Challenges and opportunities facing CSR. Local, Regional, and International

الفرص والتحديات المحلية والإقليمية والدولية للمسئولية الاجتماعية

Corporate Social Responsibility – GCC 2013

Abu Dhabi Centre for Organizational Excellence ADICOE

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Objective

- Share experience and knowledge on the challenges and opportunities facing the effective implementation of Corporate Social Responsibility CSR with focus on promoting **sustainability** which one of the biggest challenges of our modern times

- in the UAE, The Region and International.

Background

- The support for organizations, Public and private, on how to develop, implement and continually improve Corporate Responsibility towards: Employees, products and services, customer services, society, and environment.
- Business Excellence and continual improvement using recognized effective tools for strategic planning, operational, product and service development, project management, knowledge management...etc

CSR and Sustainability

- An important purpose of CSR is to promote development and sustainability
  - Ability to self survive.
  - Contribution to Economy, Social welfare, and Environment Quality

- Example: Elimination of poverty requires the promotion of social justice and economic development and the protection of the environment

Definition

- **Corporate Social Responsibility** (is the) responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable laws and consistent with international norms of behavior; and is integrated throughout the organization."

ISO 26000

Definition

- CSR is the voluntary commitment of businesses to include in their corporate practices the economic, social and environmental criteria / actions which are above and beyond legislative requirements, and are related within everyone influenced by their activities. (Source EU)

- The effective balance of the different stakeholders needs and expectations. (Source EU)

CSR core subjects

- Organizational governance
- Human rights
- Labour practices
- The environment (Sustainability)
- Fair operating practices
- Consumer issues
- Community involvement and development (sustainable development)

Source ISO26000

Definitions

- **Sustainability**
- Sustainable development is "development that meet the needs of the present without compromising the ability of future generations to meet their own needs"

GRI sustainability Reporting Initiative
BS ISO 26000:2010

Sustainability Measurement Practices

- The Living Planet Report 2012 "the World Wildlife Fund. One of the world's largest conservation organizations."

  - International, Regional, UAE
  - Ecological footprint: A standardized measure to assess level of sustainability
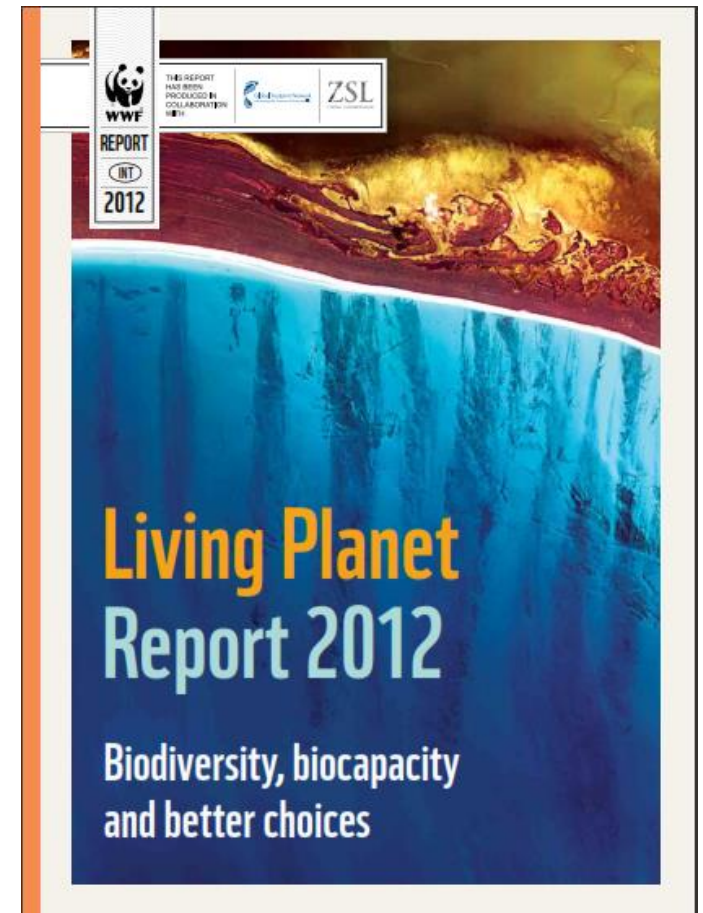
- *Ecological Footprint analysis provides <u>an important measure of </u>the resource use at the global level and the differences between countries around the globe.*
- *The Ecological Footprint <u>can </u>also <u>help provide support for policies </u>that make <u>cities and regions</u> more <u>sustainable</u>*

Important Parameters of Sustainability

- An **Ecological Footprint** is a <u>quantitative measurement</u> of <u>how much ecologically productive land and water</u> a defined population unit <u>needs to support</u> its <u>current</u> consumption and render <u>harmless</u> its wastes.

- **Biocapacity:** The planet's or areas biological productive capacity
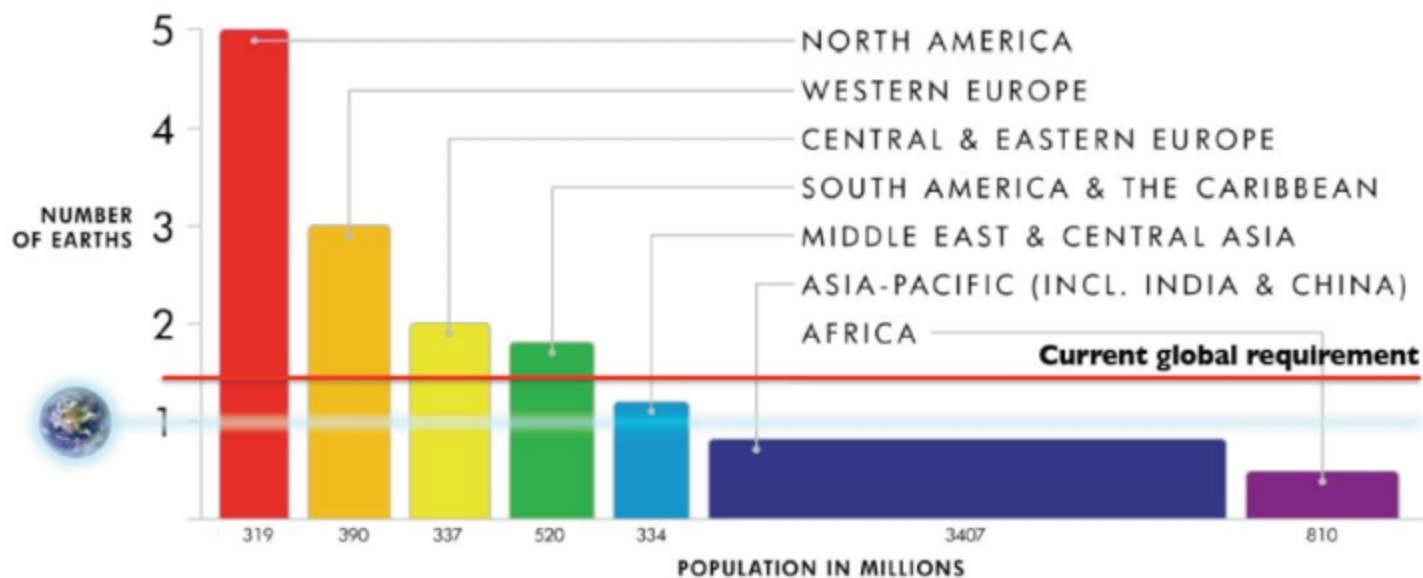
Highlights of Report

- World economic footprint: The planet's biological productive capacity (biocapacity) is approximately **1.9 hectares (4.7 acres)** per person. Globally, we use up to **2.2 hectares** per person. Thus, we are living beyond the planet's biocapacity to sustain us by **15%**, a deficit of 0.3 hectares (1 acre) per person.
- We are living as if we have an extra planet at our disposal.

- Biodiversity declined globally by around 30% between 1970 and 2008. 60% in the Tropics.
- Demand on natural resources doubled since 1966.
- High income countries have a footprint 5 time greater than that of low-income countries.
- Business as usual projects estimate that we will need the equivalent of 2 planets by 2030.

International

Current Global Ecological Footprint

Humanity today needs 1.5 planets to survive

NUMBER OF EARTHS

- NORTH AMERICA
- WESTERN EUROPE
- CENTRAL & EASTERN EUROPE
- SOUTH AMERICA & THE CARIBBEAN
- MIDDLE EAST & CENTRAL ASIA
- ASIA-PACIFIC (INCL. INDIA & CHINA)
- AFRICA

Current global requirement

319   390   337   520   334   3407   810

POPULATION IN MILLIONS

Source: Global Footprint Network

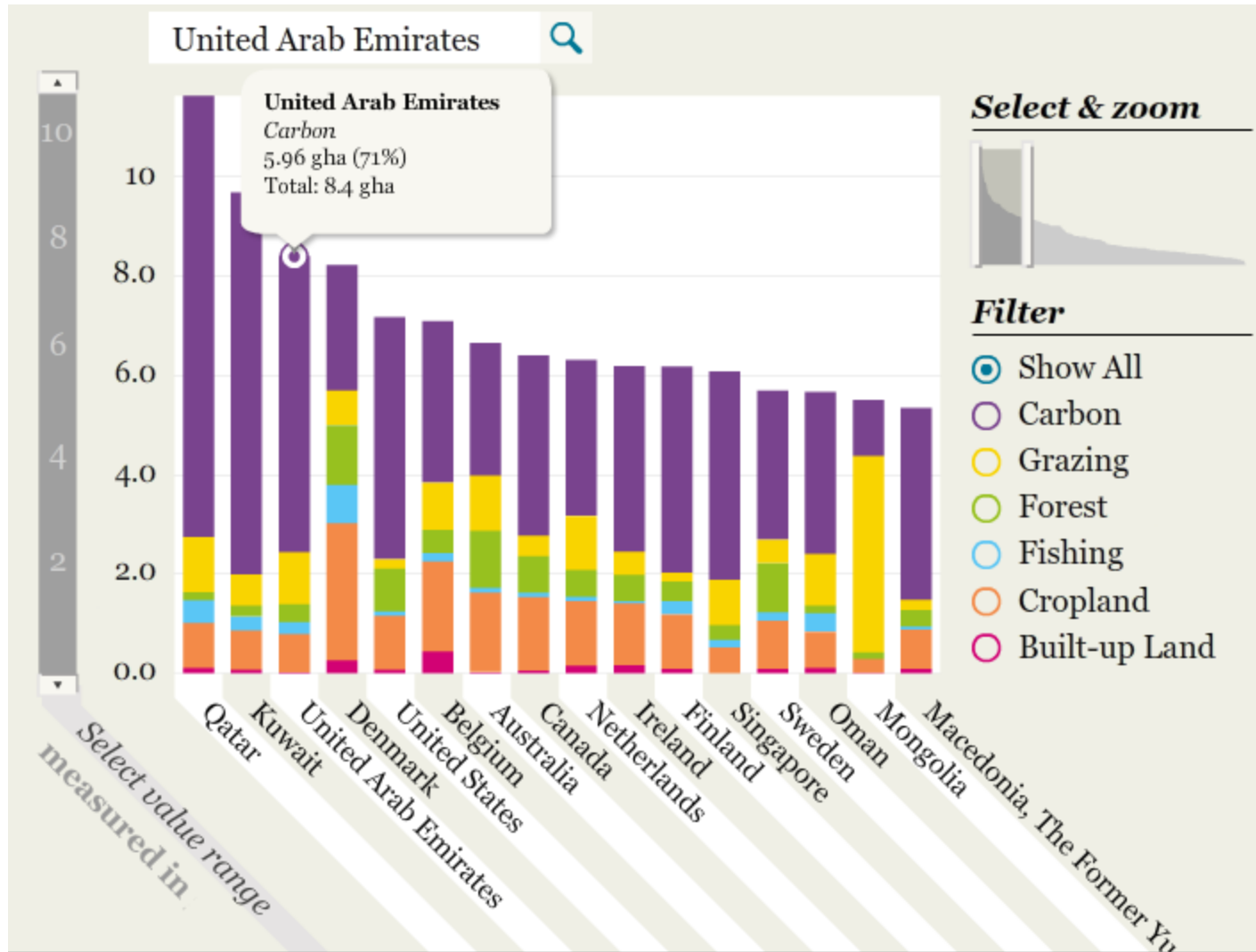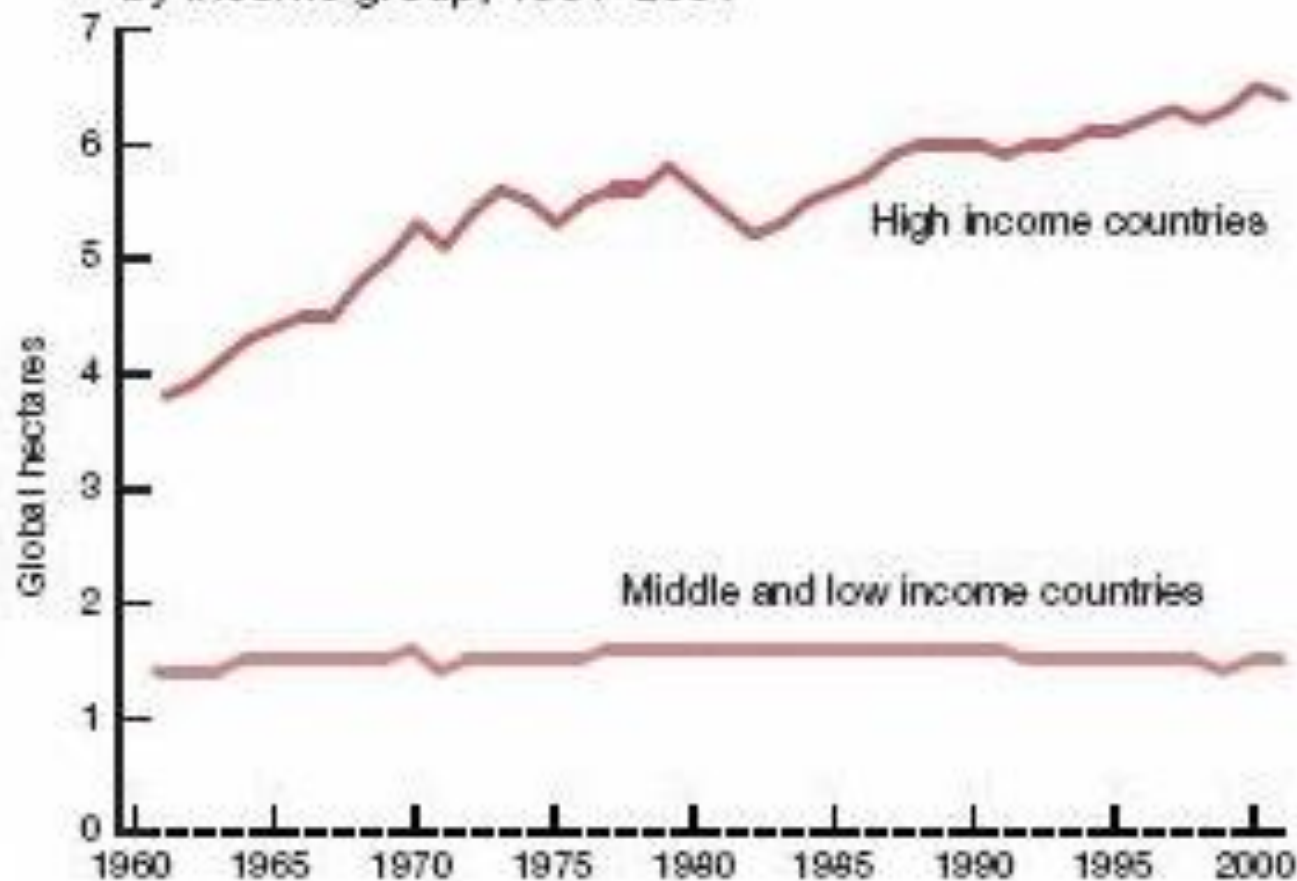# LPR 2012. Ecological footprint Index

Fig. 35: **ECOLOGICAL FOOTPRINT PER PERSON,** by income group, 1961–2001

Conclusion..

- Change is required, it requires the action from everyone:
    - governments, companies, communities, citizens

    - CSR is an important vehicle that play an active role in supporting directing society towards a more sustainable existence
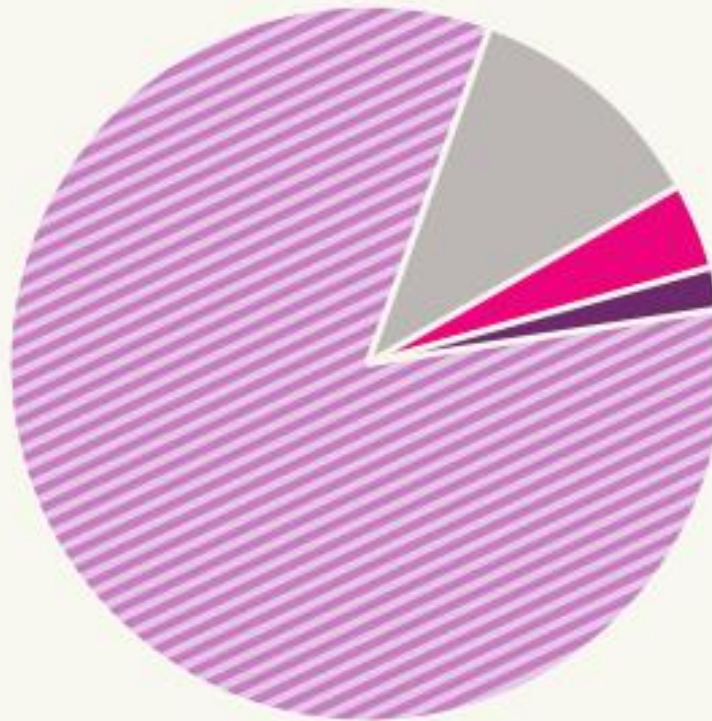
The UAE

- In 2006 UAE ranked world highest Ecological footprint per capita (10.6 gha) (global hectars)
- Within UAE there is 0.6 gha of biocapacity available per person.
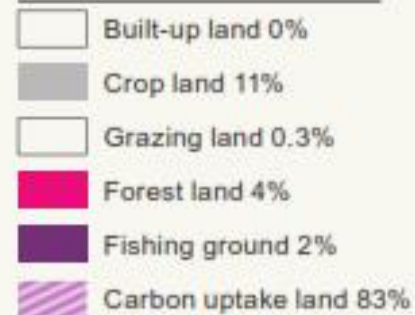- Leads to dependency on external resources

What's a global hectar gha?

- A global hectare <u>measures</u> the <u>average productivity of all biologically productive areas</u> (measured in hectares) on earth in a given year. <u>Examples </u>of biologically productive areas <u>include </u>cropland, forests, and fishing grounds; they <u>do not include deserts, glaciers, and the open ocean</u>.
- "Global hectare per person" refers to the amount of biologically productive land and water available per person on the planet.

**Footprint by Land type
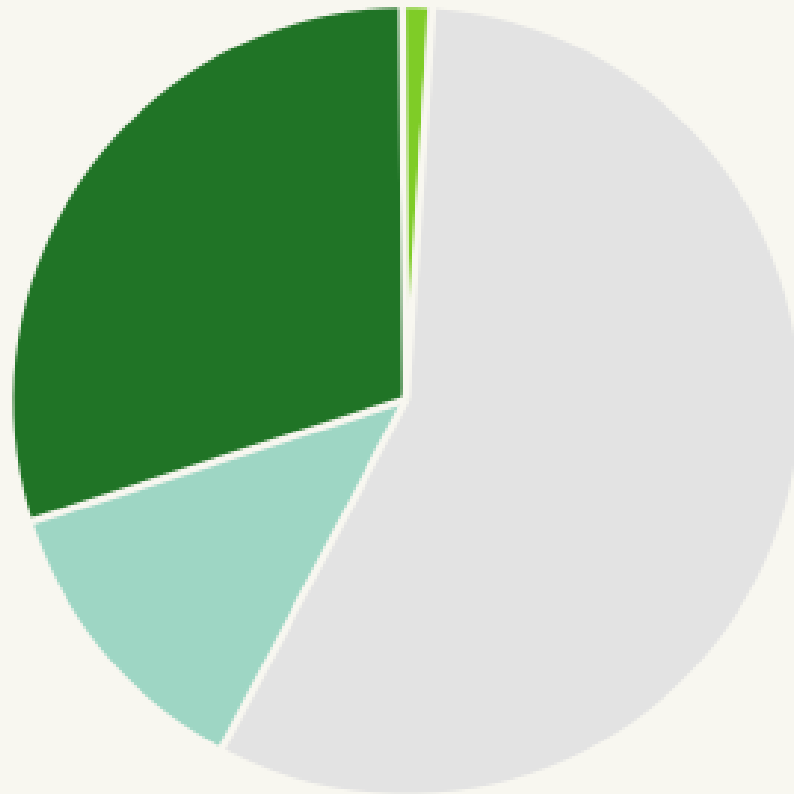(based on 2008 LPR data)**

Key

- Built-up land 0%
- Crop land 11%
- Grazing land 0.3%
- Forest land 4%
- Fishing ground 2%
- Carbon uptake land 83%

This chart illustrates the UAE's Ecological Footprint broken down into the Footprint land types. The carbon Footprint constitutes 83% of the UAE's Ecological Footprint.

UAE Footprint by three players of society (based on 2008 LPR data)

Key

- Household 57%
- Government 12%
- Business Industries 30%
- Other 1%

This chart breaks down the UAE's Ecological Footprint according to its main contributors.

UAE commitment

- UAE Ecological Footprint Initiative
- 2012, UAE developed a Green Development Strategy involving regulations, policies, initiatives and projects.

UAE Green Development Strategy

- The strategy includes six tracks:
  - The **first track:** promote **renewable energy**, clean fuels, and energy efficiency usage.
  - The **second track**: encourage investments in **green economy** and green technologies and to create job opportunities for citizens.
  - The **third track**: The **green city** and it includes urban planning, sustainable transportation, and clean air initiatives.

UAE Green Development Strategy

- ▫ The **fourth track**: deal with **climate change** through reducing carbon emissions, encouraging organic agriculture, and preserving biodiversity.
- ▫ The **fifth track:** rationalize the **use of water** and **energy resources**, encourage recycling, and raise environmental awareness.
- ▫ The **sixth track: green technology** and will focus on carbon capturing and storage technologies plus generating energy from waste.

- HH Sheikh Mohammed bin Rashid Al Maktoum

- "The UAE is developing and adopting international best practices to promote clean energy and efficient use of resources. This is evidenced by the steps taken to include the environment as a core pillar in its development visions, such as the UAE Vision 2021 and the UAE's Green Economy Initiative."

- "No sector alone can solve these issues and so there is a need for us to continue working collaboratively and constructively to realize a more sustainable path for the UAE and the world."

- HE Dr Rashid Bin Fahad, Chairman of the Ecological Footprint Initiative and Minister of the Environment and Water. http://m.uae.panda.org/?204750/LPR2012

Al Basma Al Beeiyah Initiative

- Initiated in 2006. Partnership of the Ministry of Environment and Water MOEW, the Environmental Agency Abu Dhabi (Abu Dhabi Global Environmental Data Initiative AGEDI), The Emirates Wildlife Society and the Global footprint Network GFN.

Al Basma Al Beeiyah Achievements

- Helped develop innovate electricity and water scenario model for the UAE. (3 hypothetical scenarios for Abu Dhabi to reduce its CO_2 emissions by 11-38% in year 2030.

Al Basma Al Beeiyah Achievements

- Since 2007, it has helped UAE government institutions and civil societies build capacity and knowledge.
- Development of innovative policies to help reduce the Ecological footprint.
- Drivers behind the footprint have been identified.

| Scenario A (38.4%)	Scenario B (14.9%)	Scenario C (11.6%)
• Strong Building Envelope Standard with 60% reduction in cooling demand	• 200% increase in Electricity and Water Tariff by 2030	• Four nuclear power plants of capacity 1.45 GW by 2021
• High End energy star equipment standard	• Four nuclear power plants of capacity 1.45 GW by 2021	• 15% Renewable Energy Capacity by 2020
• Indoor and outdoor water equipment standard	• 15% Renewable Energy Capacity by 2020	• 10% Carbon Capture and Sequestration by 2030
• 50% Electric Vehicle penetration by 2030	• 10% Carbon Capture and Sequestration by 2030	
• Four nuclear power plants of capacity 1.45 GW by 2021		
• 15% Renewable Energy Capacity by 2020		
• Reverse Osmosis – installation of thirteen 60 MG desalination plants (2018-2030)		
• 100% TSE reuse by 2030		
• 10% Carbon Capture and Sequestration by 2030		

Percentage reduction of Abu Dhabi's CO_2 emissions for three hypothetical scenarios compared to the baseline (2005-2030)

Total CO_2 emissions (mega tonnes)

Business as usual (baseline emissions)

Scenario C (11.6%)
Scenario B (14.9%)

Scenario A (38.4%)

years
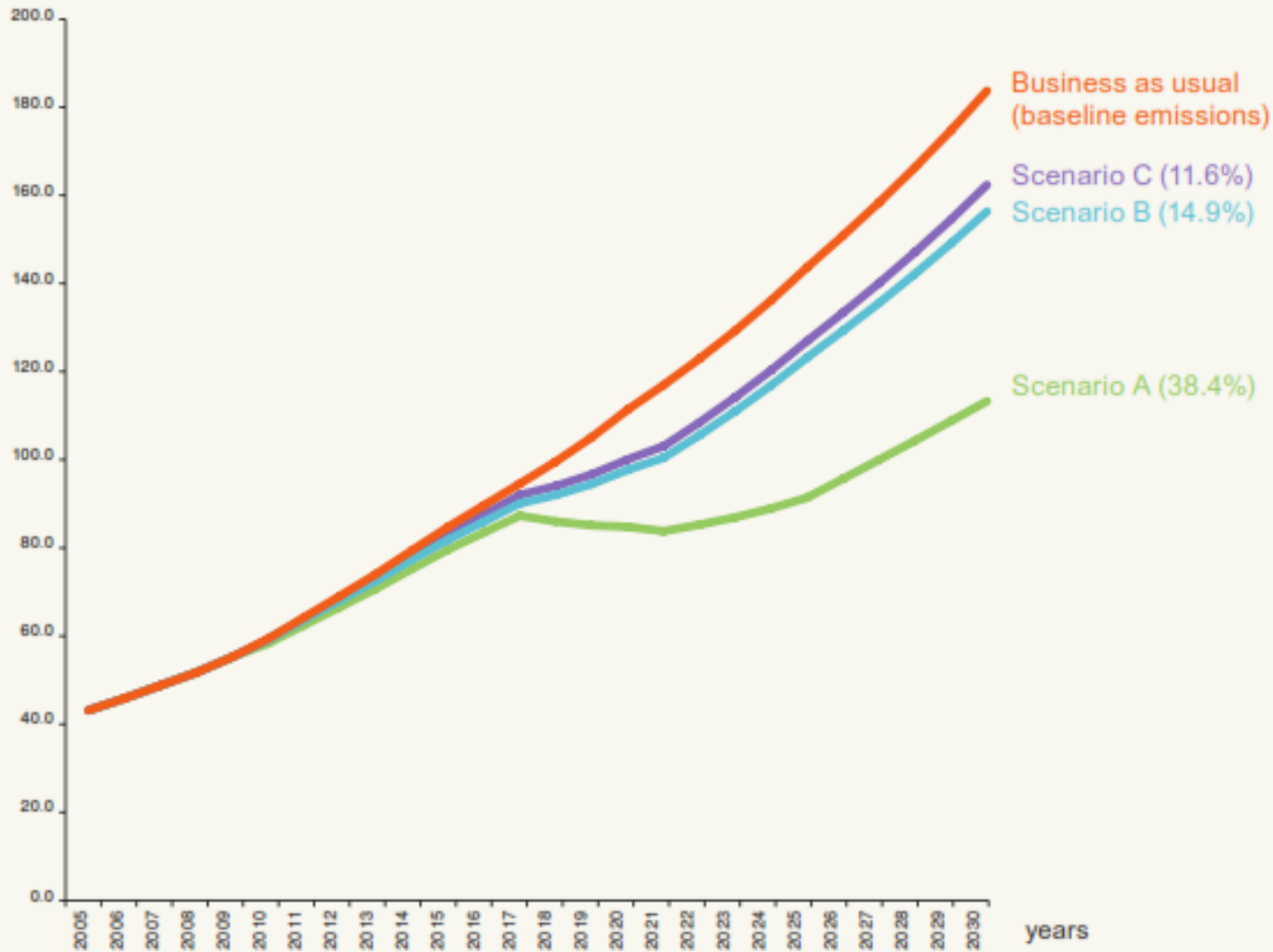
More UAE Achievements

- Improve Diesel quality standards to reduce emissions.
- Established air quality monitoring network across the UAE
- Regulating the construction sector including the relocating of stone mines
- Regulated the use of pesticides
- Achieve the targets set for elimination of use of CFCs and ozone depleting substances by 2010
- Many environmental initiative to reduce use of paper, and plastic.
- **Ecological Footprint dropped from 10.6 (2006) to 8.4 gha in 2012.**

Region (Arab Countries and the GCC)

Gulf countries

- Desert ecosystems, hot and dry climates
- Increased and wasteful consumption of natural resources
- Experienced periods of rapid growth
- More than 70% of the footprints are attributed to the consumption of carbon intensive goods and services (such as energy)

The 2012 Arab Forum for Environment and Development AFED

- Vulnerable to the impacts of climate change with potential implications to increasing temperatures, sea level rise threatening coastal developments and tourism,
- Threatened food production and water resources, adverse impacts on human health and negative impacts on biodiversity such as the bleaching of coral reefs in the region.
- Effective and urgent action is needed to mitigate its Footprint and adapt to the impacts of climate change

The Arab Region

- Arab countries are facing an urgent challenge: how to provide sustainable wellbeing for all inhabitants and not simply seeking growth for the sake of growth at any cost.

The 2012 Arab Forum for Environment and Development AFED
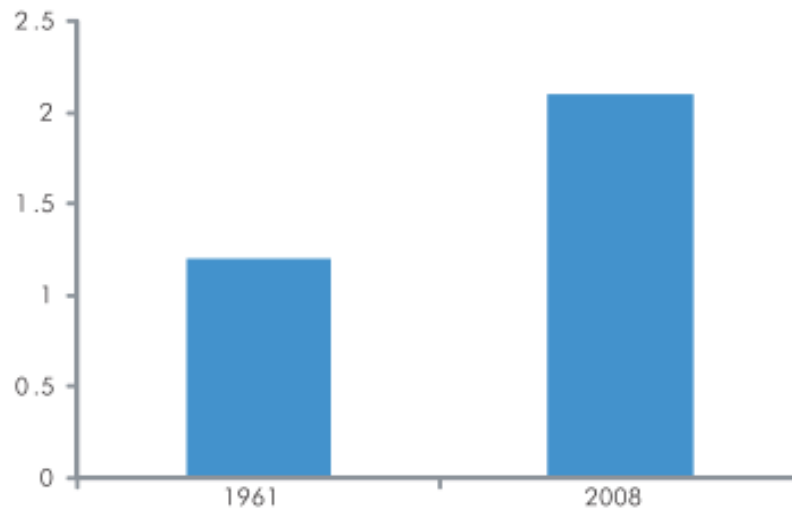
State of the Arab Region
The 2012 Arab Forum for Environment and Development AFED

Population
[millions]

GDP
[constant $US 2000 per capita]
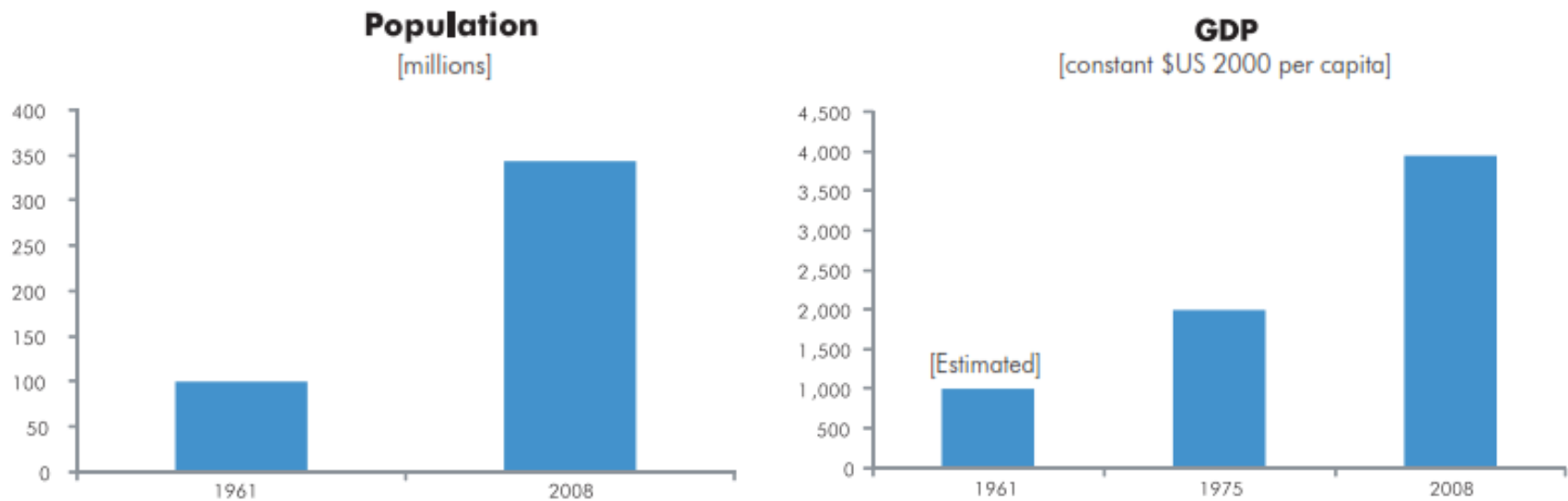
Over the last 50 Years, the Gross Domestic Product GDP per capita increased, leading to higher living standards, but not necessarily, better quality of life or sustainable living… AFED 2012
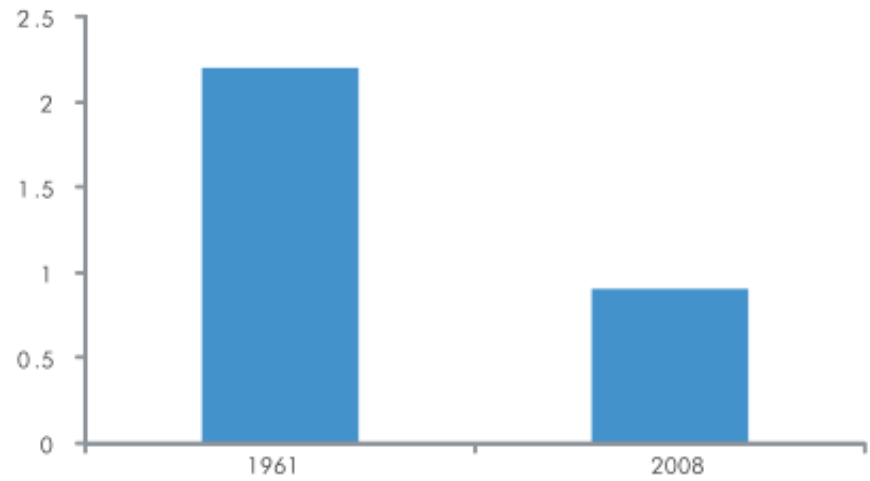
Ecological Footprint
[gha per capita]

Biocapacity
[gha per capita]

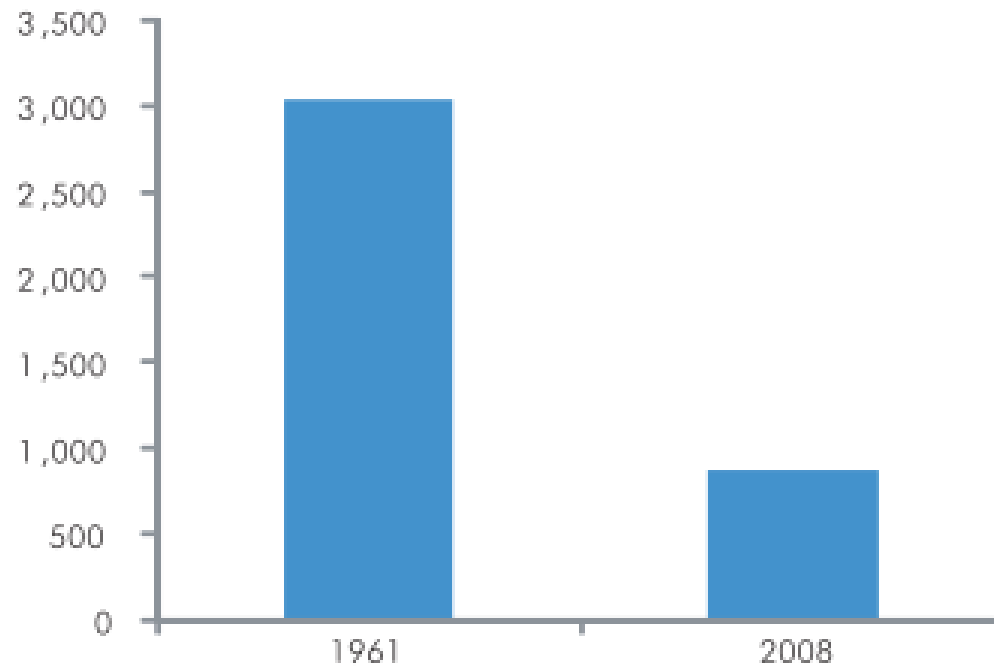# Freshwater availability
[m³ per capita]
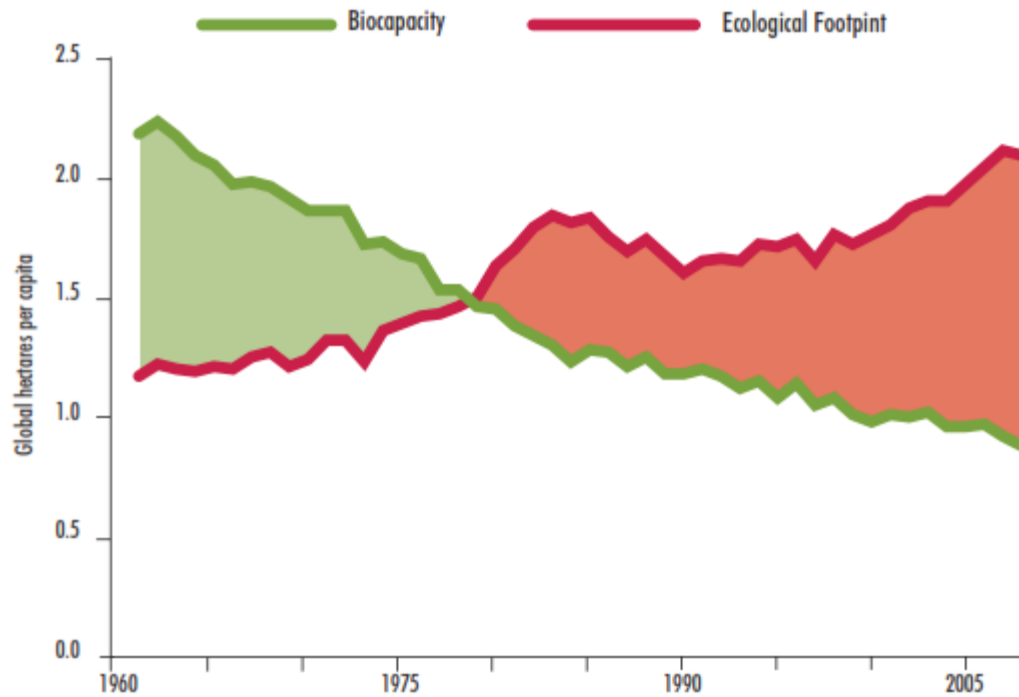
ECOLOGICAL FOOTPRINT ACCOUNTING IN ARAB COUNTRIES

Higher ecological footprint

- Compared to 1961, the Arab region ecological footprint increased by 78% from 1.2 to 2.1 hga.
  - Due to increased population, 3.5 folds, and the rise of the resources and services consumed per person due to increased income and changing life style patterns.

Lower biocapacity

- Average biocapacity per capita decreased by 60% over 50 years, from 2.2 to 0.9 gha.

  - Mainly attributed to the vast increase in population size and the decline in the productive capacity of the region's ecological systems due to pollution, habitat destruction, and overall inadequate resource management.

Higher carbon footprint

- Carbon footprint component has been the only one to increase significantly since 1961, with energy consumption growing faster in the Arab region than in any other part of the world.

Unsustainable strategies

- The vast <u>deficit in </u>the region's ecological <u>resources </u>is largely <u>bridged by imports </u>and an over-exploitation of finite local resources. This is an unsustainable strategy.

  ▫ Overuse will lead to an even greater depletion of natural resources and degradation of the environment.

Unsustainable strategies

- <u>Dependence on global trade imports </u>introduces concerns of economic insecurity, often driven by soaring food prices, <u>disruptions in global supply chains, and trade restrictions</u>.

  ▫ Oil-importing countries, carrying debt to finance imports burdens their economies and places a limit on future wellbeing.

Unsustainable strategies

- Overexploitation of resources, the impact of climate change, high population growth rates, uncontrolled economic growth and urbanization amplify the region's environmental challenges and constrain its ability to manage them. Significant among those challenges are <u>water scarcity, land degradation, inadequate waste management, coastal and marine environment degradation, and air and water pollution.</u>

Solutions

Sustainable planet through sustainable societies

- Direct CSR to support:
  - Sustainable consumption
  - Sustainable resource use
  - Sustainable livelihood

Solutions: Potential Areas for CSR

- Innovative resource management
- Regional programs in scientific research
- Apply (and contribute to) indicators beyond GDP e.g.: resources consumption and availability
- Improve the resource productivity by focusing on energy and water efficiency

- The adoption of science-based policies to advance sustainable development in clean and renewable energy, along with food and water security eg.:
  - The Masdar Institute of Science and Technology in Abu Dhabi
  - King Abdullah University of Science and Technology in Jeddah

International Best Practice and Standards for CSR

ISO26000 Standard

- Key principles of social responsibility:
  - (Accountability, Transparency, Ethical behavior, Respect for stakeholder interests, Respect for the rule of law, Respect for international norms of behavior, Respect for human rights)
- Engaging stakeholders
- Guidance on integrating CSR with the organization

Best practices and Excellence Models (for CSR and Sustainability)

- International Business Excellence Awards
- Dubai Excellence Award Program
- Abu Dhabi Excellence Award Program
- Emirates Excellence Program for Gov. Sector
- Best green initiatives – Emirates award

EFQM Fundamental Concepts of Excellence

Excellent Organisations achieve and sustain outstanding levels of performance that meet or exceed the expectations of all their stakeholders.
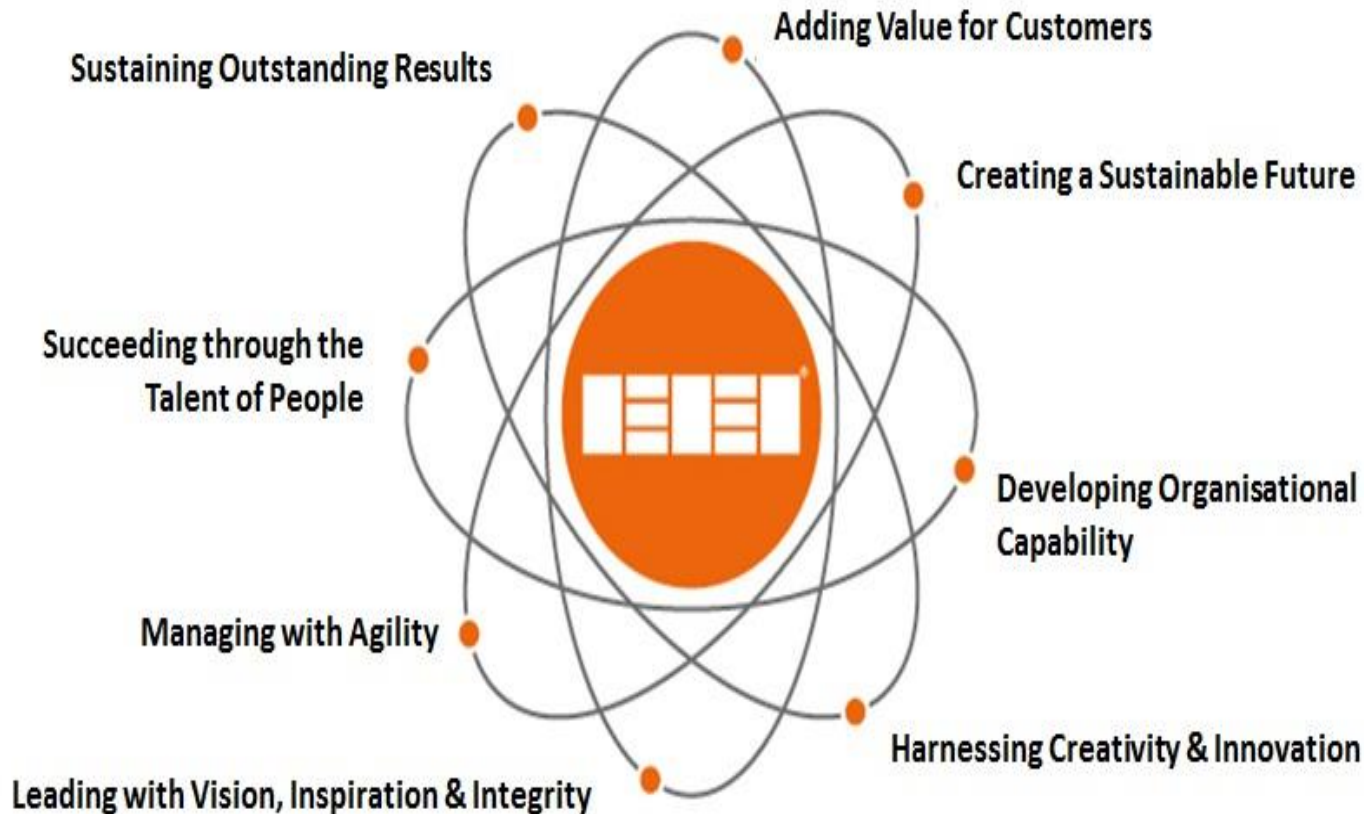
EFQM Sustainability Model

© EFQM 2012
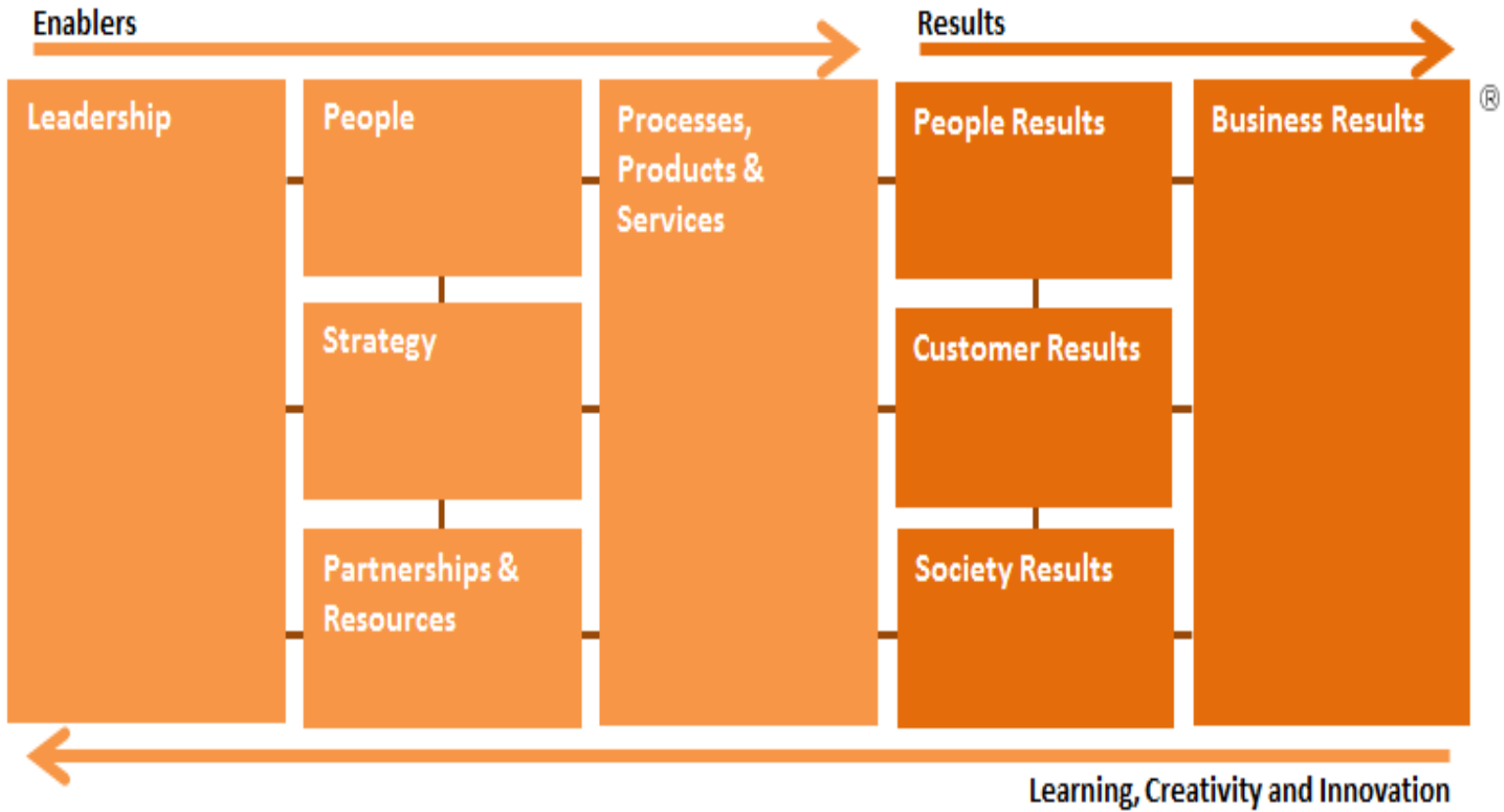
A tool for continual improvement
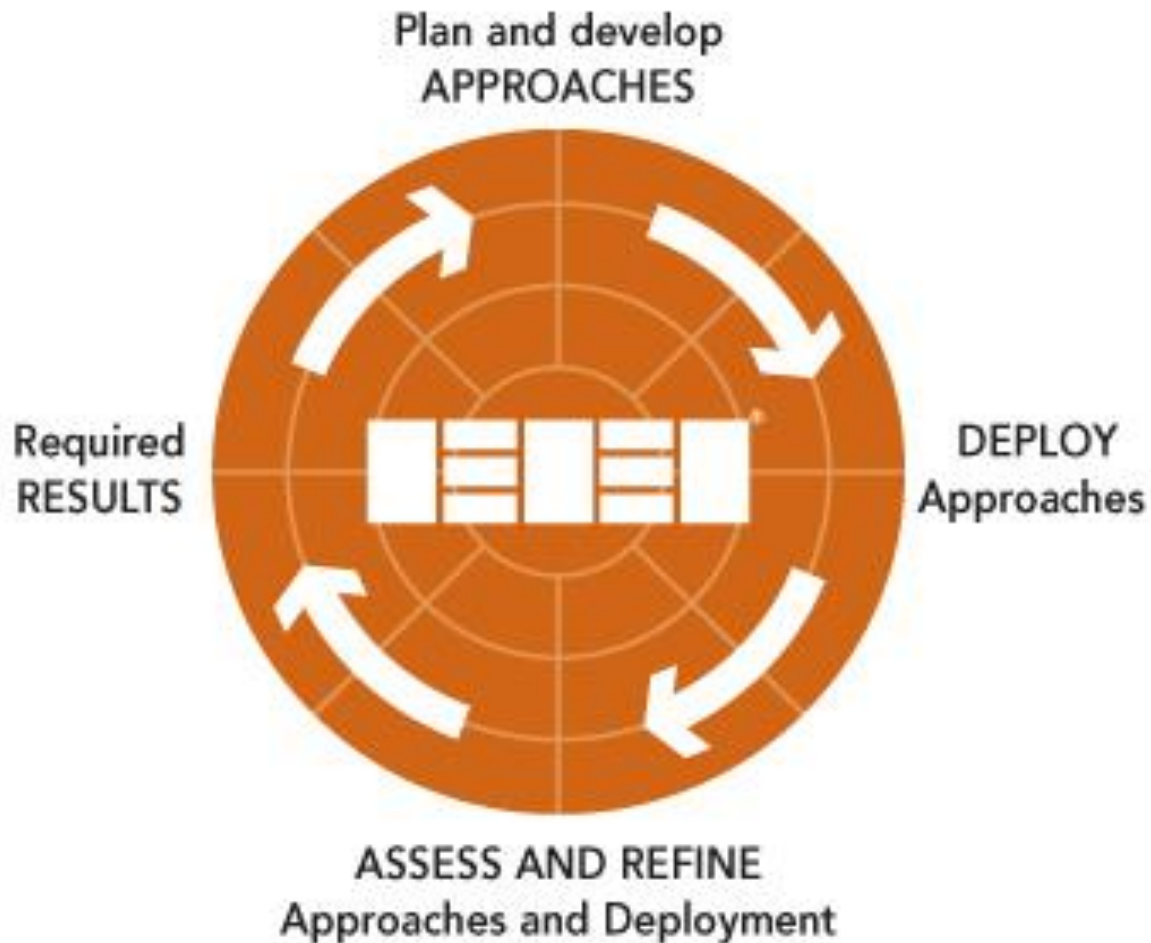
CSR reporting

- KPMG International Survey of Corporate Responsibility Reporting 2011. A study that involved 100 largest companies in 34 countries.

- 95% of the 250 largest companies in the world (G250 companies) now report on their corporate responsibility. Two thirds are based in the USA.
- Companies in the Middle east and Africa region are quickly gaining ground.

Figure 3: Larger companies are leaders in corporate responsibility reporting

Category	Value
US$50-500b	92
US$10-50b	83
US$5-10b	72
US$1-5b	61
US$0-1b	48

corporate responsibility initiatives: 2008–2011*

2008   2011

Country	2008	2011
Switzerland	49	64
Slovakia		63
Germany		62
China		59
Russia		58
Australia	45	57
Bulgaria		54
Romania	23	54
Ukraine		53
South Korea	42	48
Singapore		43
Taiwan		37
Greece		33
Chile		27
New Zealand		27
India		20
Israel		18
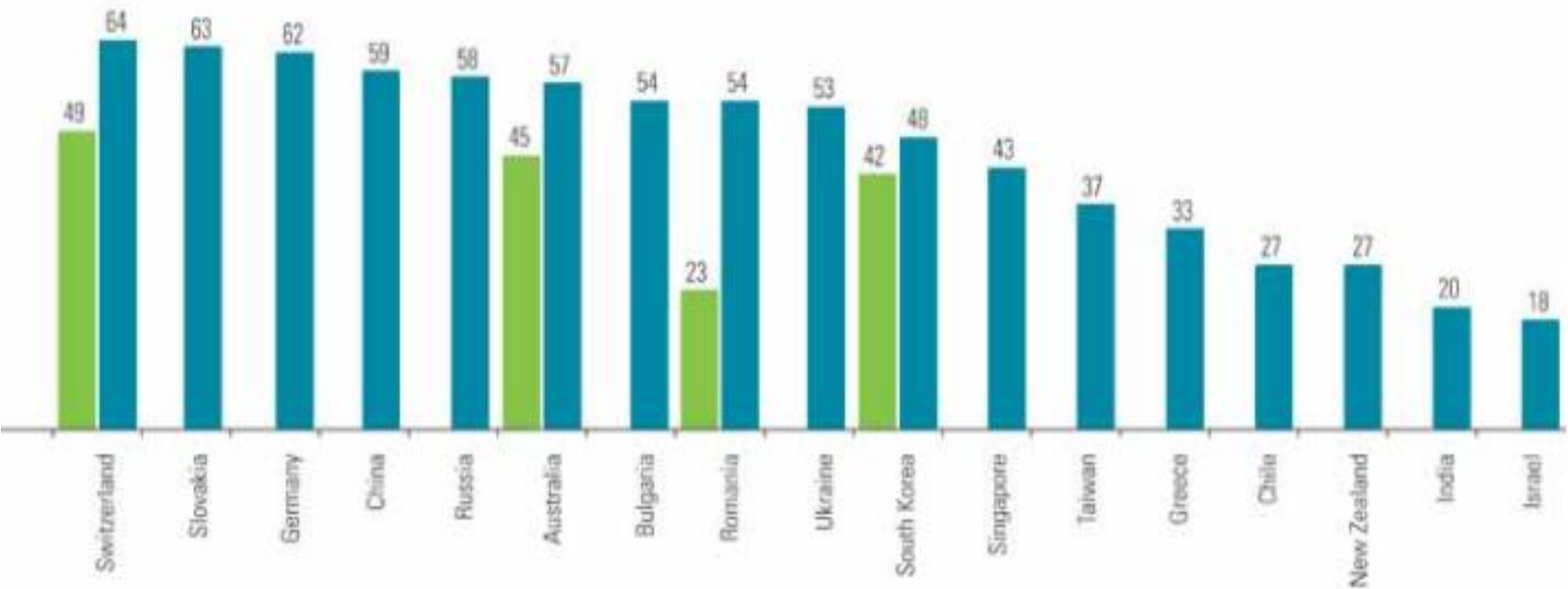
- CR reporting is seen as a competitive differentiation – small organizations are learning from bigger companies

Drivers for global business reporting for the G250 companies

Figure 6: Reputation and ethical considerations top the list of global business reporting drivers for G250 companies

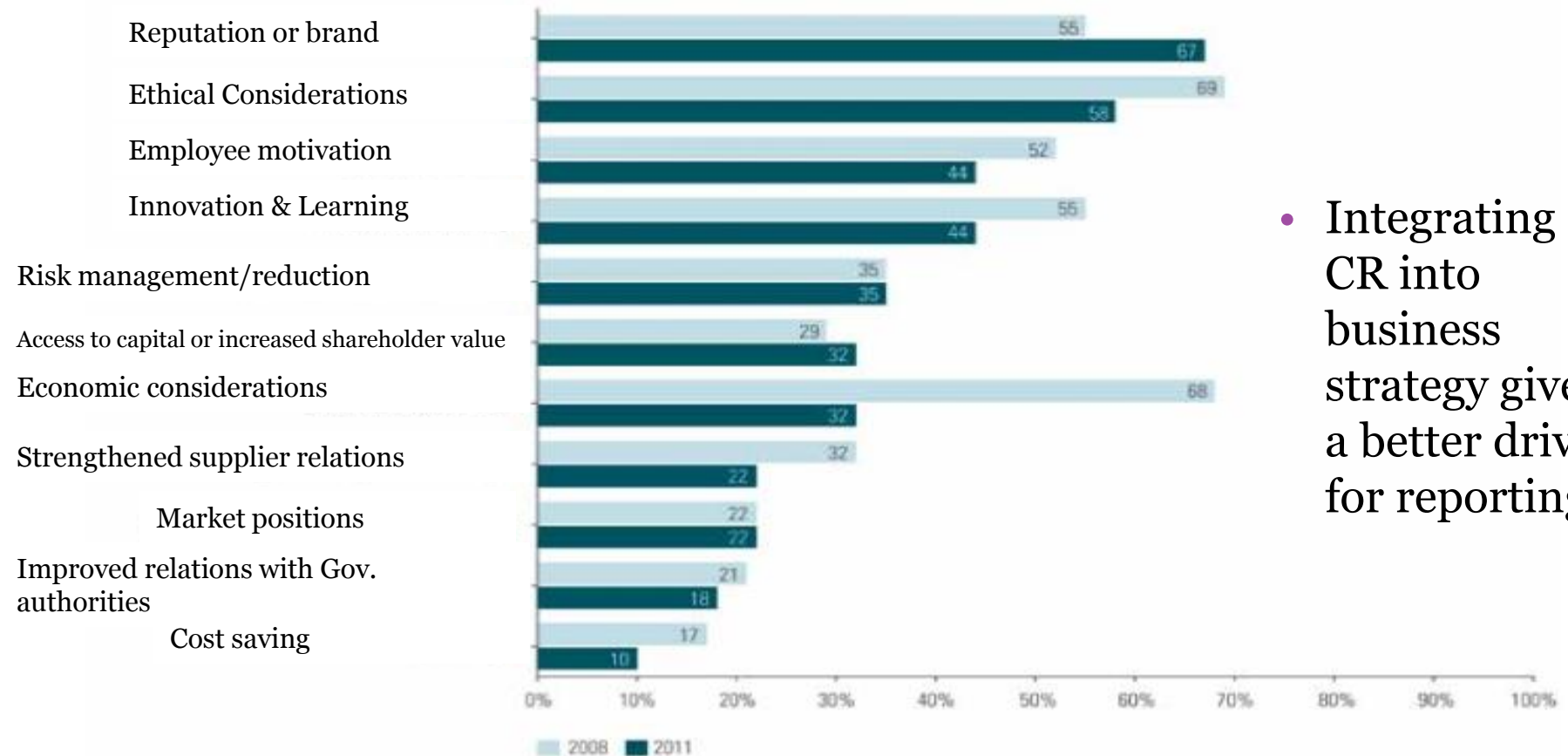| Driver	2008	2011
Reputation or brand	55	67
Ethical Considerations	69	58
Employee motivation	52	44
Innovation & Learning	55	44
Risk management/reduction	35	35
Access to capital or increased shareholder value	29	32
Economic considerations	68	32
Strengthened supplier relations	32	22
Market positions	22	22
Improved relations with Gov. authorities	21	18
Cost saving	17	10

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

2008   2011

Source: KPMG International Corporate Responsibility Reporting Survey, 2011

- Integrating CR into business strategy gives a better driver for reporting

Some Applications of CSR Towards Sustainability

Coca-Cola

- To return to communities the amount of water that they use in beverage production "become water neutral by 2020". (source: Global compact Network Vietnam)
  - Reduce: amount of water to produce a beverage
  - Recycle: Treating 100% of its waste water before returning it back to the environment
  - Replenish: Projects to replenish water to nature and communities. Expanding community drinking water and access to sanitation.

Sound solid waste management (Amman-Jordan)

- Branding and Certification Scheme for high performers (neighborhoods) in SWM
- CSR used as an incentive tool to reward achievers: e.g. lower tariffs, VIP service, service upgrades

Arabia CSR Network

"For some businesses, those with significant impact on the environment and society, CSR is becoming an obligation"

Arabia CSR Network

- Sustainability success stories from the Middles East, North Africa, and Levant region.

- Al Futtaim Carillion (1905)
- Vodafone Qatar (2009)
- CANON MIDDLE EAST
- BANK SARASIN ALPEN ME
- TIGER PROFILES & INSULATION
- HEALTH AUTHORITY ABU DHABI
- TRISTAR TRANSPORT
- BEE'AH
- Bahrain Women Association

Sample CSR applications

- Donations and philanthropy
- Develop management systems for QHSE
- Mobile recycling initiative
- Developed policies for purchasing material with less environmental impact
- Carbon neutral toner and ink cartridge
- Waste management programs of toners and ink cartridges
- Improve operational system efficiency to reduce CO_2 emissions
- Including CO_2, NOx and SO_2 gas emission targets in the balance score cards

Key Challenges

Key Challenges

- Strategic
  - Integration of CSR within the business strategy. Aligning business risks with CSR and sustainability risks (Economic, Environment, Social)
  - Building CSR strategies within the context and the requirements of the society and sustainable existence we live and operate in.
  - Building CSR specialized strategies that are practical and realistic and support sustainable development

Key Challenges

- Implementation
  - Analysis of stakeholders needs and expectations
  - People engagement including shareholders, employees, society and stakeholders.
  - Creativity and innovation based on knowledge of operations, services, and products to create value.

Key Challenges –Cntd.

- Leadership
  - Interest and commitment along with the necessary passion to contribute to the society
  - Incentives schemes and motivation of employees is key to implement change from within business core activities.
  - Awareness, competency of managers to be able to communicate top management orientation towards CSR.

Key Challenges –Cntd.

- Governance.
  - Taking responsibility of the impacts of the organization decisions and activities. Promote CSR initiatives
- Transparency so as to build confidence, trust and image.

Thank You