

# CSB | NEWSLETTER

· FALL 2016 ·

## Center for Sustainable Business Increase value from corporate sustainability



### A NOTE FROM THE CSB FOUNDER

Welcome to the Fall 2016 CSB Newsletter,

Hands up – who was surprised by Brexit?

Only a day before the voting I realized there is a strong chance that the UK will vote for exiting the EU.

We, the sustainability professionals, lost this vote. The business lost this vote. Many business leaders were shocked and disappointed by the results. “We are going to pay a high price for the breakdown of trust in the establishment. Emotion has trumped facts and untruths have been believed,” Sir Mike Rake, chairman of BT, was quoted to say.

My guest at the Center for Sustainable Business and ESMT Berlin open lecture last month, R. Edward Freeman said that business can be an institution of hope. He, the father of stakeholder theory, often pitted against the famous Milton Friedman who wrote, “There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits”, believes that now revolution is happening in business. Business creates value for shareholders, but also for other stakeholders. And let me make it clear once again– businesses do not operate in vacuum and yes, they do need stakeholders to succeed.

Many of you will agree. And this is why almost from the beginning of corporate social responsibility the topic of stakeholder engagement has been on our agendas. But it has been many long years and I am wondering – have we lost our way? Have we become too automatic, issuing report after report without checking if anyone is ever reading them? Have we started box ticking stakeholder engagement and issuing countless surveys that provide us with results that do not mean much for the strategy of the company? Have we stopped listening to what the stakeholders really want to tell us?

In an insightful report, commenting on the Brexit, Tomorrow’s Company reiterates that now it is even more important that “businesses do not retreat into cost cutting, but instead invest and tackle issues that have been ignored for too long.”

And I can only add that now is the time to look at stakeholder engagement again, with a new lens. This is what we will focus on

at the upcoming Sustainable Business Roundtable on November 10 and 11 at ESMT Berlin. We have an amazing line-up of speakers from AXA, BASF, CDP, Commerzbank, Enel, Greenpeace, HEINEKEN, ING, London Business School, Nestlé, Orange Poland, Oxfam, University of Mannheim, WWF, who will share best practices, challenges, ideas, and solutions for stakeholder engagement.

We are all in this together. Let’s find some better ways of engaging with those who matter to our business.

Best wishes,

CB Bhattacharya

### INSIDE THE NEWSLETTER

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Save the date! The SBRT members and invited guests will meet on November 10-11, 2016 to discuss stakeholder engagement and on April 27-28, 2017 to discuss sustainable innovation with consumer focus.

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## NEWS FROM MEMBER COMPANIES

### AGENDA 2030: A WINDOW OF OPPORTUNITY

Alexander Holst., Managing Director, Accenture Strategy and Balkan Cetinkaya, Manager, Accenture Strategy

*80 % CEOs believe that demonstrating a commitment to societal purpose is a differentiator in their industry.*

Strategies and concepts for sustainable business have finally arrived at executive boards all around the world. But what do CEOs really think about sustainability, and how has this changed during the last ten years? In 2007, the UN Global Compact, together with Accenture Strategy, set out to answer this question. With input from over 1.000 executives from over 100 countries and 25 industries, this year's UN Global Compact – Accenture Strategy CEO Study, is the to-date fourth and largest investigation of its kind.

Emerging from this study is an interesting development path. The way of the new leading sustainability businesses and ambitious CEOs reads: action and impact rather than awareness and commitment. CEOs no longer want to focus on consciousness and voluntary commitment. They want to deliver action and impact, quickly and in full. Compared to the UNGC study from 2013, a new feature is also that CEOs now define the competition in a new way, and adjust their strategies substantially. They put Purpose, Value and Impact at the heart of corporate strategy & practices, three factors of ever increasing weight for differentiation and competitive advantage in the context of significant global social challenges.

In 2013, many CEOs had a reaction to the theme of sustainability: frustration. Growth, competitiveness and success seemed incompatible with sustainability. In 2013, CEOs called for a 'global architecture' that could link together the universal values of the United Nations and allow business to scale sustainability efforts. Three years later, the UN 17 Sustainable Development Goals appear to have taken on a key part of this role as a 'universal roadmap' for corporate sustainability, and in doing so, they have turned the frustration felt across the table in 2013, into optimism, and a belief in, that this is the time to deliver action and impact.

The prevailing idea is that the SDGs trigger innovation and growth in new markets, while also providing a 'guiding light' and structure for sustainability efforts. For the first time since the launch of the research, CEOs are ready to take on the mission to deliver their own contribution towards solving global societal problems. This is because they see an opportunity in combining this action with innovation and a strengthened market position.

Twice as many CEOs as in 2013 (67 % vs. 32 %) are today convinced that

sustainability no longer can be paid lip service, but that corporations must become active and concrete in their commitment. Three quarters of the participants agree, that their companies already have the skills to directly contribute to the SDG goals.

In addition, a look on the past ten years of the study series provides a perspective on the evolution of this new conviction and belief. The illustrated Sustainability Maturity Curve presents the typical development path and common steps through which many companies have gone, and still go through, on their way towards a fully integrated sustainability strategy.

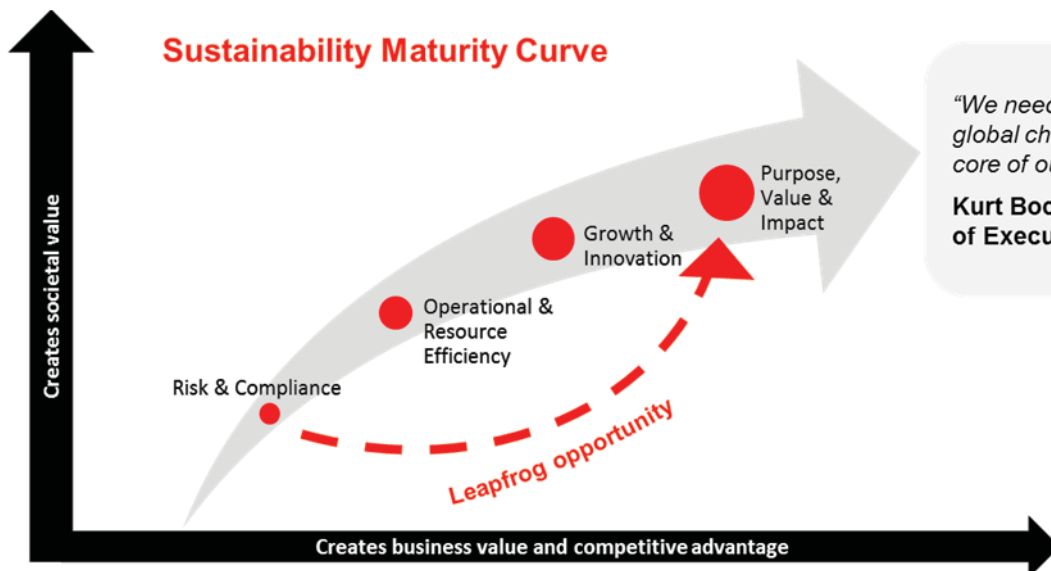
Upon investigation of the pioneers on this path, certain patterns and transformation capabilities stand out.

*59 % CEOs report their company is able to accurately quantify the business value of their sustainability initiatives - up from 38% in 2013.*

Of particular interest is companies' increasing ability to through sustainability adequately measure and communicate the achieved impact and value, for the company as well as for the global goals. On this topic, three quarters of the CEOs (73 %) express the necessity to develop standardized indicators, so as to enable comparison and evaluation of transparency.

Such universal indicators were also part of the 'global architecture' the CEOs called for in the 2013 study, in addition to significant governmental intervention and regulation, and tools for quantifying the business value of sustainability.

Only 10 % of the CEOs today experience pressure from investors when it comes to scaling sustainability efforts. But a full 88 % believes that strong integration of sustainability issues in financial markets is vital for further scaling of solutions, and to making progress. This marks the beginning of a paradigm shift, involving a demystification of the myth of (non-)successful investment, which is brought to point by the following quotation: "We're still dealing with the myth that you lose money if you invest sustainably: This is not the case, and it's a crucial discussion if we're to progress." (Axel A. Weber, Chairman of the Board of Directors, UBS Group AG).



*"We need better solutions to solve global challenges: we put this at the core of our strategy."*

**Kurt Bock, Chairman of the Board of Executive Directors, BASF SE**

FOSTERING SUCCESSFUL INTEGRATION OF REFUGEES

Lareena Hilton, Global Head of Brand Communications & CSR, Deutsche Bank AG

As a corporate citizen, Deutsche Bank helps to enable communities and economies to prosper – be it by empowering the next generation, supporting community development initiatives or by helping social enterprises scale up their business model. On top of that, the Bank encourages its people to volunteer and fundraise: last year more than 17,000 employees supported over 3,000 projects.

The increased refugee influx to Germany in 2015 has posed a huge challenge for aid organizations, corporations, authorities and civil society alike. There are no ready-made solutions; the mere creation of employment opportunities simply is not enough. Therefore, Deutsche Bank and its foundations pursue a holistic approach in tackling the current societal challenges with a mix of immediate aid and longer-term programmes: creating encounters between people of different cultures, encouraging them to learn from one another, or facilitating access to education and employment.

Since summer 2015, Deutsche Bank employees have helped many refugees to find their feet and cope with the issues they face. To date, around 1,800 Deutsche Bank volunteers have invested more than 2,700 days to this cause – and the numbers are growing further. The core of our commitment, signed by CEO John Cryan, is to engage 1,000 Deutschbankers from across Germany as integration coaches over the next three years (2016-2018). The internal response was most encouraging: Within only a few months, more than 360 colleagues have already signed up. This is Deutsche Bank's pledge under the umbrella of the "Wir zusammen" ("We together") initiative.



On top of that, we extended existing projects to best accommodate refugees' needs, e.g. to learn the language, continue education or find a job. Our *Born to Be* youth engagement programme helps young people achieve their full potential and has supported more than 1.3 million young people around the world in 2015. Some of the projects, like STUDIENKOMPASS, START

and Starke Schule have meanwhile been extended to accommodate the specific needs of young refugees. Five additional STUDIENKOMPASS scholarships were co-funded by more than 4,000 Deutsche Bank employees who subscribed to the Bank's payroll giving scheme.

For years, Deutsche Bank employees have made their skills and expertise available to charities and social startups. Under the *Made for Good* umbrella, Deutsche Bank partners with startsocial and Social Impact who help to kick-start social enterprises – more and more among them provide targeted support for refugees. Other refugee-related projects were recognized as "Landmarks in the Land of Ideas" in the 2016 competition.

Beyond the initiatives in Germany, Deutsche Bank and its foundations are taking specific measures to assist refugees in other parts of the world. Deutsche Bank Middle East Foundation, for example, supports an aid project in Lebanon that provides a safe haven for some 1,500 families as well as water to 700 refugees who are currently living in tents. Other regional matched giving and fundraising programmes have been channelled towards donations for refugee projects in the MENA region.

Key learnings: Effective responses to pressing societal issues require strong partnerships and a synergetic approach, as well as broad stakeholder engagement. At Deutsche Bank, we were able to set-up a convincing portfolio because we had a strong base to build on. Our refugee offers combine the *Born to Be*, *Made for Good* and employee engagement pillars and thus deliver positive impact to all parties involved.

[db.com/society](http://db.com/society)  
[wir-zusammen.de](http://wir-zusammen.de)

NEW CORPORATE SUSTAINABILITY RESEARCH

EIGHT STEPS TO PROFITABLE SUSTAINABILITY

CB Bhattacharya, Founding Director of the Center for Sustainable Business and Pietro Ferrero Chair in Sustainability, ESMT Berlin

In the recent article with Paul Polman, CEO of Unilever ("*Engaging Employees to Create a Sustainable Business*", Stanford Social Innovation Review) we list eight ways in which companies can engage employees to foster business sustainability – and in doing so improve profits. Here is the idea in brief:

1. Define the company's long-term purpose  
Why does the company do what it does? Leaders should ask this question and share the answers with employees. Thinking about the social purpose that a company serves enables employees to latch onto the higher purpose and use the company as a means to express their values, which in turn, creates meaning in and at work.
2. Spell out the economic case for sustainability  
Research has shown that truly sustainable business is profitable business. In 2014 alone, IBM implemented energy conservation projects at 341 locations globally, cutting usage to the tune of \$37.4 million in savings – 6.7% of IBM's total energy use. Leaders should make this case to their management teams.

3. Create sustainable knowledge and competence  
This is where training comes in – train employees so that they understand how to do things in a sustainable way. Teach them strategies that lead to sustainable practices.

4. Make every employee a sustainability champion  
Leaders should tap into their employee’s personal lives and highlight what matters to them. We can create businesses that are sustainable for our children and our children’s children – and make a profit while doing so.

5. Co-create sustainable practices with employees  
Involve employees in sustainable idea generation – those that contribute to the process will be much more likely to engage with the process than those that feel sustainable practice is being forced on them from the top of the company.

6. Encourage healthy competition among employees  
Run competitions for the best sustainable business ideas. Encourage competition by rewarding the best.

7. Make sustainability visible inside and outside the company  
Employees will feel a sense of pride and ‘buy in’ if the efforts they make internally are recognised publicly.

8. Showcase the higher purpose by creating transformational change.  
No company can go it alone and beat the tragedy of the commons. We need to learn to collaborate with traditional competitors to solve thorny environmental and social issues.

We should all aspire to leave our world a better place. For a company, that means having a meaningful and strategic purpose and finding ways to tie that purpose into the values and day-to-day work of individual employees.

Every person wants his or her working life to have a higher purpose that goes beyond doing a job and earning an income. Yet too many people spend most of their waking hours in workplaces that fall short of providing this. Companies that can resolve the tension people feel between their personal values and the best interests of the business will benefit by having a highly engaged and productive workforce - proud to play a part in bringing positive change to communities around the world.

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## CORPORATE SUSTAINABILITY NEWS BRIEFING

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*Compiled by Joanna Radeke, Coordinator, Center for Sustainable Business, ESMT Berlin*

**Not emptying the Pacific Ocean with a bucket**  
Congratulations to our Sustainable Business Roundtable members Accenture, IBM, McDonald’s, Nestlé, Siemens and Unilever that made the Fortune Magazine’s Change the World list in August. The list includes 50 companies that offer scalable and impactful solutions to major societal problems. This year, GlaxoSmithKline (GSK) made the top of the list. In the words of the company’s CEO, Andrew Witty, GSK focuses on sustainable and scalable business models, instead of corporate social responsibility initiatives. The latter have no long-term impact, thinks Witty: “It’s like emptying the Pacific Ocean with a bucket. You can be busy with that bucket all day long, but you made no impact because you can’t scale”. The

Change the World companies not only have positive social impact, but also outperform the competitors. The publicly listed companies from the last year’s list performed 0.1% better than the S&P 500 and 5.3% better than the MSCI World Index.

**Successful campaign by Greenpeace and the Daily Mail to ban microbeads**

Last month the UK government pledged to ban usage of plastic microbeads in cosmetic and cleaning products by 2017. The move follows the campaign by Greenpeace as well as a series of reports and publications by the NGO investigating the impact of plastic microbeads on our oceans (e.g., “Plastics in Seafood”). The plastic microbeads are already banned in the US. After the report, companies pledged to improve. But in July 2016 Greenpeace published a ranking, which indicated that almost all the companies did not do enough to get rid of microbeads in their products. Either the companies did not include all the products or they had a too narrow definition of a plastic microbead. An unusual support for the campaign came from the Daily Mail, the UK’s second biggest-selling daily newspaper that is better known for celebrity gossip and anti-immigration stories. On August 25, 2016 the Daily Mail called on its first page for a ban on microbeads. By the end of the month cosmetic retailers such as Boots and Superdrug announced that they will no longer accept microbeads on their shelves. Just nine days after the newspaper called for the ban, the UK government made the pledge.

**Interesting corporate sustainability initiatives and big thumbs up**

- Our Sustainable Business Roundtable member company, AXA, pledged to divest from the tobacco industry. The statement issued by the company says: “This decision has a cost for us, but the case for divestment is clear: the human cost of tobacco is tragic; its economic cost is huge.”
- Another Sustainable Business Roundtable member, Unilever, in partnership with 2degrees developed a collaboration platform for suppliers to achieve the goal of a zero-waste supply chain.
- H&M, Bennetton and Inditex (owner of Zara) made it to the top of the list of companies making progress on a commitment to remove toxic chemicals from their supply chain. The progress report was compiled by Greenpeace “Detox Catwalk” campaigners.
- Governance & Accountability Institute found that 81 percent of S&P 500 companies issue sustainability or corporate responsibility reports. In 2011 only one in five of S&P 500 companies published such a report.
- iPhone users in the United States have now an opportunity to register as organ donors. The move by Apple is part of the software update and will require that the users activate the sign-up button in the Health app.
- Microsoft pledged to solve the riddle of cancer, using computer science. The researchers at the Microsoft Lab hope to reprogram cancer cells into healthy cells.

**Missed opportunities and flops**

- Greenpeace issued a study on smartphone usage and found that customers would like phone companies to take responsibility for the recycling of old phones. In times of rapid digitalization, are tech companies doing enough to ensure circularity of their products?
- Apple is lobbying for rejection of a new bill in New York that would make the company responsible for fixing its phones.
- A new report in the New York Times questions if tech companies are doing enough to stop drivers from texting while driving. Technology exists for preventing texting while driving, but it has not been deployed, says the report.