

LECTURE 3: How can a business be responsible?



What is Corporate Social Reponsability?

Definition

Is the management that is defined by the ethical and transparent relationship with all public company with which it relates! The establishment of corporate goals that will boost the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social inequalities.



Why is Corporate Social Responsibility so important?

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Benefits the employee and motivates him to do a better job!

Prevents the degradation of the environment in which it is related being sustainable!

In addition to benefiting society maintains a good image in it!

Long-term profits !

How do companies become responsible organizations?

1. Community

2. Environment

CSR

3. Workplace

4. Marketplace

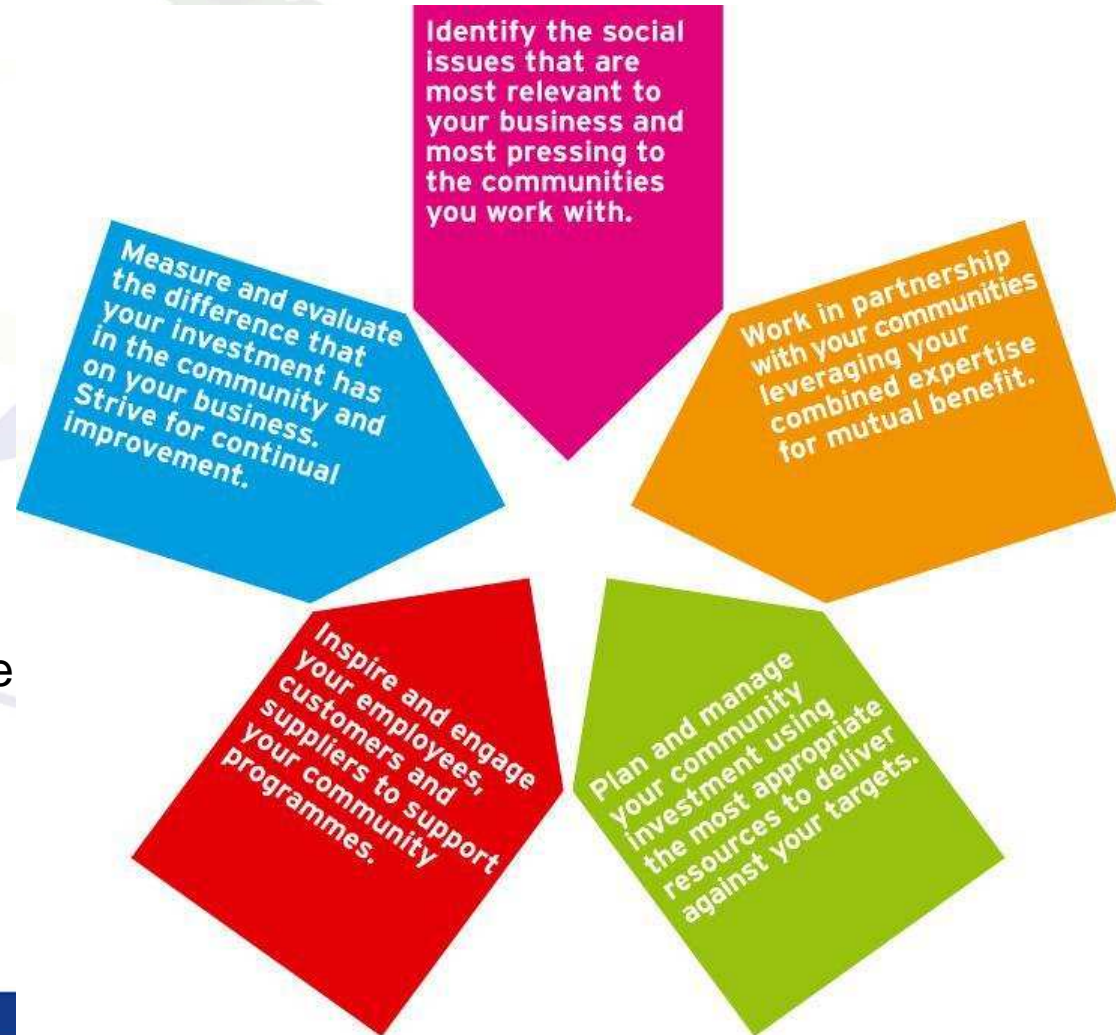
1. Community

How does a business affect the Community?

- Environmental impacts on local communities: infrastructure, noise, traffic, pollution etc.
- Social impacts on local communities: providing jobs, providing services, taxes, marketing etc.

The 5 principles of Community Investment

1. Identify social issues
2. Work in partnership with communities
3. Plan and manage community investment
4. Inspire and engage employees, customers and suppliers
5. Measure and evaluate the difference



Positive impacts (+)

- Communication and dialogue
- Engagement and developing a relationship
- Recruitment from **local labour** pool

Negative impacts (-)

- Environment damage
- Bad plan on investments
- No communication

Ethic

Good practise: STMicroelectronics

In the home: entertainment, comfort, security, appliances, energy savings ...



Our health: medical imaging, telemedicine, fitness aids, portable diagnostics, DNA analysis, defibrillators, implantable devices, prosthetics...



In the car: engine control and powertrain, car body and safety, navigation and other infotainment ...



At work or school: printers, PCs, climate control, energy savings ...



On the go: mobile phones, PDAs, MP3 players, bank cards ...



Our planet: energy-saving solutions, solar power, greener cars, smarter transportation ...



ST



STMicroelectronics: Company profile

- ST is one of the world's largest **semiconductor** companies
- Created as SGS-THOMSON Microelectronics in June 1987, from merger of SGS Microelettronica (Italy) and Thomson Semiconducteurs (France)
- The group has approximately **53,000 employees**, 12 main manufacturing sites, advanced research and **development centers in 10 countries**, and sales offices all around the world
- Almost **one quarter of its employees work in R&D** and product design and in 2010 the Company spent almost 23% of its revenue in R&D
- Over the past 15 years, the Company's sites have received more than **100 awards for excellence in all areas of Corporate Responsibility**, from quality and product responsibility to corporate governance, social issues, employee health and safety, and environmental protection.



Benefits for the community: STMicroelectronics transport initiatives

- Matter of fact: How do employees go to work? Mostly by car
- So what's the problem? **Increasing traffic and shortage of parking spaces**
- What are the consequences of that? Employees are stressed, local community is fed up with the traffic
- Let's find the solution! In your opinion, what should a company do to find ways to reduce the negative impact on society?



Benefits for the community: STMicroelectronics transport initiatives

a) **Car pooling** in Catania (5000 employees)

-Advantages: cheaper than travelling in separate cars, chance to mix with other employees, safer than traveling alone. Another incentive: specific parking area for car-poolers

-Results: Two years after launching the initiative 400 people are now car-pooling in Catania

LESS TRAFFIC=LESS STRESS=LESS
POLLUTION=CREATE VALUE FOR ALL
STAKEHOLDERS



b) Shuttle programme

- Thanks to the **partnership** with the City of Catania and the Italian Environment Ministry,
- Bus+train transport: new bus route is now being created
- With financial help from the Italian Environment Ministry. A local transport company, AMT (Azienda Municipale Trasporti) agreed to enlarge an urban transportation bus line starting from strategic points located inside the town and reaching STMicroelectronics plant
- Results: reduction of cars circulating in rush hours and an improved level of service for ST users



c) Other integrated initiatives

- STMicroelectronics is working on a partnership with the local train company to obtain **discounted train tickets** for employees

-Special initiative launched by the City, where on some days of the year STMicroelectronics have a special parking lot where STM can inspect employees' vehicles to make sure they conform with the local regulation called '**bollino blu**'. This check guarantees cars meet CO2 emission specifications. This service is free for employees

For further info, go to STM Corporate Responsibility Report, page 44:

http://www.st.com/internet/com/CORPORATE_RESOURCES/FINANCIAL/FINANCIAL_REPORT/cr06.pdf

2.Environment

How does a business affect the Environment?

- Global Warming/Climate change, through CO2 and other greenhouse gas emissions coming from energy use, transport and industrial processes, etc
- Consuming natural resources;
- Producing waste and materials hazardous to the environment.

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Positive impact (+)

- Reduction in usage of energy and raw materials reduces the dependence on fossil fuels, and ensures the continued availability of natural resources
- The planet has a decreasing capacity to cope with waste – increase re-use, recycling and redirect products and effluents to increase the span of their useful life
- Protects the diversity of plant and animal species by minimising negative impact on natural habitats

Negative impact (-)

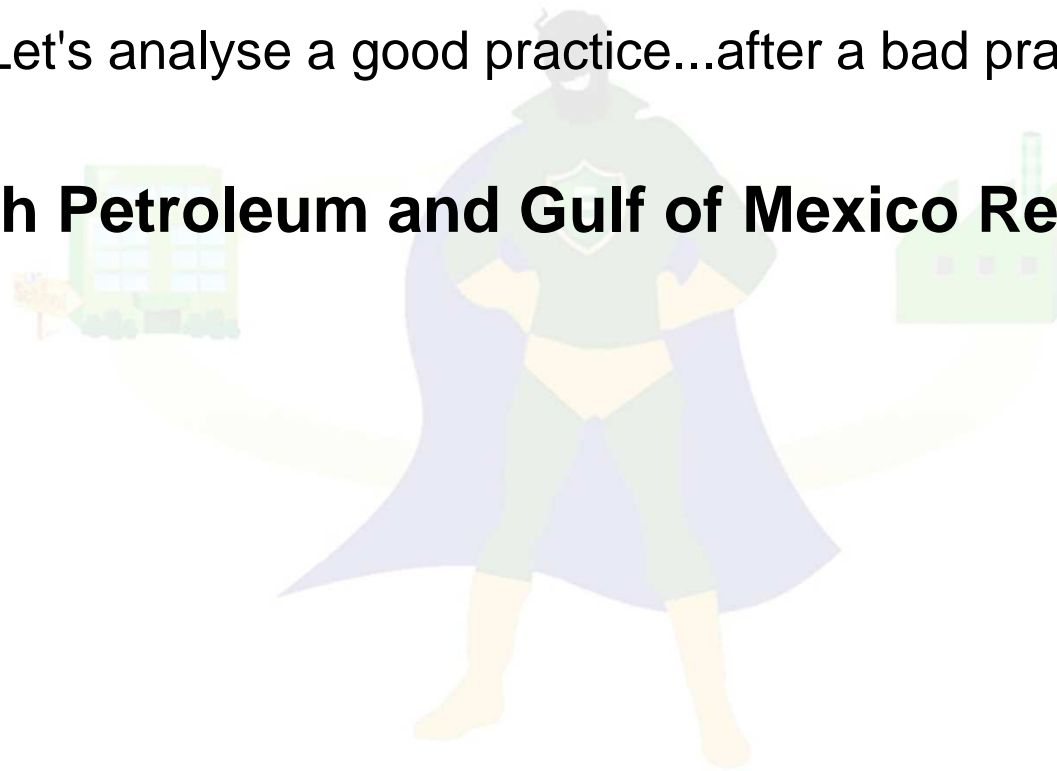
- CO2 emissions including energy, transport and process emissions
- Natural resources usage + efficiency
- Waste and recycling



Ethic

Let's analyse a good practice...after a bad practice!

British Petroleum and Gulf of Mexico Restoration



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Ethic

The fact: On the evening of April 20, 2010, a **gas release** and subsequent **explosion** occurred on the Deepwater Horizon oil rig working on the Macondo exploration well for BP in the Gulf of Mexico



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British Petroleum: Company profile

- Founded in 1908
- Sales and other operating revenues: \$297107 million (year 2010)
- Number of employees: 79700 (at 31 Dec 2010)
- BP is the second largest producer of oil and gas in the U.S.
- BP is the number one producer of oil and gas in the Gulf of Mexico.
- BP produces nearly one million barrels of oil equivalent every day in the U.S.
- BP is America's seventh largest producer of natural gas.

Ethic

Benefits for the environment: BP response after the accident

-BP was asked to TAKE RESPONSABILITIES

- Still working, still committed video (Go to :

<http://www.bp.com/bodycopyarticle.do?categoryId=1&contentId=7052055>)

-The response at a glance: Scale of the Commitment to Gulf Coast Response and Recovery

- Details about how the company responded:

<http://www.bp.com/subsection.do?categoryId=9036576&contentId=7067590>

-Response in videos (youtube) and pictures(flickr):

<http://www.bp.com/sectiongenericarticle800.do?categoryId=9036769&contentId=7067805>

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3. Workplace

- **Employability:** ability to recruit and retain motivated people with the right skills in an increasingly competitive market
- **Employee retention:** staff satisfaction, training & development, trade-off between work and leisure
- **Employee welfare:** Safety, Healthy Workplace, Absenteeism, Staff grievances/turnover, Fair payment of labour (at least a living wage)
- **Equality & diversity:** Opportunities for innovation in the marketplace, recruitment, Profile by gender/race/age/disability



Positive impacts (+)

- Fair payment of labour (at least a living wage)
- Profile by gender/race/age/disability
- Staff grievances/turnover

Negative impacts(-)

- Gender and racial discrimination;
- Bad health and safety condition at work;
- Child labour

Ethic

Zara: company profile

- First Zara shop opened in **1975** in A Coruña, Spain,
- Zara is **owned by Inditex**
- Inditex is one of the world's largest fashion retailers, welcoming shoppers at its eight store formats -Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe - boasting 5.402 stores in 78 countries
- Basic info about the company:

Fiscal Year	2010	2009	10/09
Net sales ⁽¹⁾	12,527	11,084	13%
Net profit ⁽¹⁾	1,732	1,314	32%
Nº of stores	5,044	4,607	437
Nº of countries	77	74	3
Employees	100,138	92,301	7,837

The Inditex financial year is from 1st February to 31st January of the following year
(1) in millions of euros.

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Ethic

ZARA's approach to workplace (go to page 67 Inditex Annual Report 2010)

TESTED TO WEAR (TTW)

Inditex has used a methodology of social audits denominated *Tested to Wear* since 2007. The regulatory framework of TTW is based on:

- The Inditex Code of Conduct for external manufacturers and suppliers.
- The Base Code of *the Ethical Trading Initiative*.
- The Principles of the Global Compact of the United Nations.
- The programme promoted by the International Labour Organization, the *Better Factories Programme*.
- The procedures of *Social Accountability International*.
- The Principles of the *Global Reporting Initiative*. Go to Inditex

Annual Report



Bad practice: Zara and labour scandal

ZARA ACCUSED OF ALLEGED SLAVE LABOR AND CHILD LABOR IN BRAZIL

Aug 17, 2011 / 7 comments

POSTED IN APPAREL, FASHION, NEWS, ZARA



Zara is leading the trending topics on twitter in Brazil today because of an investigation made public last night by Repórter Brasil which involves accusations of slave labor and child labor.

According to the article published by Repórter Brasil, Zara's national suppliers started to be investigated by São Paulo's Bureau of Labor and Employment in May of this year, when 52 people were found working at a factory under unsanitary conditions, producing pants for Zara Brazil. In another inspection last month, 15 foreign workers from Bolivia and Peru, including a 14-year-old girl, working under slave-like conditions, were set free from two

Sorce: <http://www.madeinbrazilblog.com/blog/zara-accused-of-alleged-slave-labor-and-child-labor-in-brazil/>
<http://uk.reuters.com/article/2011/08/17/zara-brazil-idUKN1E77G18N20110817>

<http://www.dailymail.co.uk/femail/article-2028041/Zara-accused-employing-children-young-14-slave-labour-factories-Brazil.html>



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4. Marketplace

- The rules of the marketplace: does the company meet **standards**, rules and **regulations** in all markets, operate ethically, transparently?
- Relationship with the customer: Does the company meet **customer expectations** and obligations, treat the customer fairly?
- **Relationship with suppliers:** Is the supply chain ethical and sustainable, are suppliers treated fairly?
- **Product issues:** Impact of products and services on vulnerable customers, obesity, health?

Ethic

Positive impacts (+)

- Human rights issues
- Customer satisfaction

Negative impacts (-)

- Choosing suppliers that provide a cheaper service but do not respect human rights;
- Providing lower quality products to customers;

Not respecting ethical rules of competition (Corruption and bribery)



DASLU

- The most famous luxury boutique in Brazil.
- Sell brands like Chanel, Gucci, Marc Jobs, Ralph Lauren.
- Evading taxes of importation.
- 10% should go to the government.
- Daslu was evading 9.374%



Marketing for children

- What a company can and can not do when the consumers are children?
- Example: Disney advertising some years ago. "I have and you do not have!"

http://www.youtube.com/watch?v=zMFqTzH_dn0



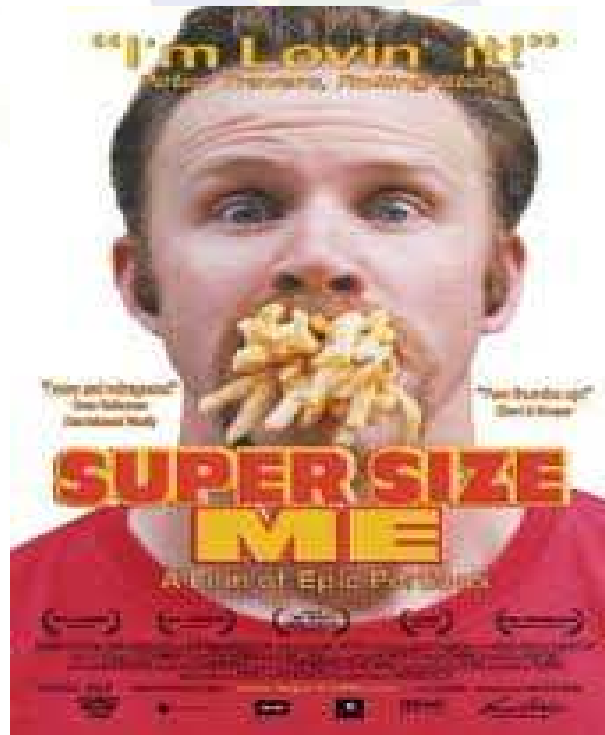
Unhealthy products

- Cigarette



Unhealthy products

- Fast food example: Mc Donald's



<http://www.youtube.com/watch?v=I1Lkyb6SU5U>

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Results

To present the results, the companies make a social report.

Is a means to provide transparency for corporate activities, in order to broaden the dialogue with the organization of society

It is also a management tool of social responsibility, by which the company believes that its management serves as their vision and their commitments in relation to the CSR.

The proposal is that the report contains information on the project's profile, company history, its principles and values, corporate governance, dialogue with stakeholders and indicators of economic, social and environmental.



How do company report their results?

- Social reporting
- Starting from many stakeholders initiatives new standards are being developed in a worldwide meaning as well as in a national.

International Initiatives

- Some groups were created, with the intention of **creating standards** that could be followed by the whole world.
- **Global reporting initiative (GRI)**- promotes economic sustainability, being environmentally responsible

(Go to:

- **ISO** (derived from the Greek isos, meaning "equal")– **International Organization for Standardization**, is one of the most important organization, aims to make a standard that is equal for every participating country

(Go to : <http://www.iso.org/iso/home.html>)

- **ILO (International Labour Organization)**

- Founded in 1919, the International Labour Organization (ILO) is a specialised United Nations organization which is concerned with matters relating to **employment and labour relations**.
- Currently it is made up of over 180 countries. In 1969, the ILO received the Nobel Peace Prize.
- The ILO **sanctions agreements** which constitute international treaties which are obligatory for its members once they are ratified.



• **Social Accountability International** – works to advance the human rights of workers. Example: SA8000, it's the first certification that has worldwide meaning, aims to the rights of employees in the process of production.

• Throughout its history, the ILO has promulgated 187 international agreements and 198 **recommendations** which may be consulted in the ILOLEX data base.

Go to <http://www.ilo.org/global/lang-en/index.htm>

The International Labour Organization (ILO) has identified a group of Fundamental Employment Standards which are the basis for regulating dealings with workers:

- Freedom of association
- The prohibition and suppression of all forms of forced labour.
- The minimum age for employment.
- Acceptable working conditions.
- The suppression of discrimination in employment on the basis of any difference.

- UK

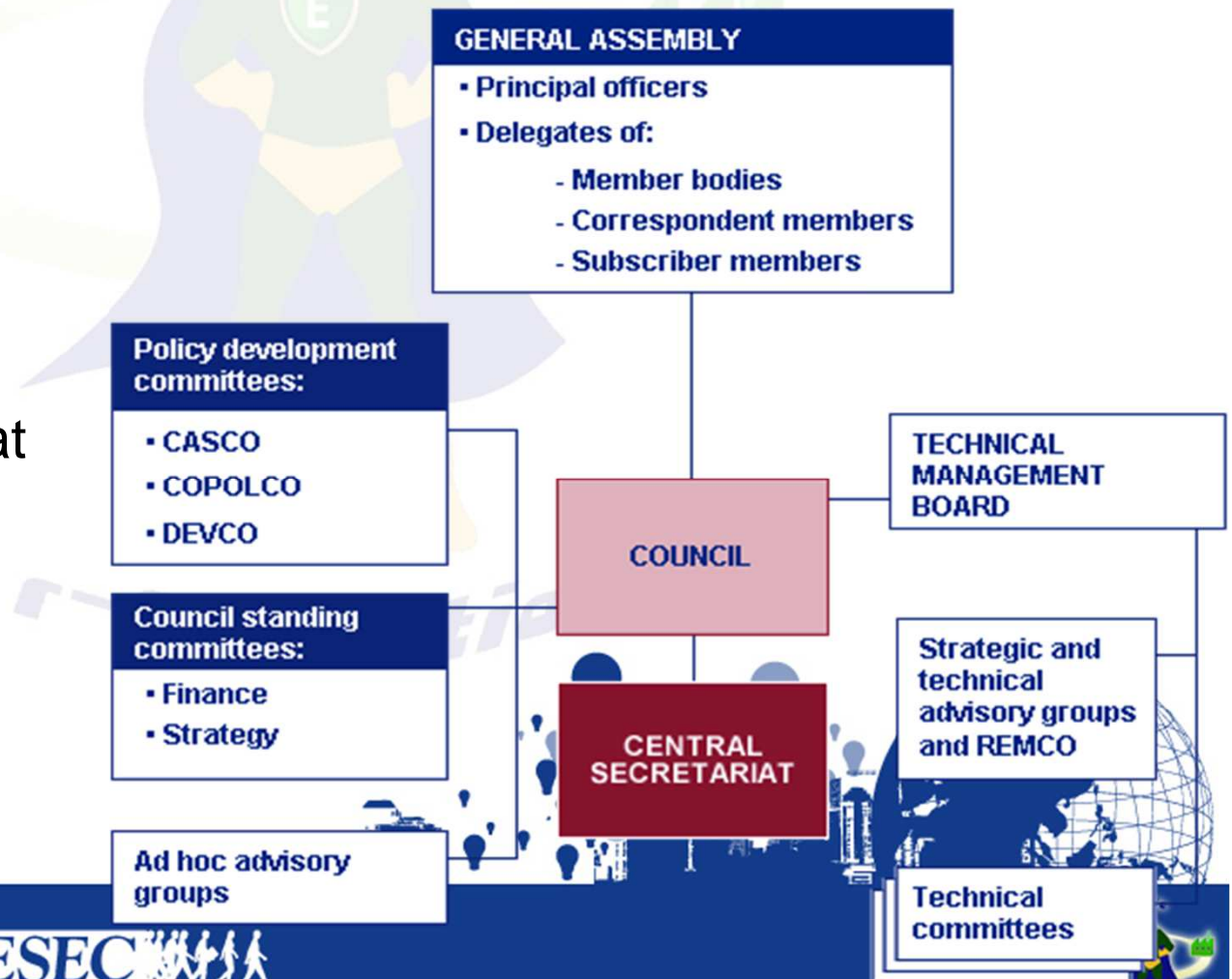
Accountability 1000: The AA1000 standards are designed for the integrated thinking required by the low carbon and green economy, and support integrated reporting and assurance.

Six Sigma: Improve manufacturing processes and eliminating defects.



• ISO (International Standards Organizations) national bodies

ISO launches the development of new standards in response to sectors and stakeholders that express a clearly established need for them, in a worldwide meaning.



Italy

Q-RES project started in 1999 and in 2004 sets, a certifiable standard for social reporting.

Aims to develop a standard of social responsibility and corporate ethics that might be certifiable and able to protect the reputation social and ethical, and build trust in relationships with stakeholders.

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Case study



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Thank you!
Any Questions?

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