second largest share. Germany ranks surprisingly low amongst the analyzed countries considering their year of controversial environmental policy. Figure 8b shows us that energy policy in German floats only slightly above the awareness threshold for the entire year, while the economy maintains a drastically larger share of coverage.

Figure 8a: **Share of stories about environment in international TV news**

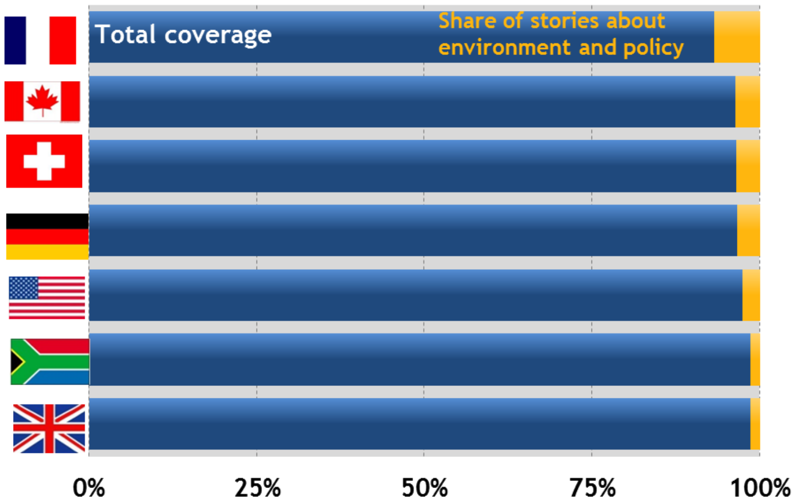
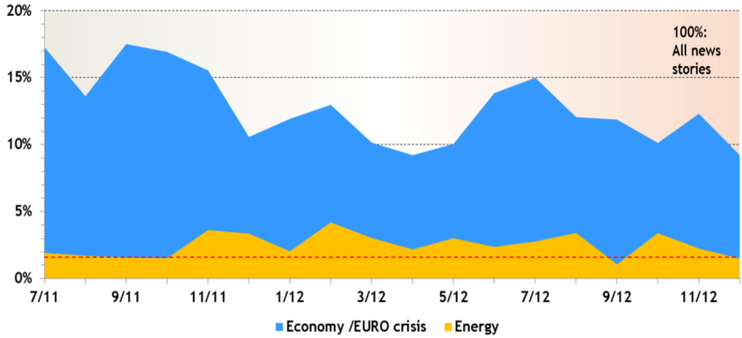
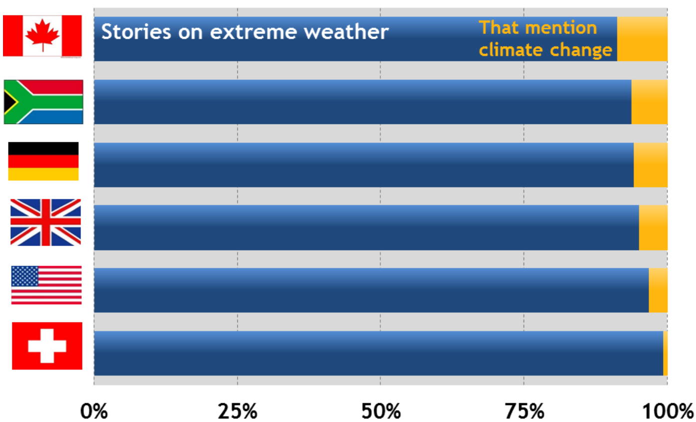


Figure 8b: **Share of stories about environment and economy in German TV news**



The media's extreme disinterest in environmental issues is accentuated when analyzing coverage on climate change. In 2012 extreme weather plagued the planet. Scientists recorded unprecedented melting of the Artic summer sea ice (Guardian), and the US was especially hard hit with record-breaking temperatures all over the country and a historic drought. However, despite a significant amount of reporting on climate change, media outlets did not give air time to climate scientists to spark a robust discussion about climate change and the implications for the public.

Figure 9: **Climate change dismissed by international media in 2012**



But stories about the environment and society are not the only factors missing from the media's reporting on CSR- and as we have looked at the topics the media *is* reporting on, it is also important to see what is missing. Stories on increased efficiency and energy savings would be a key topic of interest not only for the public and private households, but for corporates as well. The International Panel on Climate Change has identified a number of "no regret" options: "greenhouse gas reduction options that have negative net costs because they generate direct or indirect benefits that are large enough to offset the costs of implementing the options." (IPCC, 2001) For example, fixing a leaky water pipe conserves water and prevents the consumer from paying future costs. Improving insulation or climate-proofing new buildings increases climate robustness and saves energy- in fact, when done correctly, corporates could potentially make their money back in just a few years. Despite the potential advantage to a large number of people, the media is not excited about telling the public about the "no regret" philosophy.

Lastly, a survey of opinion leaders from around the world reveals that despite the lack of interest from the media and perhaps the public, opinion leaders still consider climate change a global trend and a worldwide risk. This Global Agenda Index Survey, conducted by Media Tenor in conjunction with the Atlantic Council, surveyed politicians, institution leaders, CEOS, business leaders, foreign policy experts and other academic opinion-leaders.

Figure 10: **Opinion leaders: Global trends through 2030**

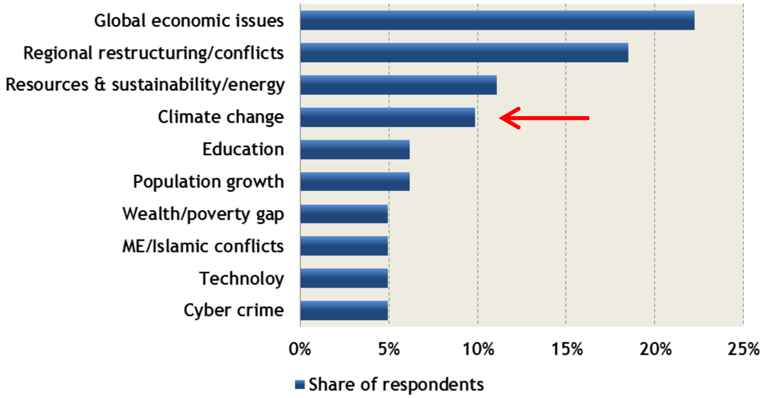
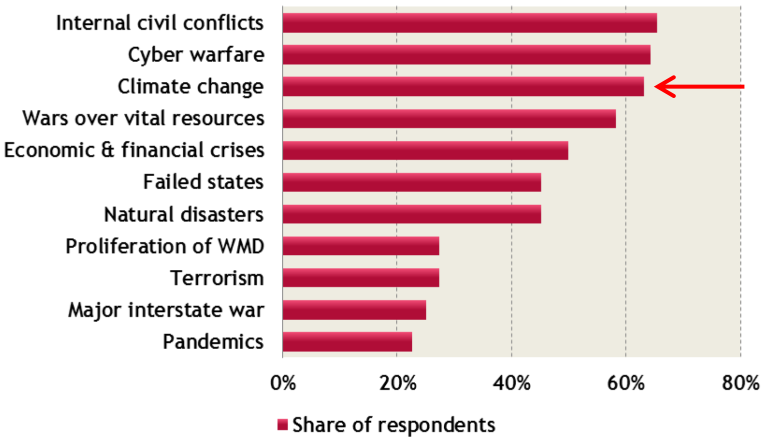


Figure 11: **Opinion leaders: Global risks to security through 2030**



Despite the intense media coverage on the war on terrorism in the last decade, opinion leaders believe that terrorism will be less of a threat in 2030 than climate change. These trends tell us the CSR *must* become a vital piece of a corporation's future if they want to mitigate potential risks. The media may be taking a different approach. In January 2013 the New York Times announced it will close its environmental desks and re-assign the reporters and editors to other departments. At the time this book was published, the fate of the New York Times'

Green Blog was undetermined. When The New York Times disbanded its own version of CSR (bringing awareness of environmental issues to the public), it echoed the sentiment of many corporates explaining, "it was a purely structural matter." It remains to be seen whether a media structure absent of CSR will be sustainable.

Media set (television news): ARD Tagesthemen; ZDF heute journal; RTL Aktuell; ARD Tagesschau; ZDF heute; TF 1; RAI Uno; SF DRS Tagesschau; TVE 1; BBC 1 10 o'clock news; ITV News at Ten; BBC World; BBC 2 Newsnight; CNN; NBC Nightly News; ABC World News Tonight; CBS Evening News; Fox News; SABC 3 News @ One; SABC 2 Afrikaans News; SABC 3 English News; E-TV News; SABC Sotho News; Summit TV. Media set (business papers): Financial Times; Wall Street Journal; Les Echos.

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5. CSR's Limited Presence in Narrative Data Suggests Untapped Opportunity

by Racheline Maltese

Introduction

Annual reports are one of the most central tools companies have for communicating their activities, strategies, and operating philosophies. Read not only for legally mandated financial content, annual reports also examined and commented on by financial analysts, the media, and lay investors and shareholders. Additionally, annual reports also reach other stakeholder audiences, including the communities in which companies operate and the target audiences to which they market.

With no real limit on the depth and range of included content, and the general acceptance of the notion that annual reports are the central communications document that any company can offer, even by people who do not read or have familiarity with them, annual reporting documents offer clear communications opportunities on a number of issues, including those topics which make up corporate social responsibility and sustainability efforts.

However, despite this opportunity offered by annual reports, companies continue to offer limited shares of information on these topics in the main body of such reporting content. A Media Tenor analysis of the non-legally mandated, but standardized portions of annual reports from 130 leading companies based in multiple markets (North America, the UK, Europe, and South Africa), revealed the sustainability concerns, even when defined at their most broad, made up an extremely limited portion of annual reports. This was true for both reactive statements, talking about sustainability concerns or achievements over the past year, and for proactive statements that looked towards future sustainability planning.

Additionally, those companies that did offer sustainability content often segregated this content to specific sections of their annual report, or to separate reports entirely and did not choose to integrate the content with standard features such as a letter from the CEO or chairman of the company. This choice to segregate CSR and sustainability content suggests that companies do not view such activities as central to their operating strategy and success. They are, instead, at best a nice-to-have, or, at worst, an onerous topic they feel compelled to address to placate special interest groups or a specific and narrow stakeholder audience.

Yet, study after study has shown that corporate social responsibility and sustainability efforts can have demonstrable, positive effects on operations and, ultimately, on bottom line concerns. For example, a 2006 study conducted by the Society of Human Resource Management found that firms view CSR practices as critical to employee morale, recruitment, retention and productivity.[1] Additionally, a link between CSR activities and corporate performance appraisals has been clearly visible in the research for some time (Lockwood, 2004)[2].

Historically significant research such as Milton Freedman's "The Social Responsibility of Business is to Increase Profits" (The New York Times Magazine, September 13, 1970) also continues to be met with copious academic response. This response has included economists Bryan Husted and Jose de Jesus Salazar's, "Taking Friedman Seriously: Maximizing Profits and Social Performance," which appeared in the *Journal of Management Studies* in January 2006, which argues that key corporate motivations around CSR and sustainability that can lead to profit enhancement[3] and Archie B. Caroll's and Kareem M. Shabana's "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice" which appeared in the International Journal of Management

1 "Corporate Social Responsibility: Trends and Drivers." Industry Canada. http://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/rs00554.html. Last accessed January 13, 2013.

2 Lockwood, Nancy R. "Corporate Social Responsbility: HR's Leadership Role." International Society for Performance Improvement Research Quarterly.
http://www.ispi.org/pdf/suggestedReading/4_Lockwood_CSR.pdf. Last accessed January 13, 2013.

3 Husted, Bryan W.; and Salazar, José de Jesus. "Taking Friedman Seriously: Maximizing Profits and Social Performance." *Journal of Management Studies,* January 2006, vol. 43, no. 1, pp. 75-91.

Reviews in 2010 and focuses on the breadth of business cases (that is, financial cases) for CSR.[4]

Yet, despite this not new and ever growing body of research, companies are, even if they are engaging in sustainability, still not necessarily talking about it in their highest profile and most controllable publication.

Methodology

Media Tenor analyzed on a statement-by-statement basis non-legally required content in standardly offered portions of annual reports published in 2011 and 2012 regarding the 2011 performance year. This included offerings such as letters from C-level executives and performance summaries. Statements were analyzed for the tone, the region or country they were concerned with, the source of the statement, the main topic of the statement, and whether the statement was presented as material either to the company, society as a whole, or both. This analysis was done by trained human coders whose accuracy was regularly evaluated.

Companies selected for analysis are market leaders that were chosen with regional and industry diversity in mind. Since CSR and sustainability are viewed and implemented differently across based on both geographical and business concerns, the ability to offer a broad picture as well as comparisons was central.

All analysis was done with agenda-setting theory in mind and sought to evaluate whether companies mentioned CSR and sustainability efforts with enough frequency for their participation in such to register for annual report readers. Additionally, agenda-setting theory was considered when reviewing how the analyzed companies were portrayed in the media as well.

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4 Carroll, Archie B.; and Shabana, Kareem M. “The Business Case for Corporate Social Responsibility: A Review of Concepts, Research, and Practice.” International Journal of Management Reviews, 2010, vol. 12, no. 1, pp. 85-105.

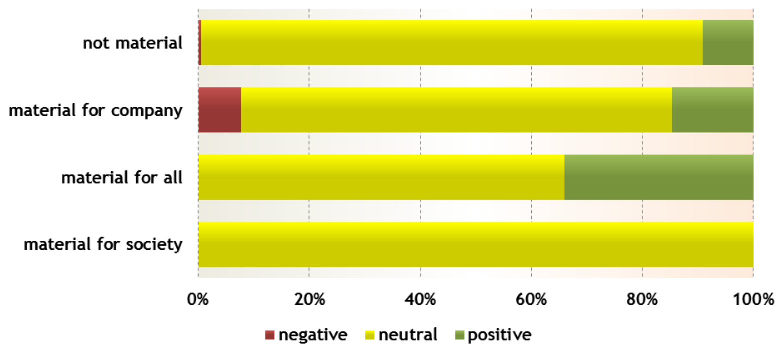
Findings

At their broadest definitions, Media Tenor found that CSR and sustainability topics represented slightly over 12% of the total content in the analyzed annual reports. This definition included not just corporate donations and concern for the environment, but also compliance efforts; HR and workplace environment concerns; attention to the needs of customers and stakeholders; and the pricing, marketing, and development of products in a way that had a positive or harm-reductive impact on consumers.

The importance companies placed on statements regarding CSR and sustainability topics was also strongly apparent when levels of materiality were examined. While almost 19.5% of statements about topics not related to CSR or sustainability were presented as material by companies, only 5.8% of statements on CSR and sustainability efforts were presented as material. This indicated both corporate messaging and possibly a corporate philosophy that did not consider these activities central to operating practices, financial performance, or image building.

This lack of focus on material statements, however, seems counter-intuitive when the tonality of such statements are examined.

Figure 1: **Share of tone for statements on CSR and sustainability by materiality type**



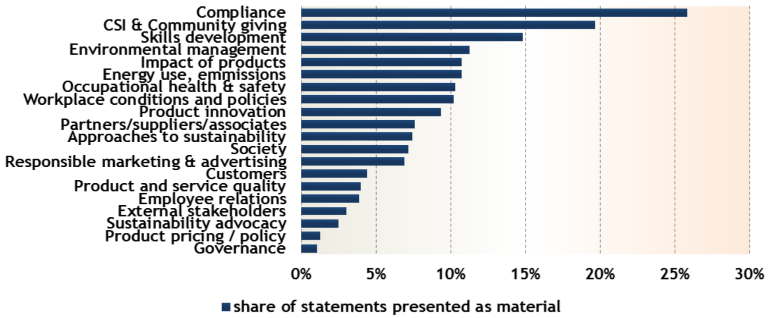
By far, the statements that most often allowed companies to offer positivity on performance were statements that were presented as material for all – that is, having a significant financial, legal, or operational impact on both the company and the societal environment in which it operates. This type of statement offered the additional advantage of generating not negativity. When companies were willing to talk about CSR and sustainability commitments that had a demonstrable effect on their own activities and the societies in which they operate, the positivity was clear.

Non-material statements offered much lower levels of positivity, well below Media Tenor's recommended threshold of a minimum of 20%. Additionally, a low-level of negativity was also present. Where risk as particularly apparently, however, was in statements that companies framed as material for their own operations but that they did not clearly identify as having any material impact for other, external stakeholders.

The reason for this level of negativity becomes apartment when levels of focus and materiality are looked at by individual types of CSR and sustainability.

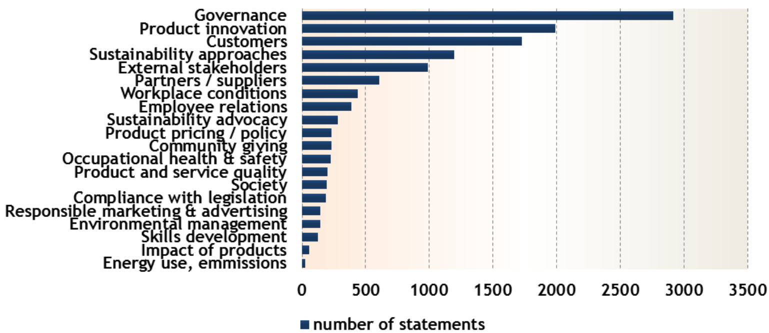
By far, the greatest share of materiality was reserved for compliance issues, indicating that companies understood and were willing to communicate specifically on the importance of following the rules. However, following the rules is not enough, and does not show a proactive interest in stakeholders and responsible operation. That other topics were presented with so much less materiality indicates that companies overall have a long way to go before CSR and sustainability are viewed by corporations, or at least those who are writing their annual reports, as a clear part of good strategy that require proactive and specific engagement.

Figure 2: **Share of materiality for statements about CSR and sustainability issues by topic**



What companies emphasize as CSR and sustainability was also illustrated by the volume of attention paid to the twenty sustainability-related topics analyzed.

Figure 3: **Volume of statements on CSR and sustainability issues by topic.**



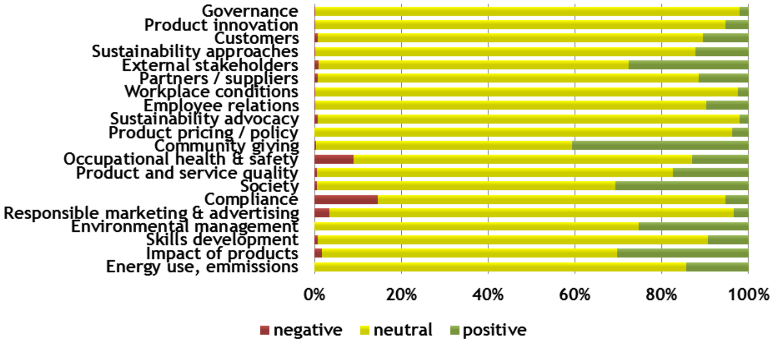
In terms of sheer volume of mentions, governance is the most visible, despite the fact that this topic was also the topic on which companies offered the least amount of materiality. Meanwhile, the topic that represented the greatest share of materiality, turns out to be hardly visible at all.

This further highlights the degree to which companies may be avoiding speaking clearly, specifically, and with acknowledged importance on CSR and sustainability issues. It is also notable that topics often most commonly associated with sustainability and CSR, such as environmental concerns, had some of the lowest levels of visibility.

Meanwhile, while statements about CSR and sustainability are generally overwhelmingly positive for companies, there were a few types of sustainability topics that required companies to evaluate themselves negatively at times. The most prominent of these was compliance, which companies generally only referenced in terms of the impact on their own operations. Yet, the regulations that compliance statements are about, almost invariably focus on how a company interacts with its societal environment.

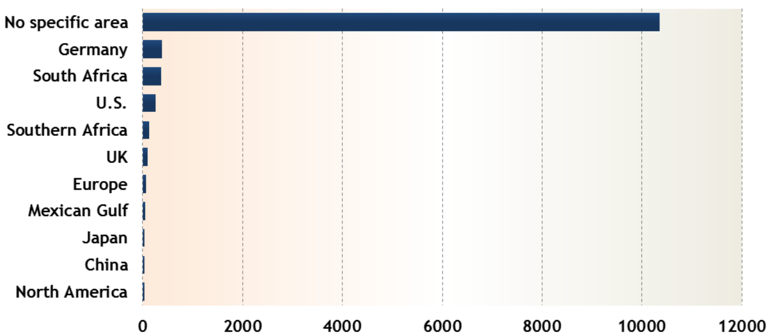
This negativity around compliance-related statements was clearly responsible for the significant share of negativity present around statements that companies considered material for their own operations, but not material for their impact on society. However, while legal and financial penalties exist for corporations who are non-compliant with local laws and regulations, this non-compliance does impact the larger society. Here, proactive communications and more in-depth annual report content that focuses not just on compliance, but on the subjects of that compliance as well as the remediation, and not just the penalties, of non-compliance could help many companies improve their images. This communications approach would also help mitigate the appearance that companies are far more concerned with avoiding compliance penalties than recognizing CSR and sustainability as central components of a set of good business and financial practices.

Figure 4: **Share of tone for CSR and materiality statements by topic**



Specificity is also a critical problem around the location of sustainability activities. In fact, when companies did mention sustainability and CSR activities, in most cases they mentioned no specific area at all. While sometimes this implied that these activities were taking place across the multinational reach of their organization, this was rarely confirmable and highlighted the degree to which activities were mentioned in passing as opposed to in detail.

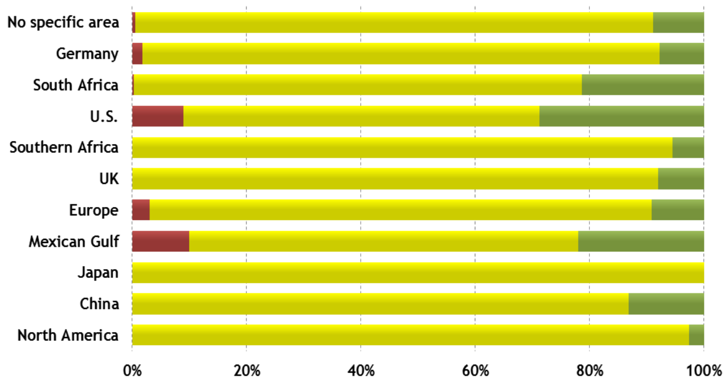
Figure 5: **Volume of statements on CSR and sustainability by region of activity**



When sustainability and CSR activities were featured for a specific country or region, the home markets of companies were the main place where the activity was located in most cases. While it is important for companies to engage with the society in which their operations are based, it is also important for companies, especially those operating in the developing world, to show concern for markets in which corporate exploitation and negative environmental actions by companies have been a part of the media agenda or perception. Yet there was little visibility for CSR and sustainability activities in developing markets.

Regional visibility for CSR and sustainability activities was also impacted significantly by negative events. Visible negativity around these topics in Germany, the U.S., Europe as a whole, and the Gulf of Mexico were related to regulatory compliance, with the Gulf of Mexico statements specifically focused on pollution from the oil industry and its impact on the environment.

Figure 6: **Share of tone of statements on CSR and sustainability by region of activity**

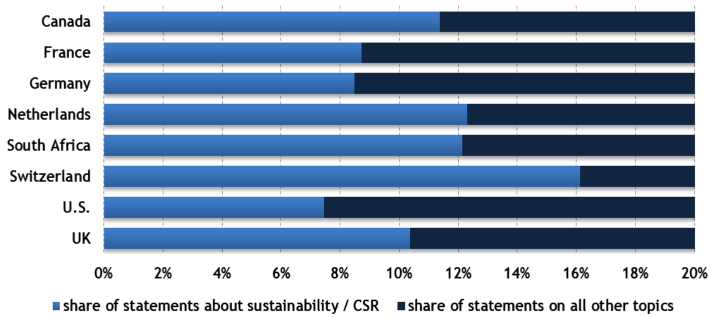


The national origin of companies also has a key impact on how visible sustainability and CSR topics are. This is the result both of national regulatory environments as well as cultural values related to the environment, profits, worker welfare, and other key issues.

By this measure it is U.S. firms that fare the poorest, devoting less than 8% of their annual reports to CSR and sustainability issues. Swiss companies, on the other hand, offer a sharp contrast. With over 16% of content focused on CSR and sustainability issues, it seems these companies have made greater strides in recognizing that CSR and sustainability are not just nice-to-have activities, but fundamental to their operating strategies and corporate philosophies.

Those countries whose companies fall in the middle of the pack also display some significant variance. French and German companies are not much more focused on sustainability than U.S. firms. While Canada, the U.K., the Netherlands and South Africa at least all pass the 10% mark for sustainability topics in aggregate.

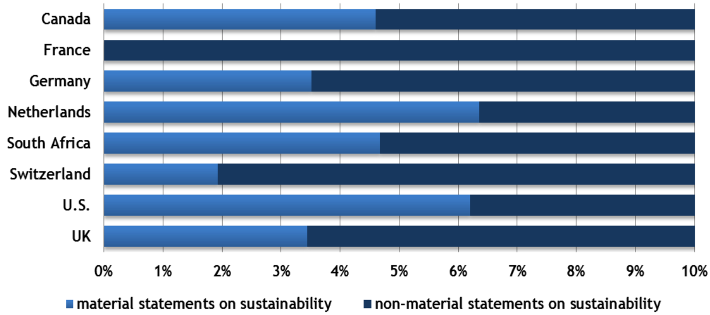
Figure 7: **Share of statements about CSR and sustainability by company location**



When levels of materiality regarding sustainability and CSR activities are examined by corporate home markets, the results paint a somewhat different picture. Analyzed French companies, for example, did not present a single statement regarding CSR and sustainability issues as material. This, combined with a low level of sustainability content overall, makes these companies arguable some of the worst performers.

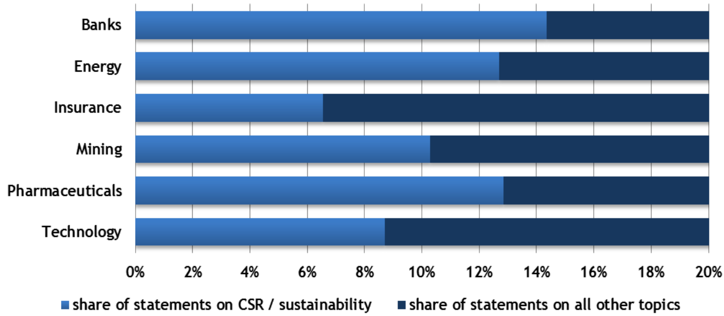
Meanwhile, Switzerland's exceptional attention to CSR and sustainability topics seems less impressive when it becomes clear that less than 2 percent of those statements were presented as material. Of course, the high levels of materiality from U.S. firms were largely the result of compliance issues which were presented as material due to the legal impacts they had for some firms.

Figure 8: **Share of materiality for statements about CSR and sustainability by company location**



Just as clear differences are visible between companies based on their home markets and regional activities, levels of CSR and sustainability acceptance, integration and communication also differ between key industries.

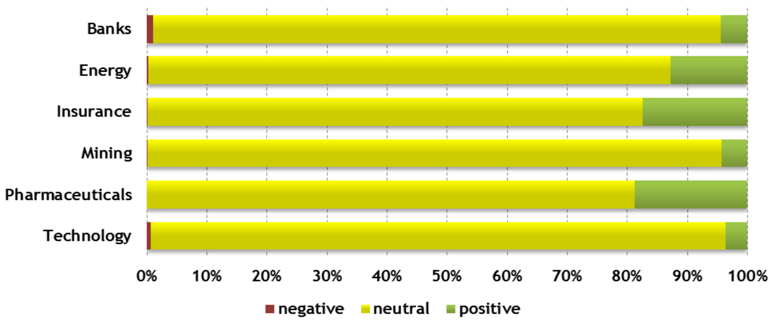
Figure 9: **Share of CSR and sustainability content by industry**



For example, banks and pharmaceutical firms offer the greatest attention to sustainability issues by share. While regulatory concerns play a significant role in this for both industries, it is not the thing in play. In fact, both banks and pharmaceutical companies tend to offer content in their annual reports that address the benefits their products offer consumers and communities. For banks, this often means references to community investment, financial literacy programs, and loans aimed at helping disadvantages areas. For pharmaceutical firms, this means the development and sale of drugs that cure disease and improve the quality of life of customers and communities. Programs that subsidize drug costs for individuals or locations that have difficulty afford them affording are also often visible.

This is a sharp contrast from the insurance industry, which offered the lowest share of statements on sustainability. This doesn't have to be the case. After all, insurance products perform a number of societal goods and can be key parts of retirement planning as well as helping areas, industries, and individuals to recover after misfortune strikes. Yet, most insurance companies are choosing not to communicate in their annual reports on product benefits and many other facets of sustainability topics.

Figure 10: **Share of coverage tone on CSR and sustainability topics by industry**



Yet, despite insurers' reluctance to speak on CSR and sustainability issues, it is insurance companies, along with pharmaceuticals that are the most willing and able to offer positivity on CSR and sustainability issues, while regulatory negativity was visible for banks.

Conclusions

While annual reports are a key communications tool for all public companies, many leading firms are still not taking advantage of them when it comes to CSR and sustainability.

For some companies, this means segregating CSR and sustainability content from the rest of their reporting, positioning these subjects as special interest topics that are not key to operations. For other companies, CSR and sustainability have low visibility overall, with no special repository of additional information.

Additionally, many companies demonstrate that they don't view CSR and sustainability topics as key to their functioning by offering not just low levels of visibility, but also low levels of material statements.

Across the board, companies seemed to struggle when it came to specificity, especially regarding the regions in which their CSR activities take place. While companies break down financial results by operating market, few offered any similar breakdown when it came to CSR and sustainability. This positioning CSR and sustainability not even as nice-to-haves, but as after-thoughts.

Finally, region- and industry-based analysis show some bright spots as Swiss companies seemed clear that sharing sustainability content was key and pharmaceutical companies around the globe were able to make CSR and sustainability issues a key part of their messaging.

Overall, however, it was clear that companies missed opportunities offered by integrated reporting, annual report content, and the financial, operations, and reputational benefits that clear, specific statements on CSR and sustainability provide.

Sustainability and CSR allow companies to not only speak positively of themselves, but to show evolution and progress on past negatives or misconceptions. However, until companies recognize that annual reports can, and should be, about more than numbers, sustainability and CSR will continue to be relegated to sidelight status instead of essential parts of company operations and communications.

6. Luxembourg: A Sustainable Society Starts Here
by Robert G. Eccles and George Serafeim

Integrated reporting is a topic of growing interest in the corporate and investment community. In its simplest terms, an integrated report is one which presents a company's financial and nonfinancial (e.g., environmental, social, and governance) performance in a single document. Ideally, it also shows the relationships between them, although that remains a challenge due to the lack of measurement and reporting standards for nonfinancial information. Integrated reporting is an important tool for helping companies develop sustainable strategies, defined as one that creates value for shareholders over the long term while contributing to a sustainable society. It is the best way to communicate about a company's sustainable strategy and it is a form of discipline to ensure that one is in place. Integrated reporting forces a company to take account of the positive and negative externalities that are created in its pursuit of value creation for its shareholders, thereby taking formal account of the needs of other stakeholders.

Integrated reporting is equally important for investors and stakeholders who want a holistic view of a company's performance. For investors, it enables them to take a long-term view of value creation and risk mitigation. For other stakeholders, it enables them to see the issue of importance to them in the context of issues important to other stakeholders. Since companies are constantly facing difficult trade-off decisions, not everybody's demands can be completely met.

We believe that integrated reporting is as applicable to cities and even countries as it is to companies, although less work has been done in this domain. However, there is evidence of growing interest in topics that are closely related to the idea of applying integrated reporting to cities. These include a vast number of "city rankings" (e.g., greenest, most livable, best quality of life),[1] The C40 Cities Climate Leadership Group

1 Such reports include, but are not limited to:

(C40) (a network of the world's megacities committed to addressing climate change)[2], CDP Cities 2012 initiative (a voluntary climate change reporting platform for city governments targeted to the C40 Cities group as well as the largest cities in each region of the world,[3] and suggestions to go beyond GDP to include social and environmental issues in assessing a country's well-being.[4]

In this chapter, we use the City State of Luxembourg as a case study to make the case for the benefit of applying the concept of integrated reporting to cities. We begin by arguing that Luxembourg needs to redefine itself away from a country focused on being perceived as a tax haven for wealthy individuals to a country whose economy and society are based on sus-

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European Foundation Sustainable Cities Report, the European Foundation, http://www.eurofound.europa.eu/pubdocs/1998/07/en/1/ef9807en.pdf;

The Urban China Initiative, Columbia University, Tsinghua University, McKinsey & Co., http://urbanchinainitiative.typepad.com/files/usi.pdf;

City Forward Initiative, IBM, http://cityforward.org/wps/wcm/connect/CityForward_en_US/City+Forward/Home#data;

Siemen's Green City Index, Siemen's, http://www.siemens.com/entry/cc/features/greencityindex_international/all/en/pdf/report_asia.pdf;

Economist Intelligence Unit Liveability Ranking, EIU, http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=NEW_August_liveability_PDF.pdf&mode=wp;

Mercer Quality of Living City Ranking, Mercer, http://www.imercer.com/uploads/common/pdfs/montrcaq.pdf; NRDC Smarter Cities, National Resource Defense Council, http://smartercities.nrdc.org/rankings/scoring-criteria

2 http://www.c40cities.org/, accessed January 2013.

3 https://www.cdproject.net/en-US/Programmes/Pages/CDP-Cities-2012.aspx, accessed January 2013.

4 Stiglitz, Joseph E., Amartya Sen, and Jean-Paul Fitoussi. Mismeasuring our lives: Why GDP doesn't add up. New Press, 2010.

Karabel, Jerome, and Daniel Laurison. "Outlier Nation? American Exceptionalism and the Quality of Life in the United States." (2011).

Cobb, Clifford, Ted Halstead, and Jonathan Rowe. "If the GDP is up, why is America down?" Atlantic-Boston- 276 (1995): 59-79.

tainability. We then briefly review some basic facts on the country itself. The third section provides some more background on the concept of integrated reporting applied to companies, followed by a section which shows how it can be applied to cities. We then suggest a scenario for the Luxembourg of tomorrow based on a commitment to sustainability using the tool of integrated reporting. And while Luxembourg has a clear opportunity based on its unique circumstances, every city has the opportunity to benefit from integrated reporting. Those which are the first to do so will be the first to reap the benefits.

The Opportunity for Luxembourg

Luxembourg has the opportunity to redefine itself. It must do so and soon. Today the country effectively has a niche economic strategy focused on financial services. Somewhat ironically, the country also consumes a vast amount of natural resources on a *per capita* basis. To some extent this is an artifact of the large number of workers who commute from Belgium, France, and Germany every day. But this is also a function of the fact that Luxembourg is a wealthy society and nearly all of its citizens have living standards that are based on few financial or social constraints regarding resource consumption.

This is not a sustainable country strategy, either economically or environmentally. Neither is it sustainable in social terms as society's expectations, particularly those of the younger generation, are changing in response to the real threat posed to our common planet by today's habits, especially in the developed world. Failure to address this issue will create strains in the country's society and confront the government with its failure to act if it does not. Good city and country governance must rise to the occasion; otherwise, the legitimacy of the government itself will also be threatened.

The country's path to a more sustainable future is clear. It must diversify its economy, especially into high technology products and services like cloud computing; it must make more efficient use of natural resources; it needs to continue to reinforce and build on the high level of collaboration that exists between the indigenous and local population and the residents and commuters; and it needs to improve the level of engagement the government has with *all* of its citizens and groups. By doing so, Luxembourg can rebrand itself from being a "tax haven for wealthy individuals" to becoming a country with the brand of "A Sustainable Society Starts Here." The country faces the same complexities that all countries do in order to become a sustainable society. But the combination of its wealth, small size, and ability to quickly reach a political and social consensus means that it can be the world's pilot country for creating a sustainable society.

An important part of accomplishing this is through "integrated reporting," sometimes referred to as *One Report*. In its simplest terms, integrated reporting is a combined report on financial and nonfinancial (e.g., environmental, social and governance [ESG]) performance and the relationships between them. This relatively new idea is being developed by companies in the private sector, but it applies equally well to cities and even countries. Luxembourg can become the first country to issue an integrated report, the Luxembourg One Report™. In doing so, it will provide the information necessary to inform decision making to create a more sustainable society. The Luxembourg One Report™ will also be a significant element in the country's rebranding strategy based on a changed underlying reality.

The Luxembourg of Today

Luxembourg is a country of approximately 512,000 people, of which some 94,000 live in the capital of Luxembourg City.[5] Although one of the smallest countries in the world, it has a strong economy, albeit one dominated by the financial services sector. Its Gross Domestic Product in 2012 was €44.1 billion[6], a growth of 0.1% from the previous year with a projected growth of about 0.9% 2013.[7] Although small, Luxembourg is

5 As of December 31, 2010 the country population was estimated to be 512,000 and the city population was 94,000. Country Report: Luxembourg, Economist Intelligence Unit, Country Report Fourth Quarter 2012, p. 2.

6 Ibid, p. 6.

7 Ibid, p. 2.

a very wealthy country. It ranks first among 21 European countries in GDP *per capita*, well ahead of second-ranked Norway with all if its oil resources, with Switzerland ranked third and Denmark fourth.

Economy

Luxembourg's wealth is based on human rather than natural resources. In terms of value added by sector, financial services, real estate, and business services dominate at 48.1%. It is followed by trade, repairs, catering, transport and communication (21.2%); public, social, and personal services (17.0%); industry, including energy (7.6%); and construction (6.1%).[8] Thus, less than 15% of the country's economy is based on natural resources. In a world where natural resources are becoming increasingly scarce and expensive, this means that Luxembourg does not face the uncertain future that countries do that primarily depend upon natural resources to fuel their economic development, with Middle Eastern countries like Saudi Arabia and Qatar being prime examples. Yet its dependence on the financial services sector is a source of vulnerability and risk. The country has recognized its over-dependence on private banking and broadened the range of financial services in this important sector:

> *Under EU and OECD pressure, the country is gradually losing its advantage as a tax haven for private banking. However, it is compensating successfully for this by boosting its role as a leading centre of investment-fund management and, to a lesser extent, life insurance. This is helped by its sound reputation for financial regulation, a reputation that survived the global crisis.*[9]

This is only a short-term solution and even makes the problem worse. Future global financial crises, which are inevitable, could well be more damaging to its economy and reputation. The Irish experience where the financial sector grew substantially and then crashed, bringing the whole country to its

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8 Ibid, p. 6.

9 Country Report: Luxembourg, Economist Intelligence Unit, February 2011, p. 10.

knees, is indicative of what can happen to a country that relies almost solely on financial services in order to grow. Furthermore, other countries which have a strong financial services sector, such as Switzerland, may take market share away from Luxembourg. This is more likely to happen if Switzerland changes its strategy, given that the Swiss secrecy law, a source of competitive advantage for Switzerland, is being heavily criticized by many governments around the world.[10] Future EU regulations pose another risk to the country's dependence on the financial services sector. The government is aware of this and has attempted to diversify the economy, although with very little success:

> *For many years policymakers have been concerned that the economy should not become overly dependent on finance, but this is what has happened, and the trend will continue. Although steel and other manufacturing production and online, satellite and transport services all contribute to exports, they are dwarfed by the financial sector. As part of its effort to diversify the economy, the government is committed to boosting publicly funded research. Since 2000, when such funding accounted for 0.14% of GDP, it has been on a rising trend. However, research and development (R&D) spending in 2008 was only 1.62% of GDP, almost unchanged from five years earlier and well below the EU average of 1.9%. The government is making available €140m over five years to boost specialist research in biotechnology. It is also encouraging innovation by providing an 80% tax exemption for net income on capital gains made from intellectual property. In response to complaints about administrative costs, the government aims to reduce the costs and time taken to start a business.*[11]

Making economic diversification even more challenging is the need for the country to attract more people as permanent res-

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10 For a discussion of the challenges that Switzerland faces because of the secrecy law see: Paul Healy, George Serafeim, and David Lane, 'Wealth Management Crisis at UBS' (A) and (B), Harvard Business School cases N9-111-082 and N9-111-090.

11 Ibid, p. 10.

idents or even citizens. Around 150,000 of the 370,000 person workforce, or 40%, are daily commuters who do not pay country taxes but whose vehicles contribute to the country's carbon emissions. Approximately 75% of automotive fuels are sold to cars not registered in Luxembourg.[12] According to the estimates by Eurostat and the European Commission, the country's population will increase by 200,000 over the next 40-45[13] years. However, some believe that the population needs to grow much faster in order for the country to be economically viable. If this happens, then a new strategy for job creation is needed. The current job growth rate of 2.4%, while impressive compared to other developed countries, is insufficient to meet this goal.[14] Most of the new jobs needed to support a resident population increase of 200,000 cannot, and should not, be in financial services.

Environment

A recent OECD report notes that "Luxembourg is facing a number of environmental challenges in terms of pollution (waste, water treatment, air pollution from NOx) and unsustainable patterns of consumption (transport, energy, recreation, space). Its biodiversity and its landscapes are under threat."[15] The report also notes that "Luxembourg's environmental policies have achieved significant results," yet emphasizes that "there is room for further progress, particularly regarding sanitation, nature and biodiversity conservation, greenhouse gas emissions, and—more generally—sustainable development" and this is a challenge since "the environment

12 OECD Environmental Performance Review: Luxembourg, 2010, OECD, p. 15.

13 The 2012 Ageing Report, Economic and budgetary projections for the 27 EU Member States (2010-2060), the European Commission and the Economic Policy Committee, 2012, p.84

14 Country Report: Luxembourg, Economist Intelligence Unit, February 2011 p. 21.

15 OECD Environmental Performance Review: Luxembourg, Op. Cit., p. 16.

is often viewed in some political debates as a constraint on economic development." [16]

The OECD report makes a number of recommendations for what Luxembourg needs to do to reduce its impact on the environment, including:

- Air
    - Take more effective steps to reduce NOx emissions due to automobile traffic
    - Improve public transport to meet the 2020 objective of having it account for 25% of work/home commutes[17]
- Water
    - Apply "user pays" and "polluter pays" water pricing for households
    - Strengthen the control of drinking water quality[18]
- Waste and materials
    - Achieve economics by encouraging communes to cooperate more effectively
    - Coordinate the management of hospital and similar waste
- Nature and biodiversity
    - Make greater use of economic interests to encourage landowners to adopt sustainable farming and forestry practices
    - Establish forest management programs to rejuvenate the forests[19]

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16 OECD Environmental Performance Review: Luxembourg, Op Cit., pp. 15-16.

17 Ibid, p. 19.

18 Ibid, p. 20.

19 Ibid. p. 21.

- Integrating environmental concerns into economic decisions
    - Identify and eliminate subsidies and tax provisions that are potentially damaging to the environment
    - Review subsidies for energy savings and renewable energy and assess their economic efficiency and environmental effectiveness[20]
- Integrating environmental and social decisions
    - Design and implement a national plan for better integration of environmental and health policies
    - Analyze the interactions of environmental policy with the economy[21]

The OECD report makes clear that that the actions Luxembourg takes to improve the environment for its citizens must be done in the context of economic and social issues. In some cases these will be mutually reinforcing. In other cases, tradeoffs will have to be made. It is important to understand when each is the case and to make intelligent decisions accordingly. This requires the relevant information and tools for analyzing it.

Society

Luxembourg has a “long tradition of political stability and this will continue over the forecast period and beyond.”[22] On the Democracy Index developed by The Economist Intelligence Unit, Luxembourg ranks 11th out of the 30 “full democracy” countries (in a total of 167 ranked countries), down from 9th in 2008. Its *Political participation* score of 6.67 (scale of 10) is notably below its scores on *Electoral process and pluralism* (10.00), *Civil liberties* (9.71), *Functioning of government*

20 Ibid. p. 23.

21 Ibid. p. 24.

22 Country Report: Luxembourg, Economist Intelligence Unit, February 2011, p. 9.

(9.29), and *Political culture* (8.75).[23] The lower score on *Political participation* is partially a result of the fact that "interest groups, notably the key financial services sector's lobby and trade unions, have a significant influence on policy."[24] Nevertheless, there is very little corruption and there are very few tensions between the indigenous population and large immigrant population.

The link between democracy and its economy is a strong one. "Even if economic conditions were to deteriorate, a long tradition of political stability, democracy and social cohesion would enable the economy to adapt without undermining democracy."[25] Already the government is being challenged since its own Economic Ministry has suggested that the country's competitiveness is declining.[26] Further pressure on the government is coming from the fact that a recent OECD assessment shows the country's 15-year-olds ranking well below the rich-world average in mathematics and science.[27] As with environmental concerns, Luxembourg is facing some social concerns. While they may not be of the same order of magnitude or as challenging, they are very real and must be addressed.

The Concept of Integrated Reporting

Within the past few years a growing number of companies in different industries and different countries—including BASF in Germany, Natura in Brazil, Novo Nordisk in Denmark, Philips in the Netherlands, and Southwest Airlines in the U.S.—have adopted the practice of "integrated reporting." In its simplest terms, integrated reporting means combining a company's financial report (required of all listed companies) with its (usually) voluntary corporate social responsibility or sustainability

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23 Democracy index 2011: Democracy under stress, The Economist Intelligence Unit, 2011, p. 4.

24 Country Report: Luxembourg, Economist Intelligence Unit, February 2011, p. 14.

25 Ibid, p. 15.

26 Ibid, p. 18.

27 Ibid.

report on its nonfinancial or ESG performance. This report is *not* intended to be a lengthy document reporting on every possible financial and nonfinancial performance metric. Rather, it is intended to report on the key, or material, financial and nonfinancial performance metrics and, equally importantly but rare, the relationships between them. It shows how the company is using human, natural, and financial resources to create value for shareholders and other stakeholders.[28]

More and more companies today are making sweeping claims about how “attention to ESG issues is good for shareholders” without being specific about the cause-and-effect relationships, supported by data. For example, how is greater energy efficiency, with lower carbon emissions, reducing costs? And the same for recycling programs? Are the growth rates, profit margins, and customer loyalty on “green” products greater than for traditional ones? How is diversity in the work force leading to more innovation? Is the company’s commitment to sustainability enabling it to attract and keep more talented people, particularly younger ones? And is it enhancing the company’s brand? How is better governance and risk management reducing reputational risk from compliance failures or corruption in the company and its supply chain? A truly integrated report provides answers to questions like these, with the particular questions obviously being a function of the company’s industry and business strategy.

One Report doesn’t mean *only* One Report. Integrated reporting also involves leveraging the Internet to provide more detailed information of interest to particular stakeholders such as shareholders, employees, customers, and NGOs. This information can be accompanied with tools for analyzing this information and also pulling in data from other sources and augmenting these tools with those developed by the user and accessed from other sources.[29]

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28 For a detailed discussion of the concept of integrated reporting see One Report: Integrated Reporting for a Sustainable Strategy by Robert G. Eccles and Michael P. Krzus. New York, John Wiley & Sons, 2010.

29 “Integrated Reporting in the Cloud,” by Robert G. Eccles and Kyle Armbrester, IESE Insight, Issue 8, First Quarter 2011, pp. 13-20 and “Creating a Sustainable Society through Integrated Reporting Delivered via

Finally, integrated reporting is as much about "listening" as it is "talking." Again, the Internet can be leveraged to substantially improve the level of dialogue and engagement a company has with all of its stakeholders. The company can solicit feedback on its current reporting practices and how they can be improved in terms of both content and format. It can also engage with stakeholders in order to determine their expectations and degree of satisfaction with how these expectations are being met. Since it is impossible for a company to optimize across all expectations, it can also use engagement as a way of creating a "common conversation" amongst all stakeholders to educate them and increase their appreciation of how their expectations need to be balanced against the expectations of others.

The growing awareness of the private and public sectors and civil society that a sustainable society—defined in economic, environmental, and social terms—requires companies to have sustainable strategies—which can create value over the long-term for shareholders—is creating powerful trends to support the adoption of integrated reporting. Private sector forces include increasing attention to nonfinancial performance by "mainstream" investors,[30] supporting the initial interest of Socially Responsible Investment (SRI) funds, as evidenced by Bloomberg now making ESG data part of its basic subscription service. Corporate customers are increasingly including questions about nonfinancial performance in Requests for Pro-

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Cloud Computing," by Kyle Armbrester and Robert G. Eccles, The European Business Review, January-February 2012, pp. 70-74.

30 "Market Interest in Nonfinancial Information, by Robert G. Eccles, Michael P. Krzus, and George Serafeim, Journal of Applied Corporate Finance, Volume 23 Number 4, Spring 2011, pp. 113-128.For evidence that sell-side analysts increasingly incorporate ESG data into their investment recommendations see Ioannis Ioannou and George Serafeim 'The Impact of Corporate Social Responsibility on Investment Recommendations', Best Paper Proceedings of the Academy of Management (2010). For evidence that buy-side houses and in general investors favor in their investment decisions companies with good ESG performance see Beiting Cheng, Ioannis Ioannou, and George Serafeim 'Corporate Social Responsibility and Access to Finance', Strategic Management Journal, forthcoming.

posals (RFPs) and consumers' buying behavior is influenced by perceptions about a company's commitment to sustainability.[31]

Public sector forces are at work as well. Integrated reporting is now required of all companies listed on the Johannesburg Stock Exchange and the EU is considering mandated ESG reporting, as a step towards integrated reporting. The U.N.-backed Principles for Responsible Investment, a global coalition of large institutional investors, has created the Sustainable Stock Exchanges (SSE) initiative which "is aimed at exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency, and ultimately performance, on ESG (environmental, social and corporate governance) issues and encourage responsible long-term approaches to investment."[32] Its members currently include the Brazilian stock exchange BM & FBOVESPA, Bombay Stock Exchange Ltd (BSE), Egyptian Exchange (EGX), Istanbul Stock Exchange (ISE), Johannesburg Stock Exchange (JSE), and NASDAQ OMX.

The extent of integrated reporting by companies varies by country, as does the level of interest by investors in such information (Eccles, Krzus, and Serafeim, 2011).[33] One of the challenges of integrated reporting is that no frameworks exist for defining exactly what constitutes an integrated report. Towards that end, the International Integrated Reporting Council (IIRC), "a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs"[34] is developing a "Draft Framework" which will be pub-

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31 For a discussion of how customers' attitudes are affected by the sustainability of a corporation see Monroe Friedman, 'Consumer boycotts: effecting change through the marketplace and the media'. Routledge, 1999.

32 http://www.sseinitiative.org/about/, accessed January 2013.

33 "The Role of the Board in Accelerating the Adoption of Integrated Reporting," by Robert G. Eccles and George Serafeim, Director Notes, The Conference Board, November 2011. Adapted from in Francesco de Leo and Matthias Vollbracht (Eds.), CSR Index (Zurich, InnoVatio Publishing Limited, 2011), pp. 70–92.

34 http://www.theiirc.org/, accessed January 2013.

lished on April 16, 2013, followed by the "Version 1.0" Framework coming out in December 2013. The "Draft Framework" will build on the "Prototype Framework" published on November 12, 2012 which describes the "six capitals" (financial, manufactured, human, intellectual, natural, and social) that an organization uses to create value.[35]

Another major barrier to high quality integrated reporting is the lack of standards for measuring and reporting on nonfinancial information. The first organization to create a set of standards in this domain is the Global Reporting Initiative (GRI), "a non-profit organization that works towards a sustainable global economy by providing sustainability reporting guidance."[36] It will be publishing its G4 Guidelines for Sustainability Reporting in May of 2013.

Complementing the stakeholder focus of the GRI is the work of the newly created "Sustainability Accounting Standards Board" (SASB) a "non-profit engaged in the creation and dissemination of sustainability accounting standards for use by publicly-listed corporations in disclosing material sustainability issues for the benefit of investors and the public."[37] Building on the work of Lydenberg, Rogers, and Wood (2010) which shows that the material ESG issues vary by sector, SASB is taking a sector-specific approach.[38] Over the next two and a half years, it will identify the material ESG issues for 89 industries grouped into 10 sectors and identify the appropriate key performance indicator (KPI) for measuring and reporting on that issue. In a study of the 10K reports in six industries regarding disclosures on climate change, Eccles, Krzus, Rogers, and Serafeim (2012)

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35 http://www.theiirc.org/wp-content/uploads/2012/11/23.11.12-Prototype-Final.pdf, accessed January 2013.

36 https://www.globalreporting.org/information/about-gri/what-is-GRI/Pages/default.aspx, accessed January 2013.

37 http://www.sasb.org/sasb/about/, accessed January 2013.

38 From Transparency to Performance: Industry-Based Sustainability Reporting on Key Issues by Steve Lydenberg, Jean Rogers, and David Wood. Hauser Center Initiative for Responsible Investment, June 2010.

show the need for better guidance on materiality and reporting of KPIs.[39]

Integrated Reporting Applied to Cities and Countries

Cities and countries, just like companies, need to manage both financial and nonfinancial performance. In the case of Luxembourg, integrated reporting could be piloted in the capital city and then extended throughout the country. A city government's responsibility is to create an environment where companies can create jobs for citizens and products and services for citizens and other consumers—city GDP is analogous to a company's revenues. Cities, in cooperation with government at other levels, also need to provide education, other social services, utilities, healthcare (to varying degrees), and a healthy and safe environment. The best cities enable and support culturally interesting and diverse experiences for their citizens. Finally, cities need to engage with their citizens, through the electoral process and in many other ways, to ascertain their desires and how well the city is meeting them. In fulfilling its responsibilities, a city utilizes financial (operating costs and capital investments funded by taxpayers), natural (energy, water and raw materials), and human resources (employees on the city payroll).

There is already one city that publishes an integrated report. The City of Melbourne in Australia has been disclosing an integrated report since at least 2009.The report comprises three main parts.[40] The first part provides an overview of the City of Melbourne and the communities the City serves. The second part includes highlights of the City's performance against the last year's Council Plan goals and details of the City's performance against the key strategic activities of the last year's Annual Plan and Budget. The report also outlines the City's

39 "The Need for Sector-Specific Materiality and Sustainability Reporting Standards," by Robert G. Eccles, Michael P. Krzus, Jean Rogers, and George Serafeim, Journal of Applied Corporate Finance, Volume 24 Number 2, Spring 2012, pp. 8-14.

40 The 2010 report of the City of Melbourne is available here: http://www.melbourne.vic.gov.au/AboutCouncil/PlansandPublications/AnnualReport/2010/Documents/COM_AnnualReport_2009-10.pdf

performance against strategic and global reporting indicators. The third part includes the City's financial statements. Importantly, the City of Melbourne's integrated report identifies eight goals and reports measures of the City's performance towards these goals. The goals are that Melbourne be a city for people, a creative city, an economically prosperous city, a knowledge city, an eco-city, a connected city, a city that leads by example, and a city that manages its resources well. Integrated reporting is a vehicle for the City of Melbourne to communicate and realize its goal to improve the livability and sustainability of their municipality. Directly quoting Robert Doyle, Lord Mayor of Melbourne, from the 2010 report, "the report highlights the council's priorities and key strategies. We are delivering."

Similar sustainability reports have been produced by international cities including Dublin[41], Penrith[42], Indianapolis,[43] and Baltimore[44], among others. These reports, though various in depth and format, all adopt some systems of general goals and specific indicators to reflect the city's progress in building a sustainable community for its inhabitants.

While formally similar, as the City of Melbourne integrated report shows, measuring city performance is more complex than it is for companies since it involves two levels of performance. The first is performance for which the city is directly respon-

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41 Dublin City Sustainability Report 2010, http://www.dublincity.ie/Documents/Sustainability%20Report%5B1%5D.pdf

42 Penrith City Council 2008-2009, http://www.penrithcity.nsw.gov.au/uploadedFiles/Website/Your_Council/Publications/AnnualReport/Final%20Online%20Document%20Nov%2012.pdf

43 The 2011 Sustainability Report of the City of Indianapolis, http://www.indy.gov/eGov/City/DPW/SustainIndy/Sustain/Report/Pages/2011-Sustainability-Report0403-5538.aspx

44 The 2011 Annual Sustainability Report of the City of Baltimore, http://cleanergreener.highrockhosting2.com/uploads/files/AnnualReport2011web.pdf

sible, e.g., the quality of education and the price of utilities and paid-for social services. The second is for the performance of the city *as a whole* which includes financial (e.g., GDP) and nonfinancial outcomes (e.g., carbon emissions, crime rates, corruption, and life expectancy) for all public and private sector activity taking place in the city. Nevertheless, both of these levels can be incorporated into a city's One Urban Report™ when properly structured.

The elements of One Urban Report™ are the same as they are for companies:

- The report provides information on material dimensions of financial and nonfinancial performance. In a company these are a function of its stated strategy. In a city, they are a function of the city's policies, based on the electoral mandate received by those currently in office which is being implemented by its civil servants.
- The key relationships between financial and nonfinancial performance should be shown. For example, what is the high school graduation rate and scores on standardized tests as a function of money spent on education? Have road improvements reduced average commuting time? Is an expanded police force making the city safer? Have tax incentives attracted companies—and how many jobs have been created as a result?
- Citizens are especially interested in particular performance metrics depending on their demographic characteristics, roles, and interests. The Internet can be leveraged to provide the detailed information of interest in a way that is easy to find and use by locating it in an organized fashion on the city's One Urban Report™ website. Parents with children will want to know about the performance of schools. The elderly will want to know about the response time of emergency services. Women will want to know what parts of the city are dangerous at night. Landscape designers will want to know what homes have been recently purchased.
- Finally, engagement with a city's citizens is at least as important as a company's engagement with its stakeholders is. In its most fundamental sense, a city *is* its citizens who

> are paying the elected officials and civil servants, and for infrastructure to create an environment in which they can live, work, and play. Town hall meetings, open forums, neighborhood visits, attendance at fairs, and athletic events are all essential. But these physical interactions need to be supplemented by leveraging the Internet to dramatically increase the level of dialogue and engagement in order to ensure that the city and its citizens are in touch with each other. Fundamentally, this is about making sure the citizens are in touch with themselves. The stronger its engagement with its citizens, the stronger the city will be.

Through integrated reporting, city officials and their citizens will make better decisions about how they are using financial, manufactured, human, intellectual, natural, and social resources. Both financial and nonfinancial performance will be improved, making the city more sustainable, while at the same time making the city a positive contributor to rather than a detractor from creating a sustainable society.

The Luxembourg of Tomorrow

Integrated reporting can be used to help develop and support a vision for Luxembourg to shift from being a country highly dependent upon the financial services sector, and which nevertheless consumes substantial natural resources on a *per capita* basis, to one that is more economically diverse and sustainable across all dimensions of economic, environmental, social, and governance performance. Integrated reporting will establish the necessary discipline for the country to examine the relationships between economic, environmental, and social performance and the tradeoffs that must be made. It will also be the basis for communicating on performance to its citizens and engaging with them.

One way the country hopes to broaden its economic base is that its "Economic policy priorities include reducing the cost of starting a company and trying to increase the role of research in the economy."[45] One candidate industry for devel-

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[45] Country Report: Luxembourg, Economist Intelligence Unit, February 2011, p. 3.

opment is cloud computing. Skype, a heavily cloud-based company, was started in Luxembourg and other companies that make substantial use of cloud computing, such as amazon.com and EBay, have substantial operations in the country. Cloud computing is an important enabling technology for the development and implementation of integrated reporting by companies and cities.[46] In becoming a leader and showcase for integrated reporting, Luxembourg will add to its credentials as a location for a wide range of cloud-computing services.

This will be further aided if the government encourages or requires companies listed on its stock exchange to adopt integrated reporting as well. The increased transparency around ESG performance that integrated reporting can bring has the potential to change the way corporations act. Meaningful disclosure of ESG information in an integrated way forces companies to manage these matters effectively in order to avoid having to disclose poor ESG performance to their multiple stakeholders. The result is companies that contribute to a sustainable development invest in employee training, adopt effective governance mechanisms, and implement ethical practices that avoid corruption and bribery.[47] These effects collectively can increase managerial credibility in society, a necessary element in forging a relationship of trust between business and society, which in turn is an important determinant of the competitiveness of nations. The country's investment firms in both public and private equity and other asset classes can encourage their portfolio companies to adopt integrated reporting as well.

All of these actions taken together will make Luxembourg a leader in the integrated reporting movement. In doing so, it will receive the direct benefits of rapidly becoming a more sustainable society. It can then build on this experience to reposition the country under the new brand of "Luxembourg: A

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46 "Integrated Reporting in the Cloud," by Robert G. Eccles and Kyle Armbrester, IESE *Insight*, First Quarter 2011 Issue 8, pp. 13-20.

47 Ioannou, Ioannis, and George Serafeim. 'The Consequences of Mandatory Corporate Sustainability Reporting.' Harvard Business School Working Paper, No. 11-100, March 2011.

Sustainable Society Starts Here." The opportunity is real and available. All it requires is the will of the country's public and private sector and civil society to take advantage of it by acting now.

7. Voyage of Discovery The OECD Better Life Initiative can make a difference to policies, and to people's lives too, though that also depends on participation

by Anthony Gooch

Five years into the most significant financial, economic and social crisis to confront OECD countries since the creation of the organisation, concern for rising inequalities has entered the mainstream of political discourse. At the same time there is a real demand from citizens, voters and taxpayers for both measures of and answers to their aspirations for well-being, going beyond the material to capture dimensions relating to quality of life and sustainability.

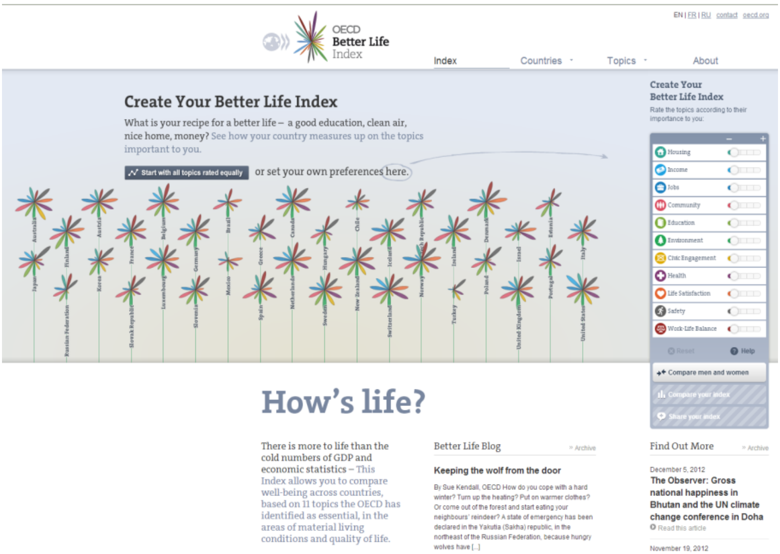
Viewed in this broad context, the OECD's decision to launch the Better Life Initiative as one of the centre-pieces of its 50th anniversary in 2011 takes on greater relevance as policymakers seek to respond to a growing demand to redefine well-being and conceive and implement policies to deliver it. As measurement is the cornerstone of any such exercise, we need to start by asking ourselves whether we are measuring the right things to capture well-being in the 21st century. Do we continue to put excessive stock into material and individual measures, such as GDP developed decades ago that are increasingly out of synch with today's world?

The OECD Better Life Initiative was conceived to place the public at the heart of the process of finding answers to the fundamental questions that will frame the parameters of the post-crisis landscape. The initiative builds on close to a decade of international reflection on measuring the progress of societies, leaning on two pillars: material living conditions and quality of life. Income and wealth count, but so do housing conditions. Quality of life considers aspects such as education, health, work-life balance, civic engagement and overall life satisfaction. Natural capital, physical capital, social capital and human capital will be considered as part of a future third pillar, sustainability.

The Initiative is composed of two principal elements: OECD Better Life Index (BLI), an online way for people to visualise well-being in OECD countries according to what is important to them, launched in May 2011, and How's Life?, a major report issued in October 2011 bringing together for the first time internationally comparable measures of well-being in line with recommendations in the Stiglitz-Sen-Fitoussi Commission report.

OECD Better Life Index

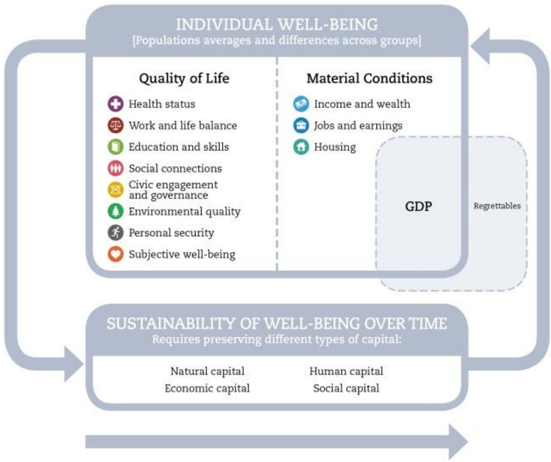
The OECD Better Life Index is a new way of empowering and educating everyone who cares about building a stronger, cleaner and fairer world. This includes governments, who can then learn from this data to shape policies and get better results. The Better Life Index is simple and in many ways fun to use, even for those with no background in data or economics, in large part because it presents indicators in an attractive way that is easy to interpret. At this time there are 11 dimensions for users to take on board: housing, income, jobs, community, education, the environment, governance, health, life satisfaction, safety and work-life balance. More factors will be added on as the index is developed.



Each country is represented by a flower, where the size of each one of the 11 petals illustrates the country's performance on a particular dimension, such as green for the environment, brown for safety, and so on.

The length of the stem changes with the country's overall performance, so the taller the flower, the better the country is doing. The length of the petals represents the country's score.

The OECD has not assigned weights to any of the dimensions: the user can choose to start with all the 11 dimensions weighted equally or to set their own preferences from the beginning. This neutrality means that the OECD selects the factors, but leaves the job of judging which ones count more than others to the public. People do this by using a control panel to fine-tune the weights in line with what matters to them.



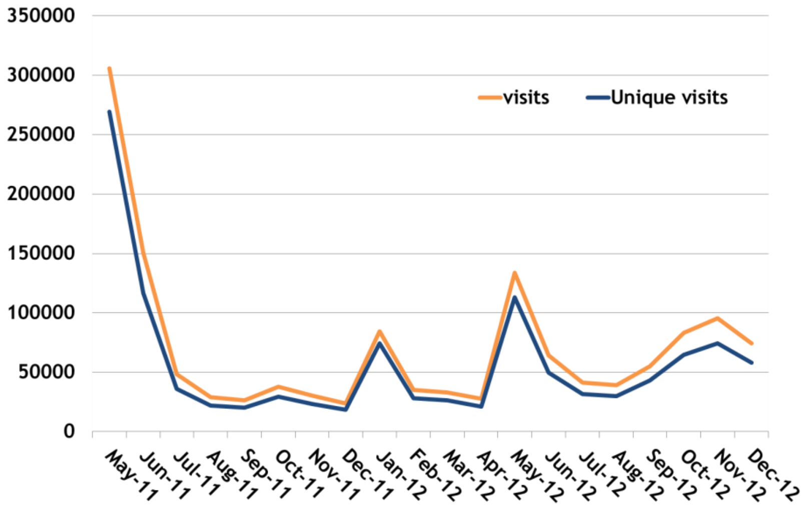
This way, the OECD Better Life Index allows users to measure and compare the quality of life across OECD countries–major emerging economies will soon follow suit–and to build and customise their own indices. By assigning their own weights to each of the 11 dimensions, they will be able to see how the emphasis they place on any particular factor affects the relative position of each country.

Increase the weighting you wish to give to, say, the environment, and the length of the "stems" will adjust to reflect how other countries perform on the environment, while the width of the green petals will grow in size too. This creates a simple basis for making your country comparisons.

A closer look at the environment dimension helps to understand how the index works. Every dimension is made up of one to three indicators: the green petal denoting the environment reflects one for now: levels of air pollution in residential areas of cities with populations greater than 100,000. On a scale from 0 to 5, if you want to assign the greatest weight of 5 to environmental quality while keeping, say, governance, safety and all the other dimensions at 1, you'll find a list of countries topping your list. In this instance, Sweden, Australia, New Zealand or Canada capture most closely how you would define well-being. If you're more concerned about income and wealth, and adjust the weights accordingly, you may find you have more affinity with Luxembourg or the US.

These very personal assessments can then be saved and the results shared via email, Twitter or Facebook and embedded on to another website or blog. The OECD experts, while respecting privacy norms, will be able to see the wider patterns of preferences among users and see how they vary by nationality, age and other criteria. This data will then be made available to shape on-going work on measuring progress and help countries to understand the kinds of policies that promote well-being.

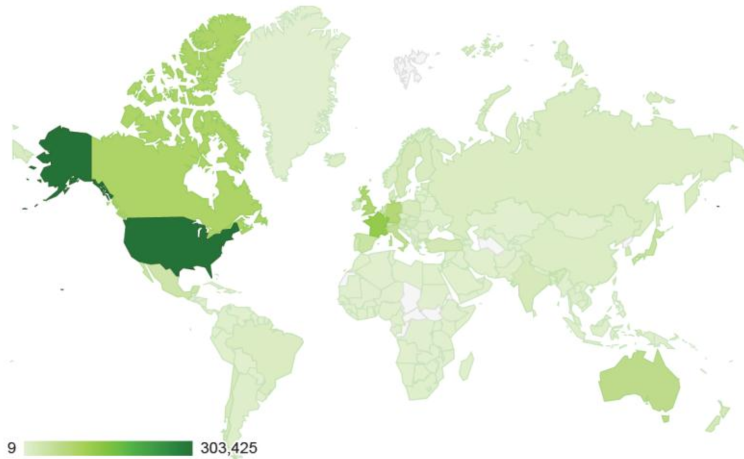
Monthly visits to www.oecdbetterlifeindex.org



What we have learned

Since its launch, the OECD Better Life Index has received over 1.4 million visits from almost every country on the planet and has been referenced internationally as a model for presenting material on measuring well-being. Feedback from users through a demographic survey has enabled the OECD to draw some initial conclusions on what is currently driving well-being.

Geographical distribution of user of www.oecdbetterlifeindex.org



Public users of the OECD Better Life Index who have agreed to share their results consistently place greatest importance on “life satisfaction”, “education” and “health”, regardless of their country of origin.

There is also little difference between the sexes, suggesting that men do not really come from Mars or women from Venus. While there is not a significant variation between generations, younger people (15-34) put greater emphasis on “work-life balance,” “income” and “jobs,” whereas older people (over 65) prioritise “health” and the “environment.” Overall, “community,” “income” and “governance” rank far lower in relative terms.

The US, France, Canada, Germany and the UK have generated the highest number of users, but the index has received substantial visits and interest from non-OECD countries. It is interesting to note that views about the relative importance of the different factors that make up a good life are broadly similar across countries, suggesting the existence of a global community—users in the Nordic countries have the same top three well-being priorities as those in the global “south”.

Brazil and the Russian Federation were added in the 2012 and more countries may be added as the necessary data becomes available. The OECD Better Life Index is also widening its language coverage, with full French (May, 2012) and Russian (January, 2013) versions. This will be a critical element for expanding the global user community, exponentially increasing the feedback received through completed indexes.

In fact, each year the OECD Better Life Index will endeavour to enrich the user’s experience by including more factors important for measuring well-being. In 2012, new indicators were added to strengthen the “education”, “jobs”, “environment” and “housing” dimensions. Users are also now able to compile their index taking account of degrees of equality between men and women across the dimensions. Similarly, users are able to see other inequalities, for example, whether their income level affects how healthy they feel or how likely they are to vote.

The capacity of the OECD Better Life Index to make a difference in how policies are developed depends on participation. With this goal in mind, emphasis has been placed on enhancing the user experience to encourage participation and to make feedback more immediate. Users will now be able to compare themselves directly with others based on location, gender and age. Comments and suggestions are more than welcome. Already, as a result of user feedback, we have added an embed feature which enables journalists, bloggers and other users to capture their BLI and place it directly onto web sites and blogs.

The OECD Better Life Index provides an innovative way of empowering and educating everyone who cares about building a stronger, cleaner and fairer world. For the public this means being better informed about policies and their effects on well-being. For policymakers, this means a better understanding of citizen priorities in order to shape better policies. For the OECD, this means making recommendations that more accurately reflect people's concerns. Our challenge is to encourage more public engagement and dialogue in order to make a more meaningful impact on what policies are needed. It is a voyage of discovery and a work in progress.

8. Tracking Reputation Risk in the New Global / Local Environment
by Harriet Mouchly-Weiss

"Any morning a CEO can expect to wake up to a major attack on the corporate reputation coming from an area of the world that contributes only minimally to the bottom line or from an unknown activist organization, a crisis that could perhaps have been prevented or prepared for by a more comprehensive look at risk factors that affect the business,"

Harriet Mouchly-Weiss

As Othello said: *"I have lost my reputation. I have lost the immortal part of myself, and what remains is bestial."*

As every CEO can tell you, a company's reputation is something that, once tarnished, can never be fully reestablished. The idea is to protect your reputation against threats that far too often are identified only after the fact, after the damage has been done. In the globalized economy, those threats lurk at every turn. It could be a minor supplier in a remote supply chain or a politically incorrect misstep at headquarters or lack of a relationship with the NGO (non-governmental) community. Whatever the case, everyone's reputation, and I repeat, everyone's, is at risk.

The world is undergoing global restructuring, resetting expectations, values and priorities. At the same time, individuals and organizations of all kinds are empowered by access to information and by rapid, direct personal communications. There is a growing concern, especially at a local level, about values and ethics.

In this environment, a corporation's reputation becomes more complex and at the same time more vulnerable. The enormous variety of macro and micro risks stemming from highly complex political, economic, societal and environmental pressures are difficult to manage simultaneously.

In addition, changes are taking place at a faster pace. Reputation damage can spread at lightning speed. New comprehensive methods of tracking and reporting data to the CEO on a firm's political, economic, social, technical and environmental exposure can minimize the risk that the corporation will become the target of an aggressive public or media.

Corporate Reputation and the Bottom Line

The fact that a company's reputation is its most valuable asset has been widely recognized for years. In a 2005 survey, the principal finding was that "Protecting a firm's reputation is the most important and difficult task facing senior risk managers."[1] The change from a focus on a series of specific risks, such as financial risk or IT risk, was brought about by the fact that corporate operational executives increasingly saw reputation as a major source of competitive advantage.

A proliferation of more recent surveys confirms these findings. Many of the leading experts in the field of communications and strategy agree that being able to access and manage the risk to a company's reputation l risk is one way to attain a competitive edge.

An IBM study suggests that while it is the CEO who is able to drive risk management throughout the organization, most current CEO's were not chosen for their global view but for their country or domain specific experience. The three most commonly-held functions among S&P 500 CEOs are finance, operations and marketing, with finance being the most common. CEO's recognize this responsibility and, often, together with their boards of directors, are calling on specialists to come up with a holistic and global intelligence system to provide early warnings of threats to both the reputation of the company and of individuals that represent the company.

Boards of directors have been slower to acknowledge responsibility for corporate reputation, but that is changing. A 2012 survey of 193 board members of public and privately traded companies revealed that reputation risk overtook regulatory compliance risk for the first time as the boards' primary concern.[2] The question of reputation will be on the agenda of

1 The Economist Intelligence Unit (EIU)

2 The Third Annual Board of Directors Survey 2012 of EisnerAmer

most boards from now on, but it is uncertain where the "risk portfolio" will reside, whether within the audit committee, or in a new risk management committee, or as the responsibility of the whole board.

Reputation as reflected in brand value (also known as goodwill in post-merger accounting rules) can account for up to 80% of a company's value in the equity marketplace. While there is agreement on the importance of reputation and the fact that the buck stops in the C-suite, there are many outstanding issues surrounding methodology and management of reputation risk.

There has also been a major shift in the culture of reputation risk management, which once was largely seen as playing a preventive role, as you would control financial risk for example. A 2011 survey found that 75% of executives think that risk considerations are playing an increasingly important role in strategy and 60% that risk management is a source of competitive advantage.[3] Another 39% of executives say that risk management helps to provide new opportunities.

Progress in Assessing Corporate Risk:

Over a period of years, corporate concern for reputation, traditionally focused on attitudes of shareholders, has broadened to embrace a diverse range of corporate stakeholders. As it becomes clear that attitudes of stakeholders and the public in general were affecting corporations' bottom lines, Corporate Social Responsibility (CSR) began to turn from "nice-to-have" to "must-have." [4]

In today's fast moving global environment, it is often too late after the crisis has occurred to protect a corporate or brand reputation. Some corporations have sustained major dislocations of operations and profits and lasting damage to their reputations as result of a real or perceived crisis or misstep. The baby formula controversy in Africa over 30 years ago still

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3 EIU Risk Radar 2011

4 Source: Media Tenor report, "Turning CSR from 'Nice-to-have' to Must-have'"

resonates, and Nestlé's reputation remains compromised in some quarters in spite of all the good things they do for society and their "shared value" programs.

Reliable CSR activities and sustainability programs have been seen to help overcome the global 'trust meltdown' and to become a driver to improve the bottom line. Companies that have built strong positive reputations among stakeholders and the public weather crisis situations better than those that do not have a 'trust reserve.' "Because the market believes such companies will be able to deliver sustained earnings and future growth, they have a higher price-earnings multiple and market value and a lower cost of capital."[5]

The Coca Cola Company and Visa have made CSR part of their business strategies, Coca Cola by establishing a program to empower young women entrepreneurs (the 5x20 program), Visa by building partnerships with local governments and non-profits focused on financial inclusion. According to several research studies, the companies will both benefit by empowering potential employees and customers in developing countries. [6]

The Unilever Sustainable Living Plan has a broader scope, taking responsibility for suppliers and distributors as well as its own direct operations and how consumers use the brands.

On the other hand, companies that have promoted their CSR activities primarily to build a good reputation and then failed to live up to their billing have experienced major trauma and a falling reputation that then is hard to re-establish. BP is often cited for its early missteps in the Gulf of Mexico explosion in 2010 that confirmed to many that management cared little for the people affected.

In today's global environment, tracking reputation risk continues to expand in scope, requiring both a macro and micro look at factors that could be vulnerable points. It is no longer good

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5 Reputation and Its Risks, Harvard Business Review, 2007

6 The magazine of Corporate Responsibility and Environmental Leader, article by Ron Robins, 2011

enough to look at vulnerabilities from only one point of view (finance, accounting, media, sustainability, etc.).

Changes that impact analysis of risk

Internal Forces:

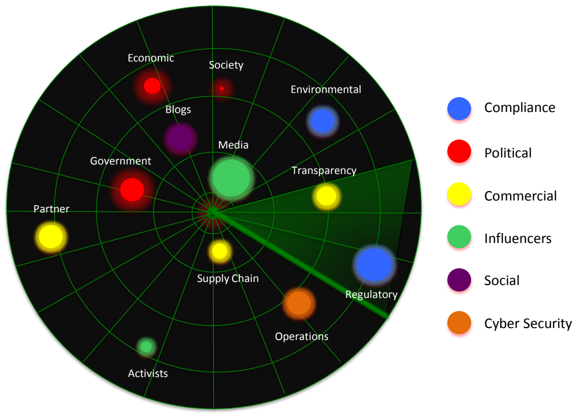
To address pressures that a rapidly evolving global / local environment imposes on corporate reputations, 59% of companies in a recent study say they are centralizing their risk management programs in order to encompass all the risks they face.[7]

A multinational may also want to look at specific issues in its supply chain in only one region of the world that appears vulnerable, then based on findings in that region, it could put global requirements in place.

On the political scene, analysis of the micro view will address corporate operations issues within a specific region or town within a country. Included in the assessment will be contacts with local officials, NGOs, and other groups directly touched by corporate activities. The macro view is important also as each region or town will be impacted by neighboring geographic regions, due to the globalization of markets. An illustration of the depth of analysis that can be required follows.

7 EIU Risk Radar 2011

Reputation Risk Radar



Risks are highlighted according to their reputational component (color), likelihood (distance to center of chart) and negative financial impact (size of icon).
Concept: L.M Tilman and Co.

External Forces:

Reflecting global and very local forces, the numbers of corporate stakeholders have grown hugely in recent years.[8] These include NGOs on an international, national, regional and local level; VIP opinion leaders of all types and in all locations; local political figures, and activists concerned with specific issues, such as the environment, labor, children, etc. At the same time that their numbers are proliferating, stakeholders' beliefs and expectations are growing as they feel their new "people power."

Ignoring stakeholder aspirations in an area of the world different from headquarters holds great peril for a corporation. For example, Monsanto, the American developer of genetically modified plants, seriously underestimated the strong feelings of Europeans about genetically modified foods, with disastrous results.[9]

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8 The Yearbook of International Organizations says that ECOSOC NGOs alone have grown to 26,000 from 6,000 in 1990.

9 Harvard Business Review, "Reputation and Its Risks" 2007

In many cases, these stakeholders are struggling with similar issues brought on by globalization that are similar to those corporations and government bodies face. For example, NGOs are working on finding the right balance between local and international groups so that beneficiaries are integrated into the decision-making process and program delivery. Reputation management and visibility in the media are also important to NGOs in an environment where civil society is questioning the motives of many NGOs, and their role is shifting, as are their relationships with corporations and governments.

The media continue to play an important yet changing role in the reputations of corporations, governments and NGOs. The media shape the perceptions of all stakeholders, and what they are reporting, or not reporting, about an organization is an especially important indicator of corporate risk. Today, the traditional tools for scanning a wide range of outlets, including traditional media, social media and blogs, is not sufficient to determine reputation risk. They are being supplemented with strategic media intelligence, a new tool that analyzes every line of a story and places the coverage of a company within the context of all stories in leading media (those that set the tone for the coverage of topics, companies and people in individual countries).[10] New monitoring techniques accurately determine the level of awareness of a company and whether that awareness is positive or negative. In addition, a company's reputation is vulnerable if the number of topics surveyed is limited, leaving it open to criticism on other fronts. Under normal circumstances, a company needs to have at least a 35% share of "voice" (the percentage of leading-media stories mentioning the firm) in order to keep negative stories to a minimum.[11]

To analyze the common threads emerging in on-line "conversations," specialists track the intensity and duration of social expression through social media, social networks, twitter, blogs, reviews and ratings, locales and maps, opinion shapers and activism.

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10 Media Tenor

11 Ibid.

New Concerns: Cyber Security and the Supply Chain

In addition to the large increase in numbers of stakeholders and changes in the media, there is a proliferation of new concerns and regulations that affect corporations. Two that stand out are cyber security and human rights issues in the supply chain.

President Obama has declared that "America's economic prosperity in the 21st century will depend on cyber-security." World leaders and business executives concur, and cyber security has become an integral part of a comprehensive tracking of reputation risk.

Human rights issues in the supply chain have impacted any number of corporations and their CEOs. Major corporations have wide networks of suppliers that include companies that may or may not have the same corporate culture and ethical standards. Tyson Foods, the largest U.S. meat packing company, responding to animal welfare activists who accused the company of housing its pregnant pigs in cramped cages, recently initiated a program to audit the way animals are treated on its suppliers' farms. This was clearly a case of a crisis developing where the company wasn't looking, and illustrates the need to monitor second tiers in the supply chain and to add new stakeholders to monitoring efforts.

Even the iconic brand Apple was tripped up in its supply chain by its Foxconn supplier over conditions in its plants in China. In an on-going case, another iconic brand, Wal-Mart, was added as a defendant in a federal class action lawsuit over alleged wage theft at its California distribution facilities, which are operated by contractors and subcontractors. The determination of Wal-Mart's status in the case is still pending, but it illustrates the expanding nature of perceived corporate responsibilities and their impact on reputation.

Analyzing Reputation Risk:

The goal of intelligence gathering for reputation risk must be to neutralize the risk before a crisis erupts. This may be akin to predicting when and where the next major volcanic eruption will occur, but CEOs and boards of directors are on track to create powerful intelligence tools to protect their valuable reputations. There are a number of “must-haves” in order to create a comprehensive, holistic intelligence tool that predicts areas of vulnerabilities:

- It is essential to start with a comprehensive analysis that takes into account all the risk factors that a company can face.
- It must include compliance with social, environmental, regulatory and governance regulations; analysis of influencer opinion, including the media, analysts, opinion leaders, public officials, academics and activists; tracking of social expression such as social media, networks, rankings, ratings and blogs; monitoring of cyber security, political risk and other sensitive issues that may affect individual organizations.
- Determine the impact of one risk on another.
- All of these factors must be presented and illustrated in a manner that is transparent and understandable to all of the corporate decision makers.
- The analytic product should be dynamic, interactive and on-going, so that vulnerabilities can be tracked into the future and corporate strategic planning can take resolution of the issues into consideration.
- Each study must be tailored to the specific interests and needs of a corporation and its industry.

Finally, recommendations to address potential problem areas must be part of the analytic process. A corporation is then in a position to resolve a potential risk before it becomes a reputation-damaging crisis.

The value of a comprehensive analytical approach to reputation risk and swift and professional action to nip a crisis in the bud has been acknowledged by Allianz, the largest European insurance company, and it is offering coverage that would be precipitated by a “crisis event.”[12] Other major insurance companies are also looking into offering similar coverage.

12 Allianz Reputation Protect

Summary

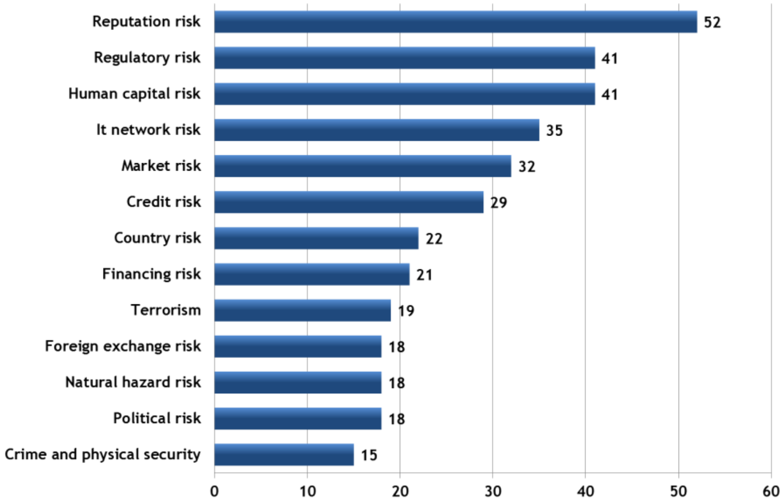
In an environment of emerging issues that demand global action, a corporation's reputation becomes more complex and at the same time more vulnerable. The fact is, corporate executives increasingly appreciate a company's reputation as its most valuable asset and view it as a major source of competitive advantage. In fact, reputation is playing an increasingly important role in corporate strategy. The CEO of an organization is clearly seen as the "guardian of the company's reputation," with the board of directors playing a greater role than previously.

Concern for reputation has broadened to embrace a diverse range of corporate stakeholders. Tracking reputation risk continues to expand in scope, and corporations are constantly looking for tools that can provide comprehensive risk analysis data. With the proliferation of corporate stakeholders, corporations must take into account their growing aspirations, especially at the local level.

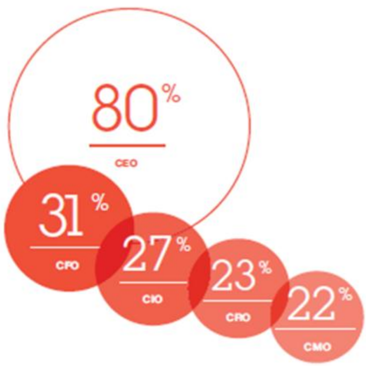
They also have to keep a close eye on what the traditional media and new social media are reporting, as their views help shape the perceptions and expectations of stakeholders. Finally, there is new concern about vulnerabilities in cyber space and the supply chain. The emphasis has to be on comprehensiveness, and CEOs and boards of directors are on track to uncover holistic intelligence tools that can predict areas of vulnerabilities.

Appendix:

1. **Economist Intelligence Unit 2005:**
   How significant a threat do the following risks pose to your company's global business operation today?
   (index score, where 100 = highest)

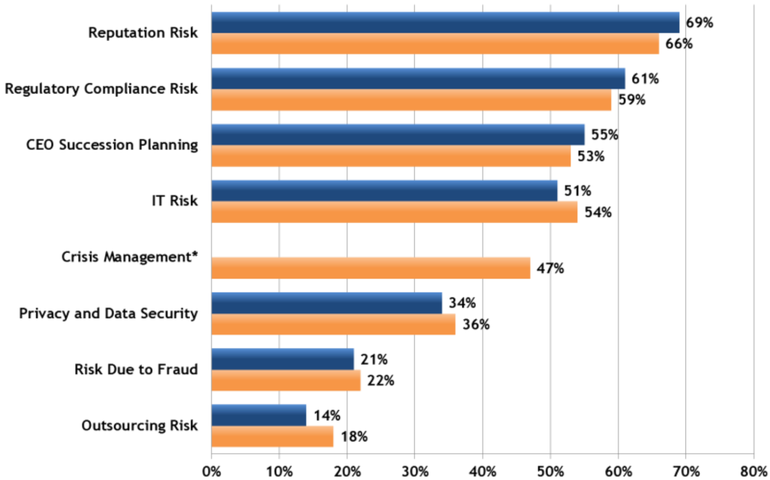


2. **IBM Reputation risk and IT:**
   When asked who was most accountable for the company's reputation, respondents put responsibility squarely with the CEO



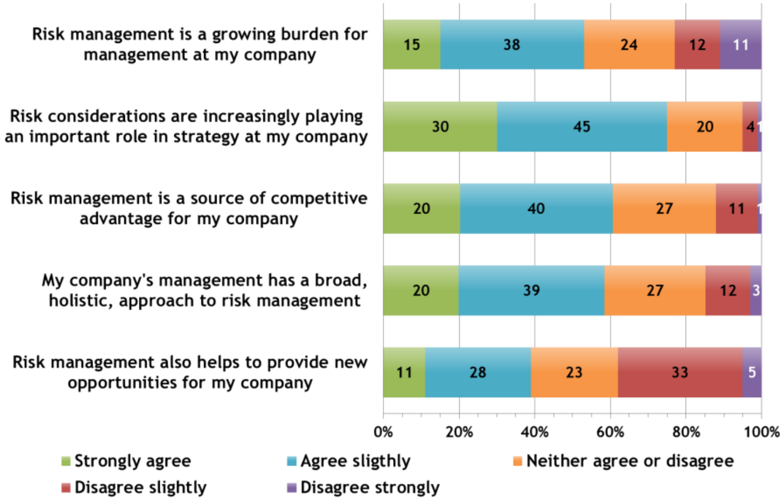
3. Third Annual Board of Directors Survey 2012 of EisnerAmer: Aside from Financial Risk, which of the Following Areas of Risk Management Are Most Important to Your Boards?

Percent of Respondents



*: first time asked

4. EIU Risk Radar 2011:
Please indicate whether you agree or disagree with the following statements
Select one in each row / Percent of respondents



9. <IR>: a journey towards more efficient and productive markets

by Paul Druckman

Effective corporate reporting is essential for building the trust and confidence in business that is so critical for investors in order for them to enable the efficient and productive allocation of capital. The corporate reporting framework that enables the business to express itself is the visible and vital demonstration of the way companies are managed that provides reassurance to investors, especially the longer-term providers of capital who need a greater level of insight into the strategy and business model than short-term traders.

When we think back to the origins of the global financial crisis that engulfed the world's capital markets, and whose ramifications are still being felt, it is hard not to conclude that among its many causes was an inexorable move in mind set and actions towards short-term thinking and behaviour. Research by Andrew Haldane, Executive Director for financial stability at the Bank of England reveals that the mean duration of US equity holders has fallen abruptly, from around seven years in the 1940s to just seven months in 2007. Meanwhile, Al Gore and David Blood recently suggested that a short-term perspective is ‘driving our economies and our planet into liquidation’. While a fall in transaction costs and incentive structures that reward short term performance are to some extent responsible for this trend, it is probable that the corporate reporting landscape has also contributed to the trend by not enabling an efficient flow of capital to enterprises that create longer term value.

Efficient and productive markets depend on regular and accurate flows of information and there is a growing recognition that companies do not have the tools at their disposal to communicate most effectively the factors that contribute to the creation and preservation of value over the short, medium and long-term. Instead, reporting has in some cases become little more than a compliance exercise leading to ever more complex and lengthy reports that fail to reveal to the investor how the company's strategy and business plan create value.

Corporate reporting has become more accurate and robust in some ways, however, particularly as financial reporting standards and practices have evolved, but reports have also become more voluminous and less relevant to the users of information who are looking for a more complete picture, and an understanding of how the company is planning to create value in the future. Reporting is too focused on providing historic information and not focused enough on providing visibility about future strategy and performance that investors need for efficient capital allocation.

Integrated Reporting provides an answer to these structural challenges by delivering a framework that enables a business to express clearly and concisely its value creation process over the short, medium and long term. <IR> is designed primarily for investors, and is being driven forward by their demand for more value-relevant information.

The complexity of business in this age of globalization, as well as increasing regulatory and societal demands for more information, has led to disclosure overload - a mass of information that users either misuse or don't use at all. <IR> doesn't seek to undo this movement towards greater transparency, but it does seek to reveal hidden value that cannot be explained by current financial reporting. This will allow investors to evaluate more robustly where to invest, as well as the reasons for increasing the duration of this investment should they see fit.

The benefits to businesses of <IR> will be substantial, as they not only gain a more comprehensive relationship with investors, but also refocus the strategy of their business. We are currently building on the evidence base of examples and experiences from businesses that are evolving their own reporting practices. A database of emerging practice is available to view at www.theiirc.org and we will be adding to the 70+ examples already on the database shortly. Our initial Pilot Programme involves over 80 of the world's most prestigious businesses, such as Microsoft, Marks & Spencer, China Light & Power and Unilever. Over the last year these organizations have contributed their expertise towards the development of the world's first <IR> Framework. The concepts contained in the Prototype Framework, published in December 2012, are also being tested by our Investor Network of 30 institutional investors, and to reinforce the need for the Framework to meet investor expectations we have created an Investor Testing Group for fund managers, the people directly responsible for capital allocation decisions on a day-to-day basis.

Already, companies listed on the Johannesburg Stock Exchange are required to produce Integrated Reports under listing rules on a 'comply or explain' basis. And according to GRI figures, a further 450 businesses globally produce self-declared Integrated Reports. This number is set to rise substantially as stock exchanges and listing authorities seek to implement the recommendations that flowed from the Rio+20 Earth Summit in June 2012, one outcome of which was to encourage the integration of sustainability information into the reporting cycles of large listed companies.

On 16 April 2013 the IIRC will publish a Consultation Draft of the <IR> Framework and we are encouraging investors, businesses, accounting organizations, academics and others to submit responses to the consultation. We will also continue to speak at events and meet with people all over the world to improve business, investor and regulators' understanding of the benefits of <IR>.

What we have witnessed since the IIRC's creation just two years ago is a convergence of opinion around the idea that corporate reporting should, and can be, improved through more integrated thinking and behaviour those results in the telling of a more complete story about business strategy, performance and prospects. Notwithstanding the fact that <IR> is a market-led initiative, it is a concept that has gained the attention and support of Governments, regulators and standard setters across the world. Today, our request of policymakers is simple and straightforward: engage with us, and the needs of investors, prepare for <IR> and encourage reporting innovation to take place so that the Framework we develop is both of the highest quality and capable of adoption in all markets.

The fact is that the corporate reporting landscape is changing. It is an ever evolving and dynamic practice, informed by business norms that change over time. Too much rigidity, and not enough innovation, have crept into the way we set the regulatory boundaries that underpin corporate reporting. The tracks have become too focused and the outcome too narrow. The

IIRC is here to challenge current thinking and to lead a broad and powerful coalition towards a consensus that pushes those boundaries a little further and enables the full expression of business value creation. We believe <IR> will contribute to more resilient business practice and an investor community that gains access to the information it needs to allocate capital more effectively and productively in the long term interests of global economic stability and success. That is our goal and we invite you to participate in our work. For more information please consult our website: www.theiirc.org

The Autors

Kate Dinota is a researcher at Media Tenor International based in Boston. She works on CSR and country images, and co-published Media Tenor's weekly US political report during the 2012 campaign. In 2013, she will lead the Trialogue project- a quarterly sustainability report.
Kate has a Master's Degree in International Development from Boston University. Her thesis concentrated on the environmental and social risks of Chinese foreign direct investment in Latin America.

Paul Druckman is the Chief Executive Officer, International Integrated Reporting Council (IIRC) Paul is well known and respected in business and in the accounting profession worldwide. Following an entrepreneurial career in the software industry, Paul operated as a non-executive chairman and director for companies in a variety of sectors until taking over this post. Formerly a Director of the UK Financial Reporting Council; member of the City Takeover Panel; and President of the Institute of Chartered Accountants in England and Wales (ICAEW). His high profile work on sustainability matters has included chairing The Prince’s Accounting for Sustainability Project (A4S) Executive Board and the FEE Sustainability Group.

Robert G. Eccles is a Professor of Management Practice at the Harvard Business School. In collaboration with Professor George Serafeim he developed the MBA elective course “Innovating for Sustainability” and an executive education program of the same name. They also teach the doctoral seminar “The Role of the Corporation in Society.” Professor Eccles is the Chairman of the Sustainability Accounting Standards Board and a member of the Steering Committee of the International integrated Reporting Council.

Anthony Gooch Gálvez is Director Public Affairs and Communications of the OECD. Anthony is responsible for developing and implementing the Organisation's public affairs, communications and publishing strategies engaging globally with the breadth non-governmental stakeholders on all areas of public policy. As co-ordinator of the Organisation's 50th Anniversary he overhauled the OECD brand to deliver "Better Policies for Better Lives", conceiving ground-breaking initiatives such as the Better Life Index (www.oecdbetterlifeindex.org). In the ongoing Crisis he has worked to enhance the OECD's relevance by combining its reputation for rigour and expertise with the latest communications and technological developments.

Before joining the OECD, he spent 13 years with the European Commission. From 1995 to 1999, he specialised in EU relations with Latin America, co-ordinating the EU negotiating team to secure a Global Agreement and FTA with Mexico. Between 1999 and 2002, he acted as the EU's Trade Spokesman and special adviser to the EU's then chief trade negotiator Commissioner Pascal Lamy, participating in WTO Ministerial Meetings in Seattle and launching the Doha Round, negotiating China's WTO entry, Free Trade Agreements with Latin American and African countries, launching the Everything but Arms Initiative and work to improve access to lifesaving medicines for the world's poorest countries. From 2003 to 2008 he headed the European Commission's Media and Public Diplomacy operations in the United States and United Kingdom.

Prior to joining the European Commission he worked for a strategic EU public affairs consultancy and as a freelance journalist.

From 2002 to 2003, he was the EU's Visiting Fellow to the University of Southern California Los Angeles Annenberg School, and became a Fellow of the USC Center for Public Diplomacy in 2005.

He has a Postgraduate degree (DEA) in Political Science & International Relations from the Institut d'Études Politiques de Paris and an MA in Modern History from Cambridge University.

Barbara Kux is a Member of the Managing Board of Siemens AG. As Head of Supply Chain Management she oversees an external spend of approximately half the company's revenues. Barbara is also the company's Chief Sustainability Officer. Since she took office, the Siemens environmental portfolio has grown steadily and now contributes to more of the company's turnover. Barbara Kux has introduced a comprehensive Sustainability Program leading to the recognition of Siemens by the Dow Jones Sustainability Index as Sector Leader in 2009, 2010 and in 2011 and as Supersector Lead in 2012.

She started her career as a consultant at Mc Kinsey & Company, Inc. in Germany in 1984, taking up major assignments for global clients. From 1989 on she held top management positions at leading global companies and was a member of the Group Management Committee at Royal Philips Electronics, before she was appointed the first woman to the Managing Board of Siemens in the company's over 160-year history.

After her studies in Switzerland and the US, Barbara earned her MBA with Distinction at INSEAD, Fontainebleau. Wall Street Journal and Fortune have recognized her among "Leading International Business Women" and the World Economic Forum in Davos awarded her as Global Leader of Tomorrow.

Barbara is a Member of the Supervisory Board of Total S.A., France. She also serves on the Board of Trustees of the Siemens Stiftung. Barbara is a Swiss national.

Francesco de Leo is a Senior Executive Advisor of Capgemini Consulting, and a member of the Telco, Media & Entertainment International Advisory Board of Capgemini in London.
He has been appointed Senior Executive Advisor of Vision Capital, a leading private equity firm based in London, founded by Julian Mash the former Deputy Head of Investment Banking at Smith Barney.
Francesco de Leo is the Chairman of Green River Capital Advisers, a special situation investment banking firm, based in London.
Francesco De Leo is the Executive Chairman of Green Comm Challenge, a leading advisory company which focuses on investments in green tech in the US and Europe, which has entered the 34th America's Cup.

He is a Member of the Advisory Board of SIMTONE, one of the leading providers of cloud computing solutions.
He sits on the Advisory Board of Media Tenor (Zurich, Switzerland), which focuses on media analysis and collaborates with the World Economic Forum.

Past Experience
From June 2005 till December 2008, Francesco De Leo has served as Director for Business Development and International Affairs at WIND, the third largest mobile carrier and second largest fixed line telecom operator in Italy. Later on, he served as Chief Strategy Officer and Head for Business Development and Corporate Communication.
In January 2007 he was appointed Vice-Chairman of Tellas in Athens, Greece, the second largest fixed line operator in the country, where he merged the company with WIND Hellas, at the end of 2008.
Before joining WIND, Francesco De Leo served as an Executive Direc-tor at IFIL-Exor (the Financial Holding Company controlled by the Agnelli Family) a holding company which controls FIAT Group, Worms, Cushman & WakeField, and Juventus.

Theresa Lötter is General Manager at Media Tenor South Africa in Pretoria and has been part of the research team for more than 5 years.
Media Tenor's research in terms of national and international media trends has been widely published in South African and international media.
Theresa has a Masters Degree in Research Psychology from the University of Pretoria, having written her thesis on the sustainability of community radio in South Africa.

Racheline Maltese worked in the Computer Assisted Reporting unit of the Associated Press before joining Media Tenor's New York office in 2003. Her background also includes experience in public relations, marketing, and advertising, and she has a degree in journalism from The George Washington University. In addition to studying the news, she is an independent scholar currently examining audience responses to fictional tragedy in pop culture.

Harriet Mouchly-Weiss, founder of Strategy XXI Partners and CEO of ReputationRiskMap, has won industry-wide recognition for her work in the communications field. Over the years she has earned a reputation as a bold thinker, astute strategist, and firm believer in communications programs that incorporate a component of social responsibility.
Her experience includes development of corporate planning and marketing strategies, as well as reputation management for leading multinational companies.
Ms. Mouchly-Weiss has a unique ability to bring together the corporate world, government, international organizations as well as activists on such issues as human rights in the supply chain, the environment, marketing to children, obesity, vaccine distribution, micronutrients and healthy lifestyles. She has advised the World Health Organization and other UN bodies on communications aspects of their campaigns.
In her work with the US Toy Industry Association and the International Council of Toy Industries, she has advised on the full toy supply chain, from factories in China to major toy brands and retailers worldwide. She has been instrumental in developing the toy industry's Code of Business Practices and their social compliance monitoring system, known as the ICTI CARE Process that is recognized by governments, NGOs and major retailers as a standard for all industries. In addition, she serves on the International Chamber of Commerce's Marketing and Communications Committee working on industry codes, including marketing to children.
In the corporate world, some of her principal clients have included Nestlé, Wyeth, Hasbro, MasterCard International, Wal-Mart, PepsiCo International, McDonald's and Danone, as well as emerging market conglomerates.
She earned a Bachelor of Arts degree from Muhlenberg University and a Master's degree in psychology from the Hebrew University in Jerusalem.
She lives in New York City with her husband, Charles Weiss.

Francis Quinn, a global corporate strategist, has joined WebFilings as Director of Corporate Social Responsibility Technologies.
Quinn began his career as a research fellow at the Japanese Ministry of International Trade & Industry. In 1996, he joined L'Oreal Group as a researcher in biomimetic and composite polymers. Quinn later led the integration of The Body Shop into L'Oreal. Most recently, he built the company's global sustainable growth strategy as director of sustainable development.
Quinn's inventions have earned him more than 30 patents. He has written or contributed to five books and authored several white papers on sustainable development, CSR strategies, and policies on competing in international markets. He has also published original research on sustainable innovation, including nanotechnologies, biomimetic polymers, and technological risk.
Quinn has been recognized internationally by his peers, professional associations, academic institutions, news outlets, international groups, and non-governmental organizations. Quinn received his Ph.D. in physics from Trinity College Dublin.

George Serafeim is an Assistant Professor of Business Administration at the Harvard Business School. In collaboration with Professor Robert G. Eccles he developed the MBA elective course "Innovating for Sustainability" and an executive education program of the same name. They also teach the doctoral seminar "The Role of the Corporation in Society." Professor Serafeim is a member of the Standards Council of the Sustainability Accounting Standards Board and a member of the Technical Review Committee of the Global Initiative for Sustainability Ratings.