ABOUT THIS YEAR’S REVIEW

• Largest response ever, 7th year
  – Best response to date from New Zealand

• Special focus on stages of CSR development and the role of the CSO at each stage

• Re-examination of CSR and innovation
  – Progress since 2012

• Ongoing examination of priorities and capabilities
Over 150 participants from New Zealand

Wide range of industries
DEFINITION OF CSR

“Social responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

• Contributes to sustainable development, including the health and the welfare of society
• Takes into account the expectations of stakeholders
• Is in compliance with applicable law and consistent with international norms of behaviour, and
• Is integrated throughout the organization and practised in its relationships.”

-ISO 26000
## Stages of CSR Development

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>The point when most companies first engage with sustainability. One of the most difficult challenges facing the CSO in this stage is to push the company leaders and investors to get out of the “trade-off” mentality. The CSO needs to be able to discuss the sustainability strategy of the firm with investors by using the language of the capital markets.</td>
</tr>
<tr>
<td>“Initiators”</td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>Sustainability has achieved a new level of strategic focus and its importance has become significant enough to warrant increased discussion by the Board. The CSO should work to engage as many people and groups as possible. The CSO can help leaders and others in the organisation think about the changes through their own area’s lens.</td>
</tr>
<tr>
<td>“Integrators”</td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td>The role of the CSO tends to gain an increasing level of authority. Many take the lead in formulating vision and strategy in this stage and identify the company’s unique position with respect to future global challenges.</td>
</tr>
<tr>
<td>“Innovators”</td>
<td></td>
</tr>
</tbody>
</table>

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### In their words...

**Innovators**

“A key challenge is ensuring value creation. We don’t do sustainability for the sake of doing it but to give value to both the stakeholders and our organisation.”

**Integrators**

“How can we create a groundswell of support and motivation from people at all levels to understand the key issues and work to drive the business forward and be a leading force for change.”

**Initiators**

“Going beyond compliance is a challenge. We need a strong vision (...) to help us drive and improve our CSR/ sustainability awareness and application.”

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In the image, there are three categories: Innovators, Integrators, and Initiators. The percentages for each category are as follows:

- **Innovators**:
  - CSOs (n=163): 55%
  - CSR/sustainability staff (n=431): 48%
  - Non CSR/sustainability staff (n=234): 70%

- **Integrators**:
  - CSOs (n=163): 15%
  - CSR/sustainability staff (n=431): 21%
  - Non CSR/sustainability staff (n=234): 21%

- **Initiators**:
  - CSOs (n=163): 15%
  - CSR/sustainability staff (n=431): 24%
  - Non CSR/sustainability staff (n=234): 31%
THE CHIEF SUSTAINABILITY OFFICER

INITIATORS

Focus on:
Manage mandatory regulatory impacts; environmental compliance, legal requirements and external reporting.

INTEGRATORS

Focus on:
Underpin strong internal structures and understanding for CSR.

INNOVATORS

Focus on:
Use CSR as a competitive advantage and on global sustainability issues.

CHALLENGES

Enough resources
Internal engagement
Harmonise stakeholder and market values

PROFILE

More likely to work in innovator stage
Reports to senior leadership or CEO
Works in Strategy or Corporate Affairs
More likely to address complex social problems

SKILLS

Communication
Stakeholder engagement
Leadership
Strategic thinking
Sustainability expertise

CSR structure by stage of development

In their words...

“What skills does a CSO need? Communication (the ability to articulate the value of sustainability and CSR at various levels of the business, using the right language to get buy-in and support), open-mindedness (being open to new ideas and innovations and striving to push the boundaries to improve our performance), and collaboration (the ability to effectively engage people at all levels of the organisation to support and drive sustainability and CSR objectives).”
IN NZ CSR IS MOST LIKELY TO BE MANAGED IN STRATEGY DEPARTMENT

How CSR is managed within the business
Australia vs. New Zealand

<table>
<thead>
<tr>
<th>Department</th>
<th>Australia</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate affairs</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>Stand-alone department</td>
<td>28%</td>
<td>35%</td>
</tr>
<tr>
<td>Strategy</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Human resources</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Chief legal officer</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Chief financial officer</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Board, CEO or Executive Directors</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Other department</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>No single department</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>

0% 25% 50% 75% 100%
SKILLS OF THE CSO

- Communicate effectively, influence, negotiate and motivate
- Stakeholder engagement and collaboration
- Strong knowledge of the organisation
- Leadership strategic thinking
- Knowledge of relevant issues and risks to and impact of the business
- Understanding of how sustainability affects / benefits the business
- Ability to learn and understand stakeholder needs
- Ability to engage internally and achieve buy-in
- Ability to develop and execute CSR strategy and programs
- Network and create partnership
- Change and project management skills
- Intrinsic drive to make a difference
- Knowledge / experience in sustainability

n=130
CSR AND INNOVATION

Rise of the Shared Value agenda?

CSR innovation in products and processes

- 2015: 69%
- 2012: 63%

CSR innovation in market development

- 2015: 66%
- 2012: 51%

n=547
### CSR PRIORITIES IN 2015

**Top priorities:**
- Building stronger relationships with stakeholders
- Promoting diversity in the workplace
- Measuring impacts and outcomes of CSR activities

Global sustainability issues most likely to be a high priority for ‘Innovators’
NZ PRIORITIES IN 2015

NZ places **higher priority** on:
- Environmental impacts
- Building internal support
- Managing regulatory impacts

And **lower priority** on:
- Global sustainability issues
- Human rights

The highest priority is building stronger relationships with stakeholders
CSR CAPABILITIES

<table>
<thead>
<tr>
<th>Overall</th>
<th>74%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder engagement</td>
<td>83%</td>
</tr>
<tr>
<td>Integrating stakeholder values</td>
<td>74%</td>
</tr>
<tr>
<td>Stakeholder dialogue</td>
<td>74%</td>
</tr>
<tr>
<td>Social accountability</td>
<td>66%</td>
</tr>
</tbody>
</table>

n=823

No significant differences between Australia and New Zealand

CSR capabilities are powerful drivers of performance

SoCSR 2008 report showed that stakeholder engagement most strongly associated with improving reputation, reducing risk, avoiding conflict and increasing competitive advantage

**STAKEHOLDER ENGAGEMENT** – People in our organisation understand the linkages and interdependencies between us and our stakeholders that contribute to long-term prosperity. Our staff or members routinely consider stakeholder needs in business decisions.

**STAKEHOLDER DIALOGUE** – We respect our partners in dialogue by displaying empathy, honesty and non-manipulative intent, and encourage equal control over and initiative in the communication process.

**INTEGRATING STAKEHOLDER VALUES** – Managers are able to effectively detect and transmit value-pertinent information about stakeholders to all parts of the organisation to assist in business decision-making.

**SOCIAL ACCOUNTABILITY** – Our people believe that our organisation is accountable to stakeholders for the firm’s social impacts and we effectively report our social performance, even when the news is not all good.
THANK YOU