Sustainability & Corporate Social Responsibility (CSR)

Business, Financial and Reputational Implications for Corporations in Extractive Industries

Shakeb Afsah, Performeks LLC, Bethesda, MD

Outline

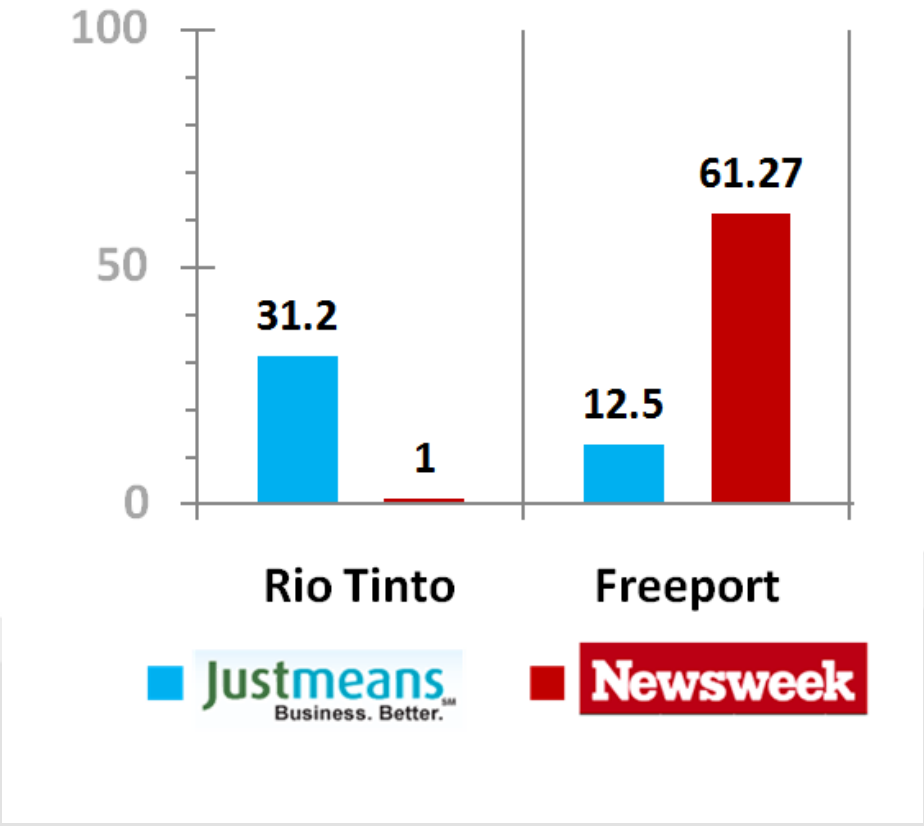
- Existing CSR evaluations are questionable
- Comparison of Newsweek and Justmeans CSR scores of companies
- New CSR solutions needed: an opportunity for progressive companies
- Proposed new approach: (Data analysis + media analytics)
- Core CSR indicators
- CSR media analytics tracking system
- Conclusions and recommendations

We compare two leading CSR evaluators

http://www.justmeans.com/top-global-1000-companies

http://www.newsweek.com/2010/10/18/green-rankings-us-companies.html

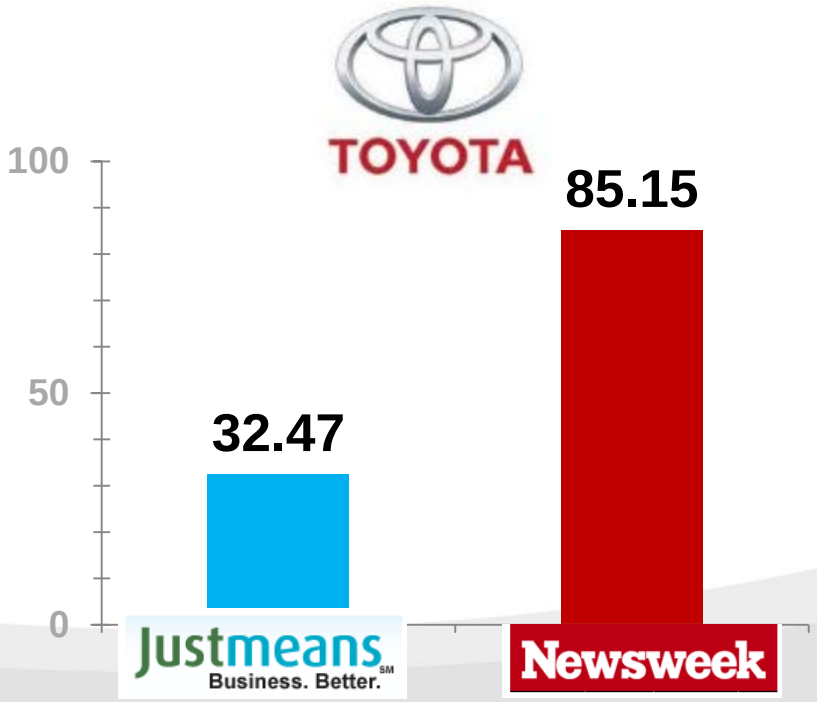
Wildly divergent CSR scores from two sources



Which rating should be trusted ?

** For comparative analysis, Justmeans scores were converted into a 1-100 scale, as the Newsweek scoring system

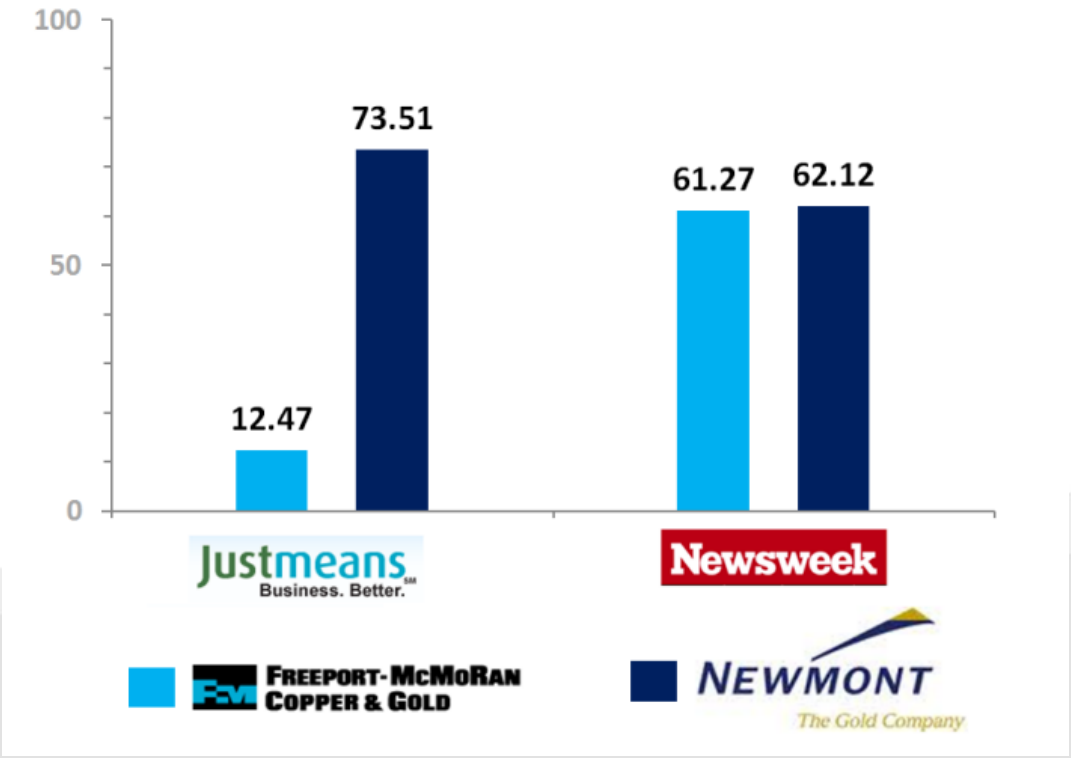
CSR assessments are inconsistent across the board…



Ranked 17th by Newsweek and 621 by Justmeans

How can we reconcile these discrepancies???

Comparative analysis is meaningless!!!



Comparison leads to wildly different conclusions!

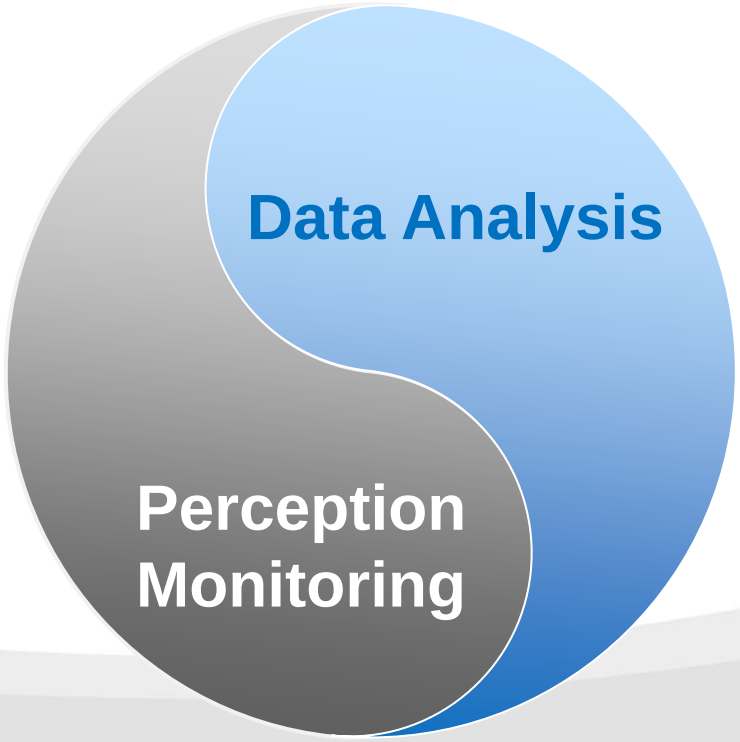
New Approach

CSR Strategy that works =

Hard Data Analysis + CSR Media Analytics

Creates lasting impact on markets, media and communities

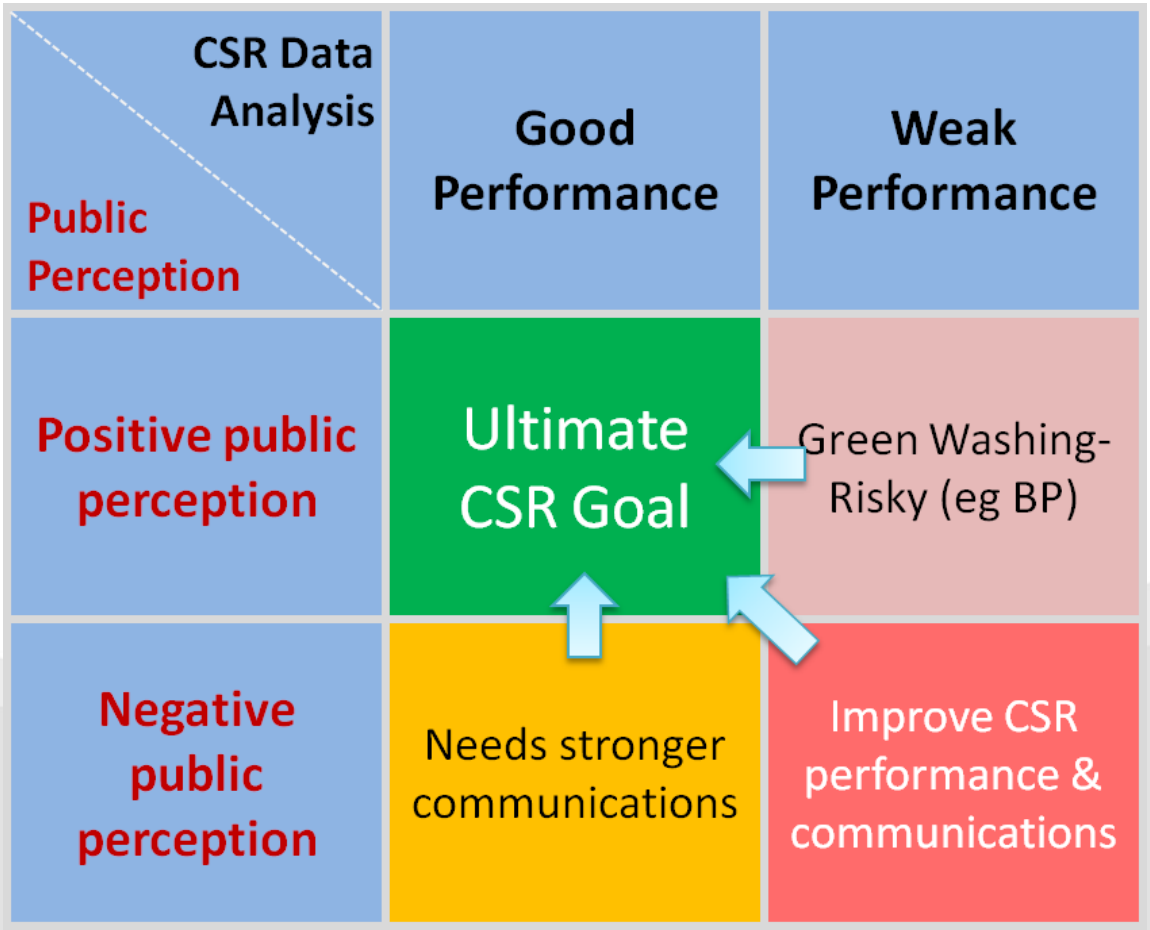
360° Approach Essential for CSR Success



Companies should:

1. Strengthen their on-site monitoring and company level data analysis;
2. Regularly monitor online chatter on blogs, media outlets, twitter, Facebook, etc. to understand public perception.

CSR Reputations Matrix



- **Companies must know their box**
- **Then, plan and take actions**

Methodology

1. **Evaluation of annual CSR reports of hundreds of prominent companies across mining & non-mining sectors**
2. **Compiled ~500 quantitative indicators**
3. **Evaluated each indicator for comparability, independence, reliability and relevance. Excluded redundant, highly-correlated, subjective and self-serving indicators, and arrived at:**
4. **More than 70 indicators & performance ratios covering Environmental Stewardship, Resource Use, Socio-economic Contribution, Health & Safety, Transparency & Governance**

Key CSR Topics

1	**Environmental Stewardship**
1.1	Air Emissions
1.2	Effluents
1.3	Solid and Hazardous Waste
1.4	Climate Change
1.5	Spills and Accidents
1.6	Environmental Compliance
2	**Resource Use**
2.1	Energy Use
2.2	Water Use
2.3	Land Management
3	**Socio-economic Contributions**
3.1	Revenue and Profits
3.2	CSR Expenditure
3.3	Local Economic Development
4	**Health and Safety**
4.1	Safety
4.2	Occupational & Community Health
5	**Transparency and Governance**
5.1	Transparency
5.2	Human Rights
5.3	Corporate Governance

KPIs: (1) Environmental Stewardship

1.1	**Air Emissions**
1.1.1	Total Nox emissions
1.1.2	Total Particulate Matter
1.1.3	Total SOx emissions
1.2	**Effluents**
1.2.1	Total waste water discharge
1.3	**Solid and Hazardous Waste**
1.3.1	Total hazardous and toxic waste generated
1.3.2	Total cyanide used
1.3.3	Signatory to International Cyanide Management Code
1.3.4	Total solid waste generated
1.3.5	Total solid waste transferred to landfill
1.4	**Climate Change**
1.4.2	Total GHG emissions
1.5	**Spills and Accidents**
1.5.1	Total number of spills
1.5.2	Total volume of spills
1.5.3	Number of Incidence of cyanide spill
1.5.4	Number of Incidence of mercury spill
1.5.5	Number of Incidence of other toxic spills
1.6	**Environmental Compliance**
1.6.1	Total value of environmental fines and penalty
1.6.2	Total number of environmental fines and penalty

KPIs: (2) Resource Use

2.1 Energy Use	
2.1.1	Total energy use
2.1.2	Total electricity consumption
2.2 Water Use	
2.2.1	Total water use
2.2.2	Total water use-fresh water
2.2.3	Total water use-groundwater
2.3 Land Management	
2.3.1	Total land disturbed
2.3.2	Total land reclaimed

KPIs: (3) Socio-economic contributions

3.1	**Revenue and Profits**
3.1.1	Total revenue
3.2	**CSR Expenditure**
3.2.1	Total CSR expenditure
3.2.2	Total environmental expenditure
3.3	**Local Economic Development**
3.3.1	Total value of local procurement
3.3.2	Total value of wages to local employees
3.3.3	Total number of employees from mine site area
3.3.4	Total payments of taxes, royalties and fees to governments (excluding WB high-income)
3.3.5	Total value of payments to local subcontractors

KPIs: (4) Health & Safety

4.1	**Safety**
4.1.1	Total number of fatalities
4.1.2	Total Reportable Injury Rate (TRIR)
4.1.6	Lost Time Injury Frequency Rate (LTIFR)
4.2	**Occupational & Community Health**
4.2.1	HIV: management program
4.2.2	HIV: prevention program
4.2.3	TB: On-site diagnostic capability
4.2.4	Disease incidence data disclosed
4.2.5	Annual budget for disease management

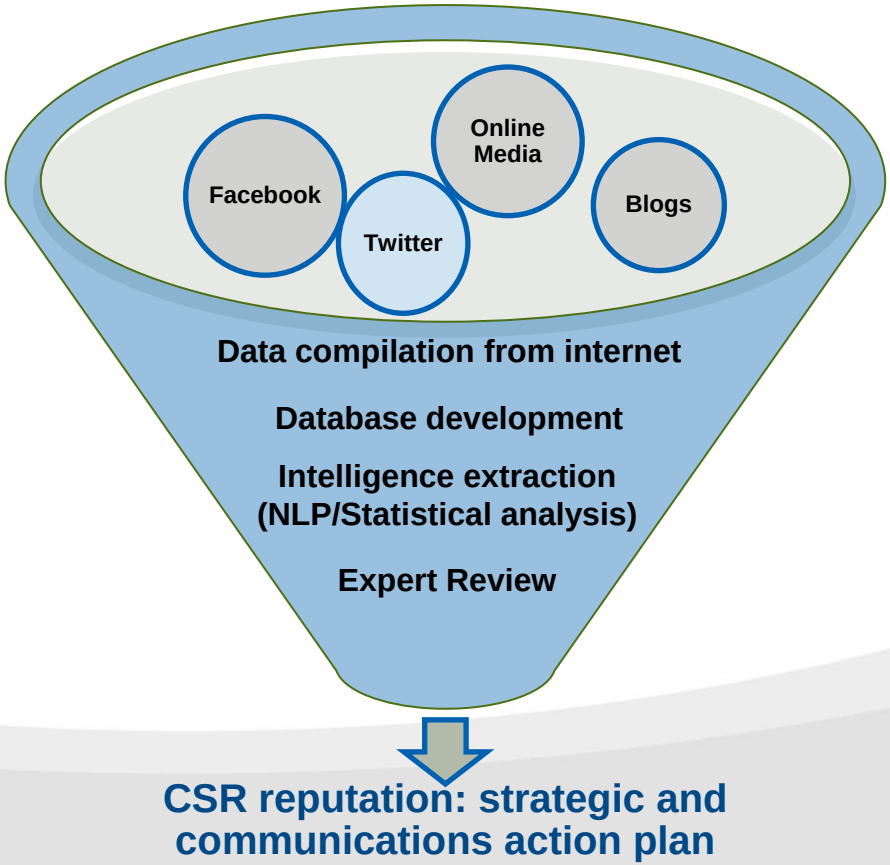
KPIs: (5) Transparency & Governance

5.1	**Transparency**
5.1.1	Percentage of TM core indicators reported
5.1.2	Upholds international transparency initiatives
5.1.3	Annual sustainability report published
5.2	**Human Rights**
5.2.1	Company-wide internal human rights policy in place
5.2.2	Follows international HR norms
5.2.3	Follows national/domestic human rights laws and norms
5.3	**Corporate Governance**
5.3.1	Board-level sustainability committee
5.3.2	Company-wide code of ethics
5.3.3	ICMM Sustainable Development Framework followed

Note: CSR indicators could be added or removed as per the needs of the client

Part II: Media Analytics and Public Perception of Companies

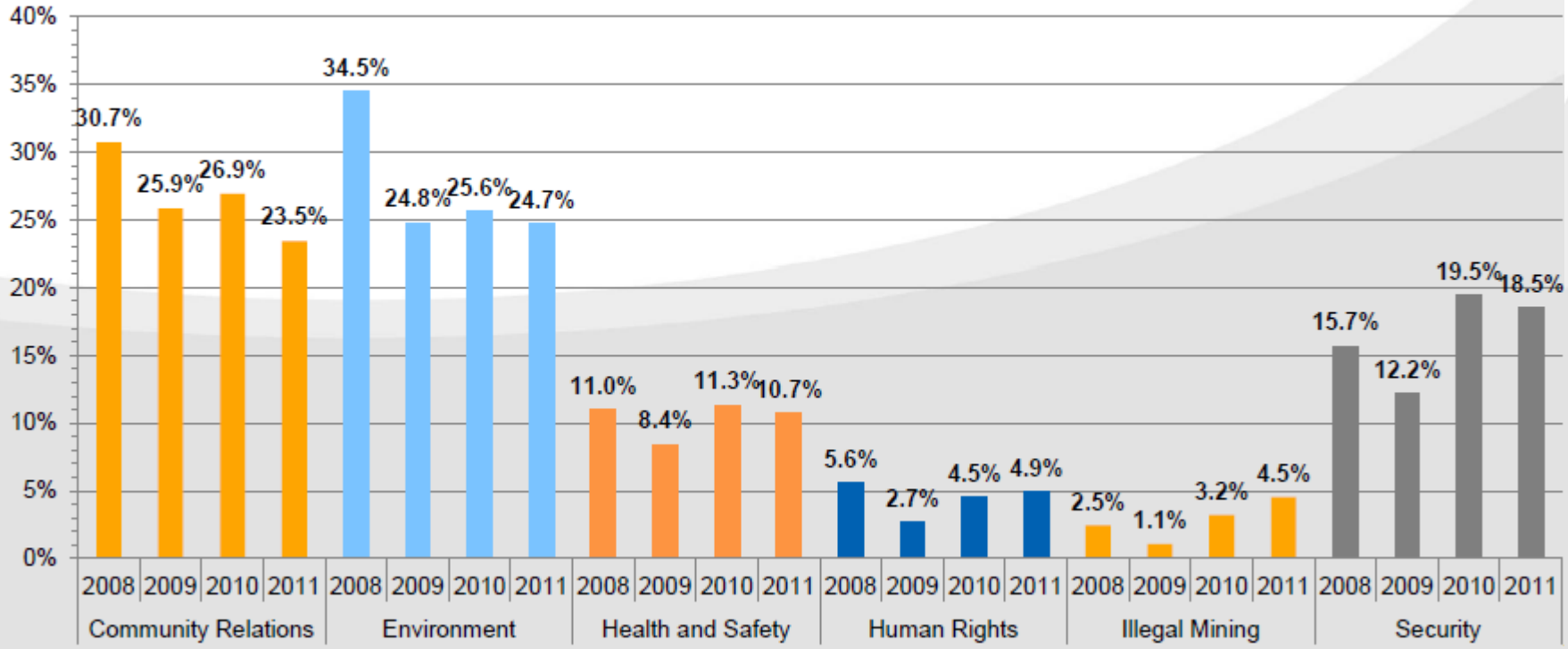
CSR Media Analytics



- Evaluation runs hourly and daily
- Results available on CSR dashboard
- Medium and long term strategic analysis
- Incorporate in CSR strategy of companies

Media Analytics: Sample Results

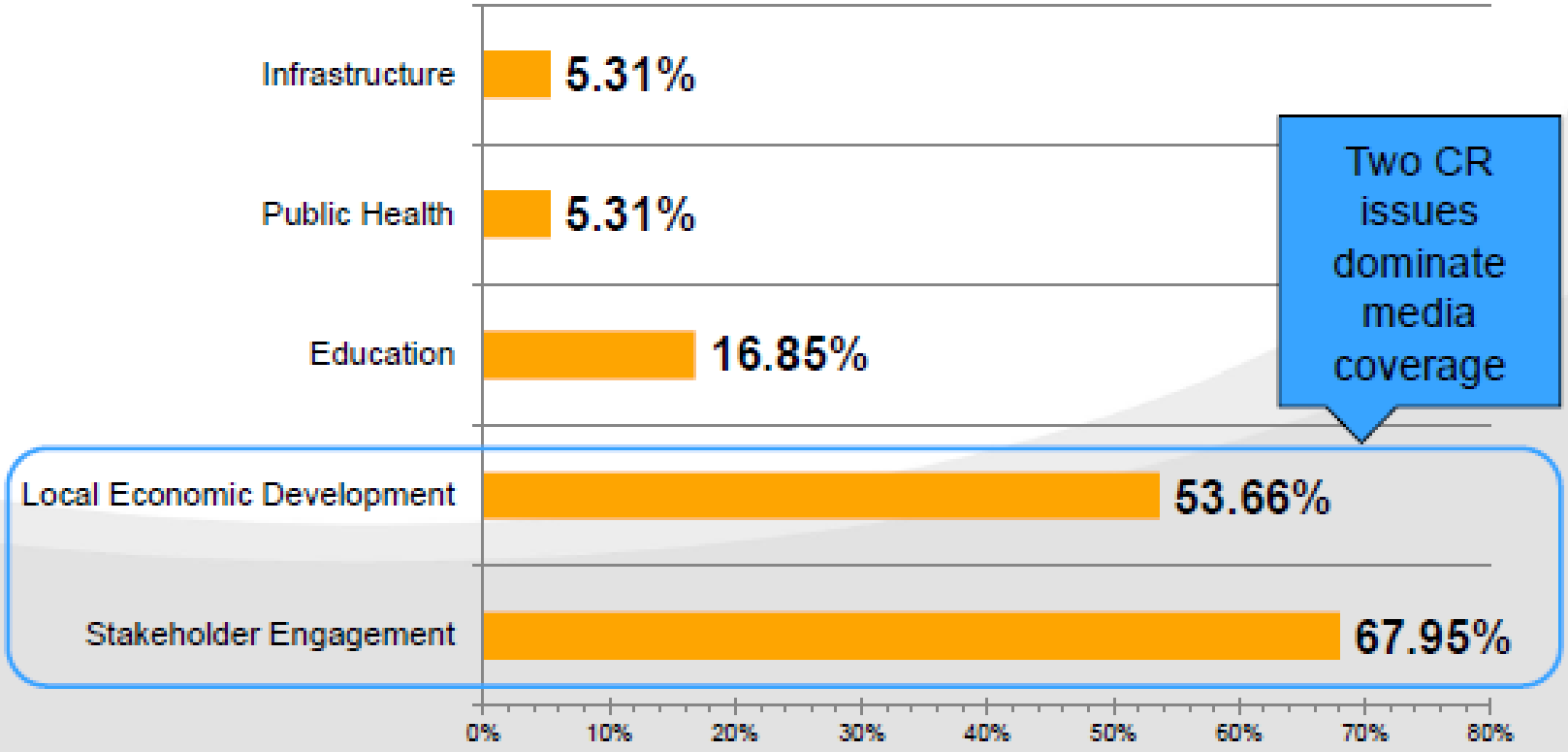
CSR issues covered in the online media chatter



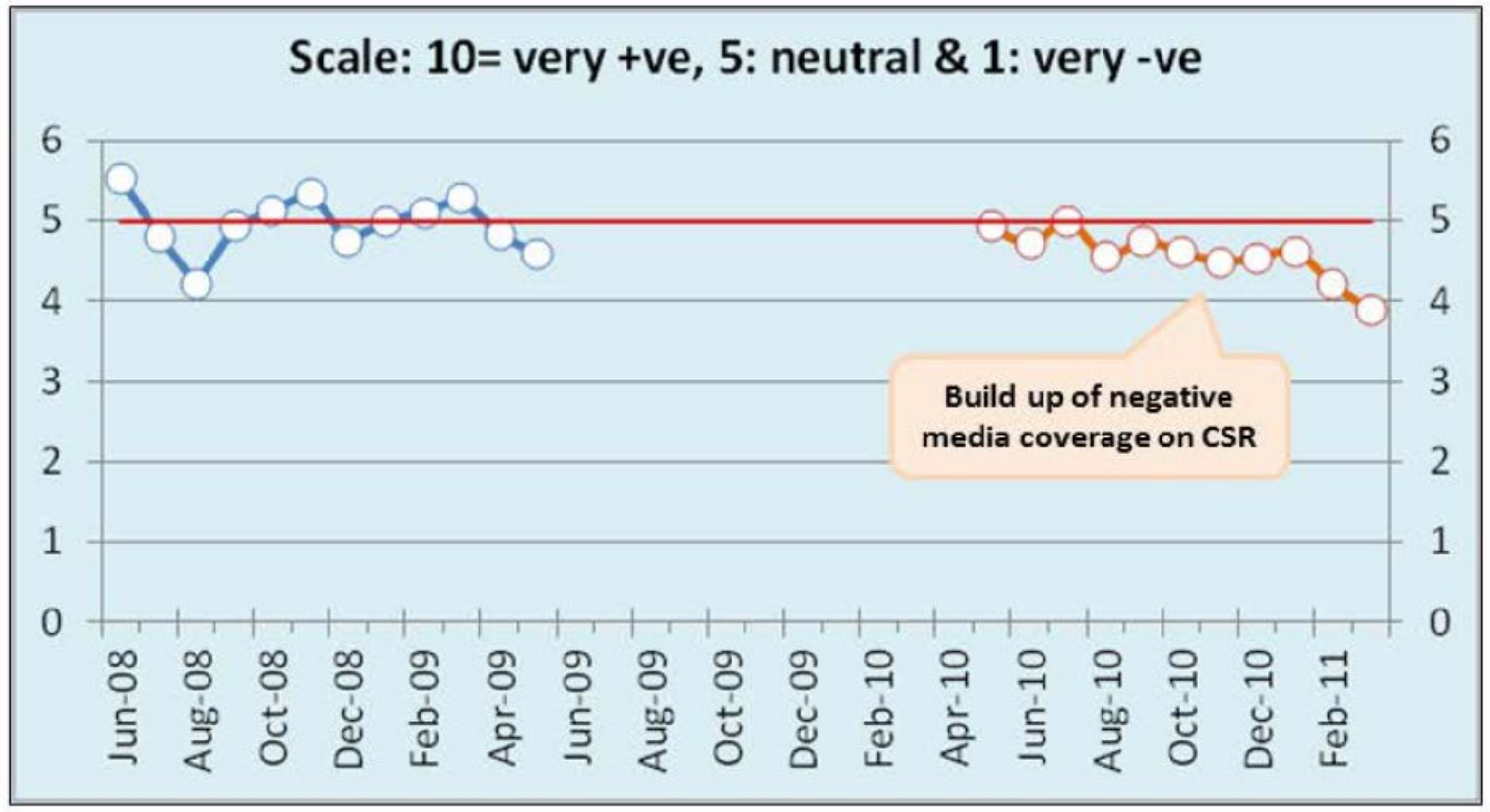
**based on the analysis of several thousand Factiva reports of a prominent MNC.

Media Analytics: Sample Results for Community Relations (CR)

Priority Issues for CSR Management

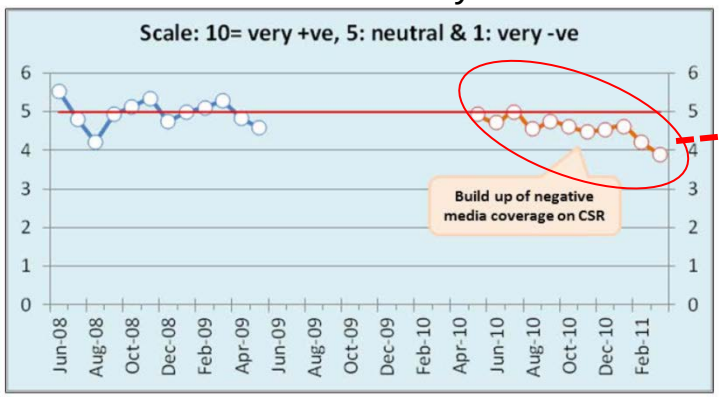


CSR Sentiment Analysis using Factiva Reports



CSR Vocabulary in the media: Analysis of a Fortune 500 Company

Sentiment Analysis



When CSR reputation tumbles, this is what people read and retain

Conclusions and Recommendations

- MNCs need to revise their CSR communication strategy to: (1) make it more data- and analysis-driven, (2) consider highlighting comparative performance and continual improvement, and (3) ensure regular communication through the internet and social media
- Communication content should be (1) based on hard and defensible data, and (2) easily available on the web
- MNCs should highlight strengths: Commitment to: (1) CSR disclosure and transparency, (2) CSR expenditure indicating strong social commitment , (3) strong compliance and continual improvement record on environmental and resource use issues
- The CSR narrative of MNCs can be transformed via the proposed methodology and communications strategy.

Performeks LLC is internationally recognized for data management and performance analytics

Citations and Endorsements

Environmental Finance

hindustantimes business

Forbes

Bloomberg

THE HUFFINGTON POST
THE INTERNET NEWSPAPER: NEWS BLOGS VIDEO COMMUNITY

IFC International Finance Corporation World Bank Group

The Washington Post

BRETTON WOODS project
CRITICAL VOICES ON THE WORLD BANK AND IMF

Media Citations: Bloomberg Markets

Media Citations: The Washington Post

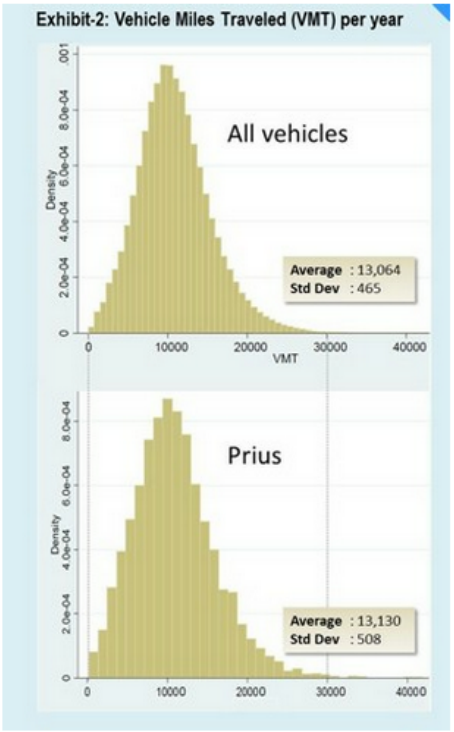
34 Comments

Does the Prius actually save gas? A closer look at the 'rebound effect'

Posted by Brad Plumer at 03:30 PM ET, 03/26/2012

There's a long-standing debate among energy wonks over what's known as the "rebound effect." The idea, simply put, is that trying to boost energy efficiency might prove counterproductive if people just take advantage of the savings by using even more energy. So, for example, if a person buys a Prius, there's a possibility that he or she could just negate much of the fuel savings by driving more.

David Owens, a New Yorker staff writer, was a notable proponent of this view in his recent book, "The Conundrum." Yet new research from Shakeb Afsah and Kendyl Salcito of CO2Scorecard suggests that the rebound effect might not be a huge concern for fuel-efficient cars after all. The two compared a sample of 4,208 Prius owners in California against 4.8 million other drivers in the state. And what they found is that Prius drivers only drive, on average, about 0.5 percent more per year. That's not decisive (what you'd really want is a randomized controlled trial), but it's suggestive. The chart's on the right.



(CO2Scorecard)

Matthew Kahn of UCLA has offered some theoretical reasons not to fret about the "the Prius fallacy." It's true that owners of fuel-efficient cars have every incentive to drive around more, given that it costs less (in gas) to go a given mile. But that incentive pales beside the fact that people value their time heavily. "Since our time is our scarcest asset," Kahn writes, "the 'Becker Price' of using the device doesn't fall that much as technology becomes more efficient."

That doesn't mean the rebound effect is non-existent. Far from it. The European Union recently commissioned a literature review and found that rebound levels for energy efficiency can range anywhere from 10 percent to 80 percent, depending on the situation. If a factory becomes

Contact Us

- **Shakeb Afsah, Performeks LLC**

  shakebafsah@performeks.com

  www.performeks.com

  www.CO2Scorecard.org