

CORPORATE RESPONSIBILITY BEST PRACTICES

CR Practices Among Global Corporations

December 2011



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Dear Colleagues,

Over the past year I had the chance to see a lot of different "faces" of corporate responsibility. I chaired the COMMIT!Forum in New York City, hosted a series of webinars, and spoke at over a dozen different conferences from the National Association of Environmental Managers to the US Chamber's Corporate Citizens Awards.

One of the more odd moments of this year occurred the week of September 26th in New York. During that week we held the COMMIT!Forum Executive Summit at the New York Stock Exchange. It also marked one of the turning points in the Occupy Wall Street movement.

At the Forum we hosted a debate on whether or not Corporate Responsibility is a big waste of money. Via Twitter I invited the Occupy folks to join the debate. I got a variety of responses. Some welcomed the debate, while others, pooh-pooed it. One of my personal favorites: @daniella_aum, replied, "debate won't pay my rent."

While a single-minded focus on shareholder value does no one a real service, when it comes to tackling some of our most pressing challenges, companies are often best positioned to make the biggest dent. This year's *CR Best Practices Study* bears witness to corporations' continued investment in corporate responsibility, even in the worst economic times:

- More respondents are committed to CR than last year
- More CEOs and boards support CR than last year
- Growing numbers of large and small companies continue to implement CR programs

And yet, work remains to be done:

- Medium-sized companies seem stalled in their CR adoption rates
- A gap persists between companies' desire and implementation abilities

Work also remains to be done in refining this research. While we call this report "Best Practices" it really represents comparative practices. With only two year's worth of data, we need to continue gathering data to really identify what's working and what's not. In that vein, we've launched a survey with the CROA, the American Society for Quality, and Institute for Supply Management to examine which practices work better than others in managing responsible supply chains. Keep an eye out for initial results of this multi-year, longitudinal study in early 2012.

Finally, I'd like to once again thank our partners at NYSE Euronext who were instrumental in reaching out to their listed companies for this survey and I'd like to thank all of our survey respondents for so readily sharing their insights. I look forward to hearing all of your feedback as well on the results.

Sincerely,

Richard J. Crespín
Executive Director, CROA
President, SharedXpertise

In the second quarter of 2011, *Corporate Responsibility (CR) Magazine*, the CROA and NYSE Euronext launched our second annual survey on the state of practice in corporate responsibility (CR) among companies around the world. In 2010, working in cooperation, *CR Magazine*, the CROA and NYSE Euronext developed a data instrument (via electronic survey) to gather a baseline data set. Following analysis of our first year of gathered data, for 2011 we adjusted the survey to capture additional insights into that baseline. However, we limited our adjustments in order to retain the opportunity for meaningful year-over-year comparisons.

We sent surveys to every firm traded on the NYSE Euronext Indices as well as the *CR Magazine's* entire database. We had responses from 300 companies. (For detailed respondents demographics, please see the [Demographics](#) section.)

The results provide insights into CR practices – and how those practices are evolving – at companies in a full range of industries and around the regions globe. Specifically, we explore

- CR processes
- CR structures and staffing
- CR budgeting
- CEO and board engagement in CR
- CR audiences and benefits
- Future expectations for CR

RESEARCH SUMMARY

CR Structure

Formal CR programs are on the rise

- 72% of all companies have formal CR programs, up from 62% in 2010.
- Organizations that don't have formal CR programs most often believe CR is integrated into other functions or part of the culture.
- 20% of organizations have no formal program because it is not a priority – no change over 2010.

CR Budget & Spend

Dedicated CR budgeting, while increasing, continues to lag behind formal programs

- 60% of organizations have dedicated CR budgets, up from 52% in 2010.
- At the same time that the percentages of companies that have both formal CR programs and dedicated budgets are growing, the gap between those that have a formal program but no budget remains unchanged at 20%.
- More than half of reported CR budgets are less than \$500,000 annually.
- Total non-philanthropic spend is widely spread: nearly the same percentage spend \$5 million or more as spend less than \$100,000.

CR Staffing

Lead CR roles are on the rise

- 62% of organizations have a lead CR role, up from 42% in 2010.
- The highest percentage of companies have two to four CR full time equivalents (FTEs).

Company engagement in CR

High level engagement in CR is increasing

- Nearly 80% of respondents believe their CEOs understand the role of CR and how it integrates with operations, and nearly 86% say their CEOs believe CR is important, up from 81% in 2010.
- 82% of CEOs meet with their CR leaders at least once annually, most often monthly or quarterly.
- 66% of CEOs have driven a CR-related initiative in the past year.
- Active board engagement in CR is comparatively low, but rising.

CR communications and audiences

Companies are communicating CR messages to several audiences using a variety of vehicles

- 68% of companies publish a CR report, up from 55% in 2010.
- 55% of companies have a communication effort directed at “socially responsible” investors; no change over 2010.
- 71% of respondents say at least one of the company’s products/service offerings relies on a CR-related message in its marketing, up slightly from 67% in 2010.
- Clients/customers are the top audience for CR communications, followed by the organization’s workforce.
- 31% of companies measure the impact of their CR programs on their audiences.

CR Impact

Efforts to measure the impact of CR are limited

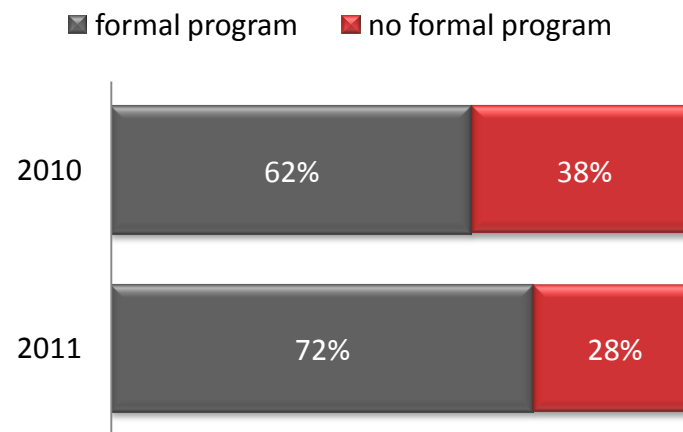
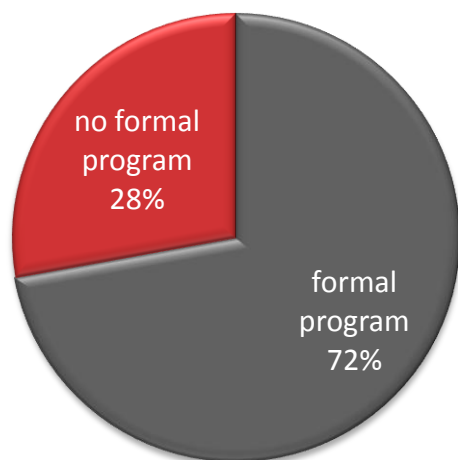
- 63% of companies believe they have integrated CR into their overall business strategy.
- The top two benefits companies experience from their CR programs are *improving customer relations* and *attracting/retaining talent*.
- 31% of companies measure the impact of their CR programs on their audiences.
- 33% of companies say they measure the benefits of their CR programs.
- 35% of companies can measure the impact of their CR programs on profitability, no change from 2010 to 2011. (Those 35% say CR has enhanced profitability.)
- 51% of companies cannot measure the impact of CR on competitive positioning; the remaining 49% – of respondents say CR has enhanced their competitive position.

RESEARCH FINDINGS

CR STRUCTURE

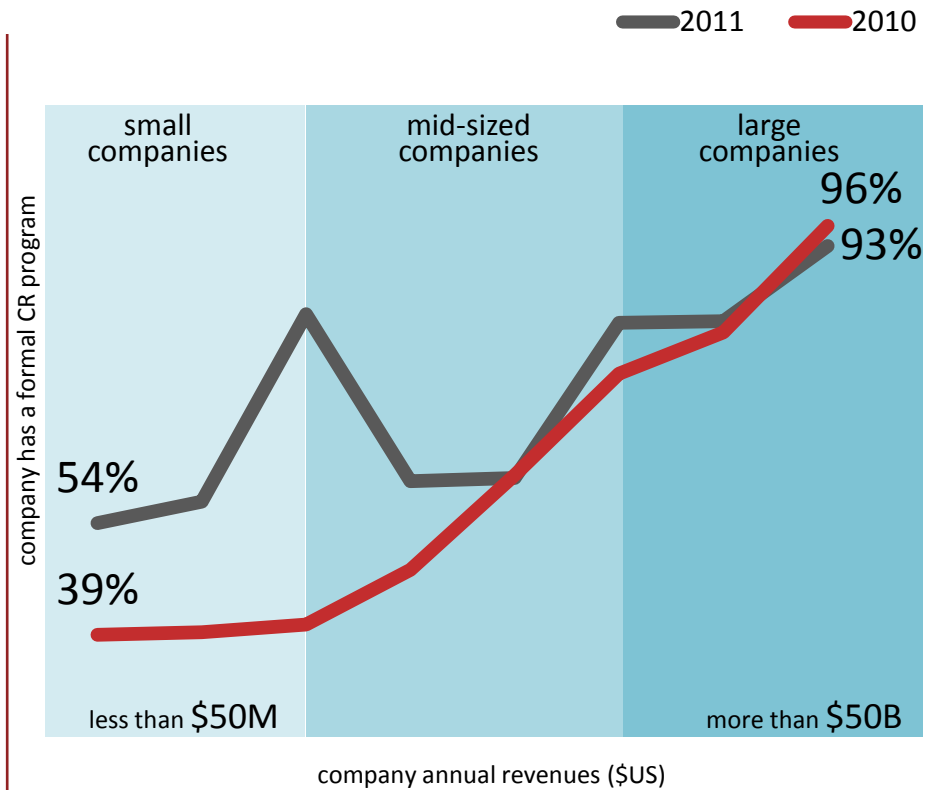
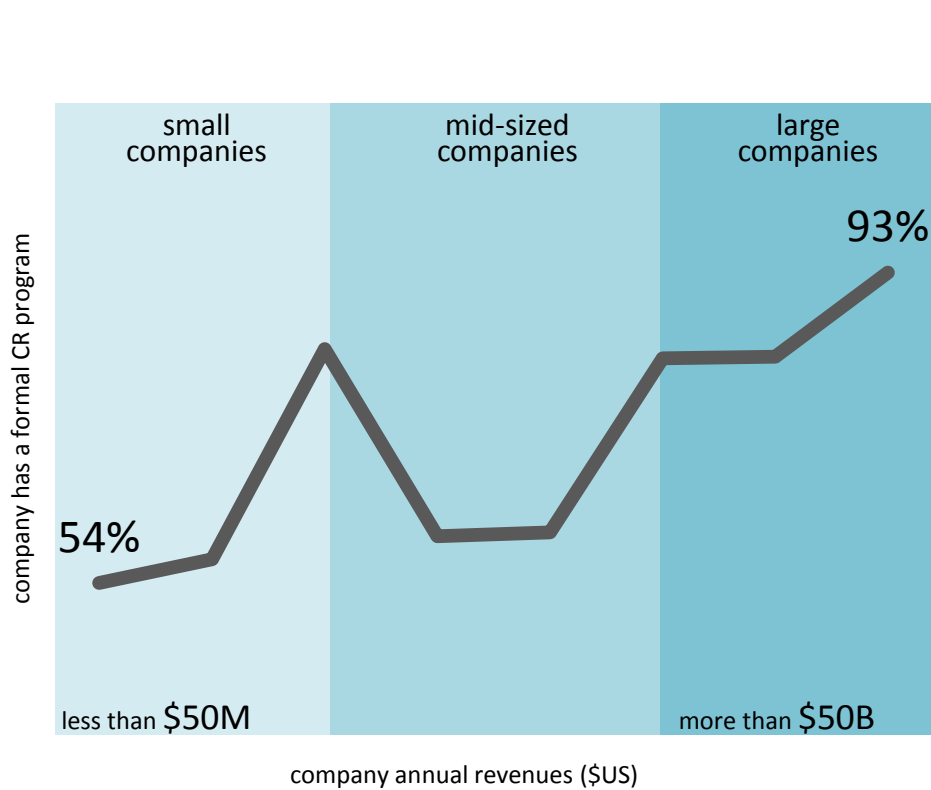
formal CR program

Formal CR programs are on the rise: in 2011, **72%** of all respondents say their organizations have formal CR programs, up from **62%** in 2010.



formal CR program

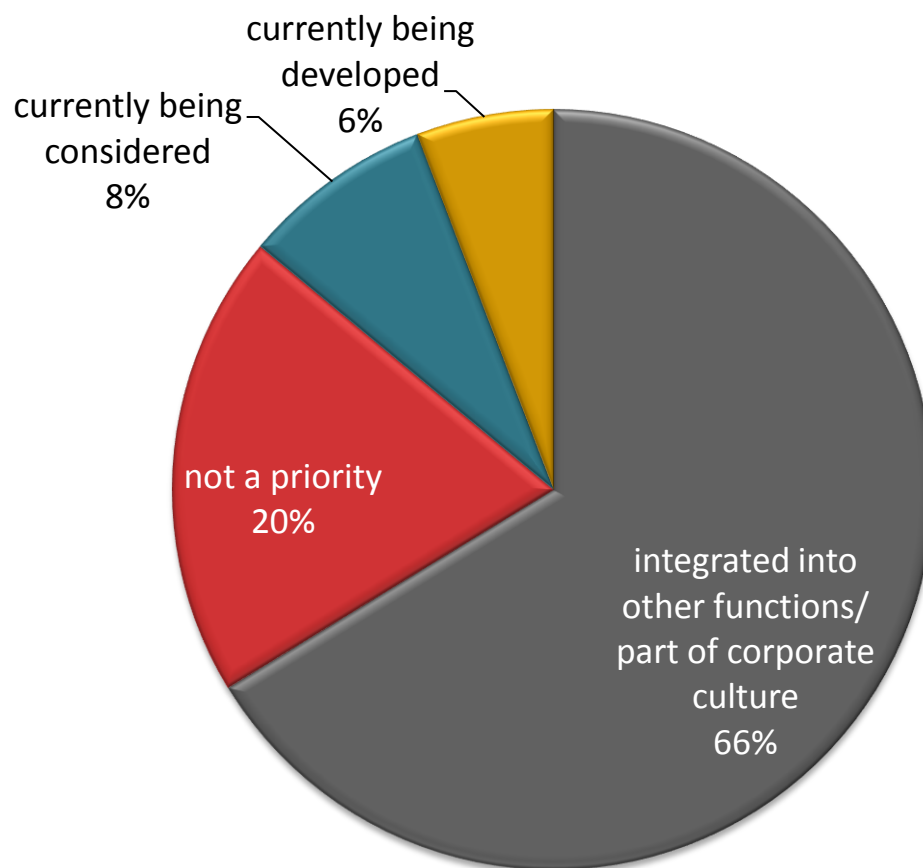
As company size (annual revenues, \$US) increases, so does the likelihood of having a formal CR program; however, as the chart below right indicates, smaller companies are gaining ground quickly.



formal CR program

Among those companies that do not have a formal CR program, it's most often because they have integrated CR into other company functions or they believe it is part of the culture.

Company size does not impact these findings, and these numbers have shown no significant change from 2010 to 2011.



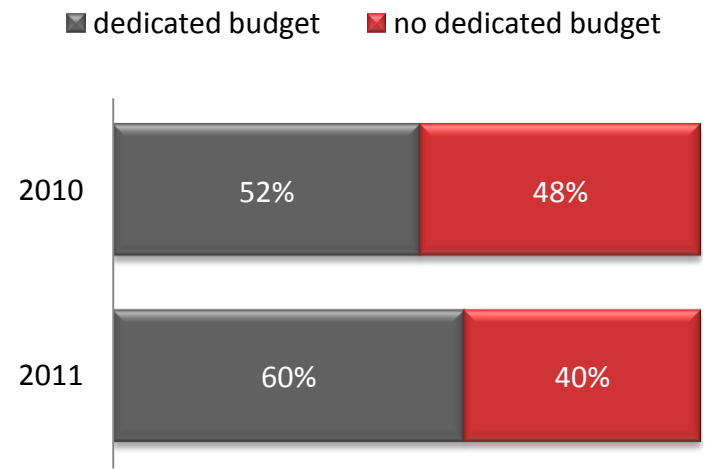
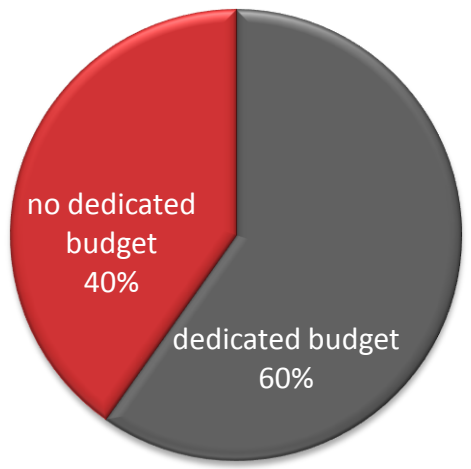
More than three quarters of CR departments include environment and philanthropy as part of the department. Least common (although still at 44%) are financial issues.

Area	% that include it in CR
Environmental	88%
Philanthropy	76%
Corporate governance	70%
Climate change	67%
Human rights	64%
Employee relations	64%
Financial	44%

CR BUDGET & SPEND

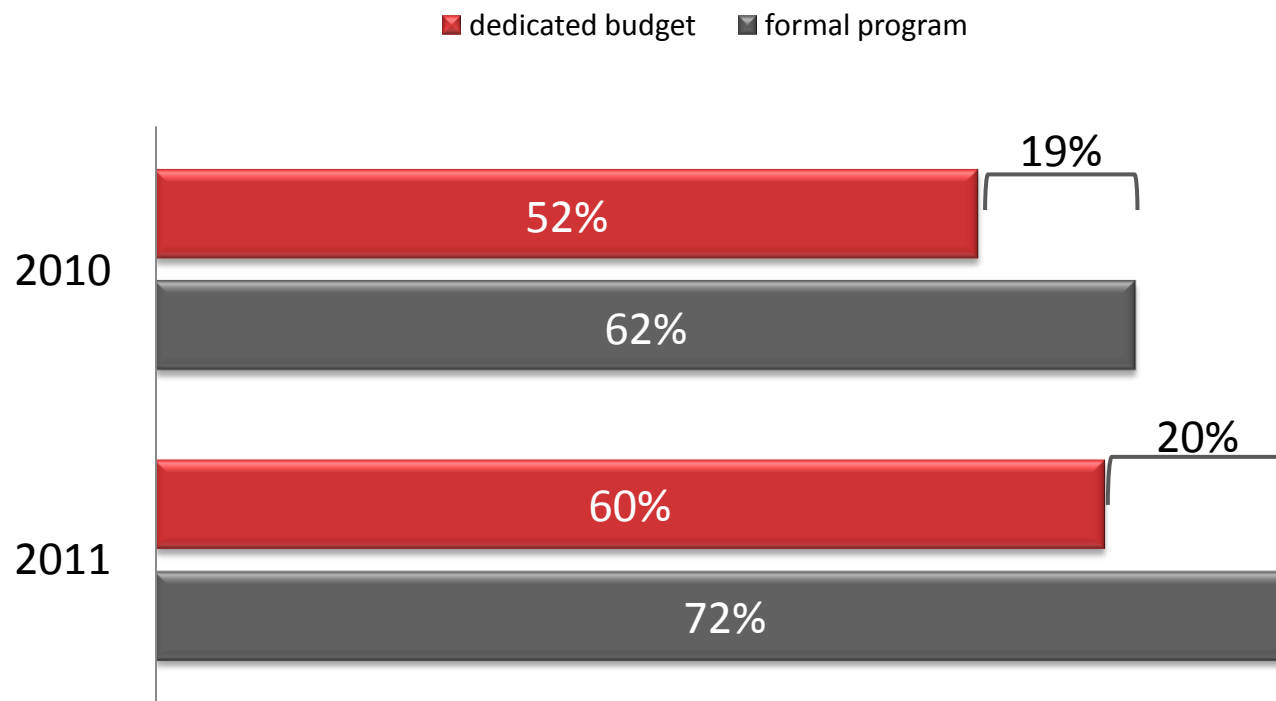
dedicated CR department budget

60% of all organizations have dedicated CR budgets, an increase over 2010's 52%.



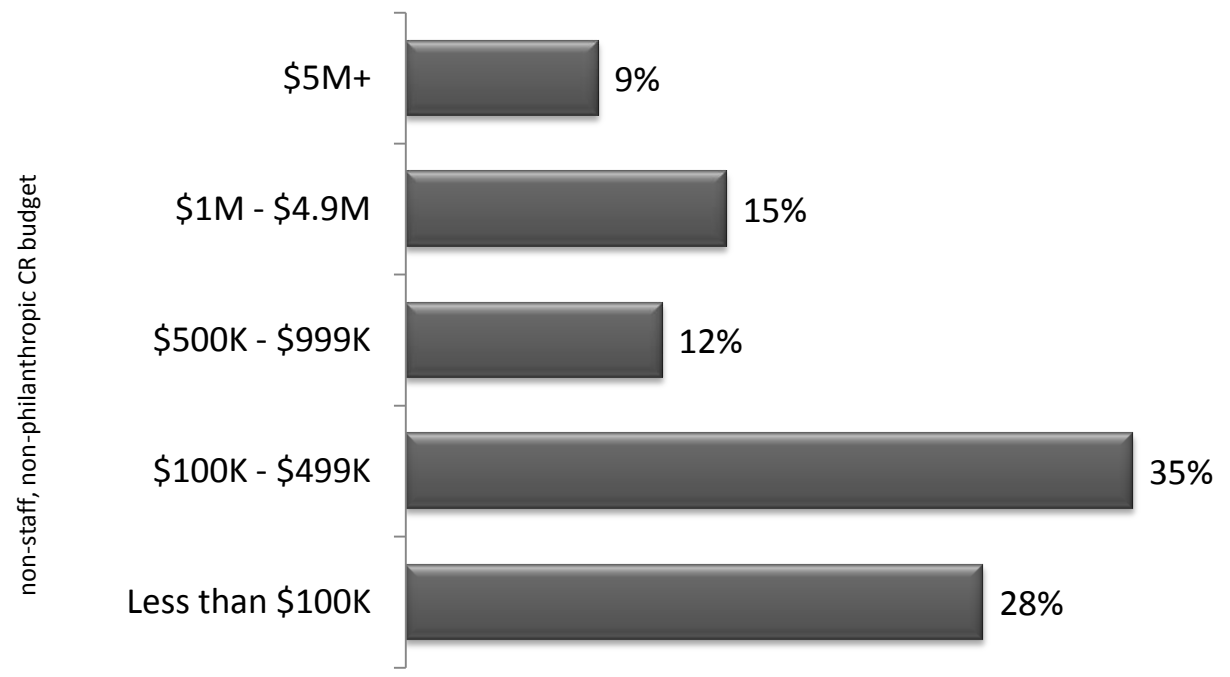
dedicated CR department budget

Although both the proportions of companies that have formal CR programs and dedicated CR budgets are growing, the gap between those companies that have formal programs but no budgets has remained essentially unchanged year-over-year.

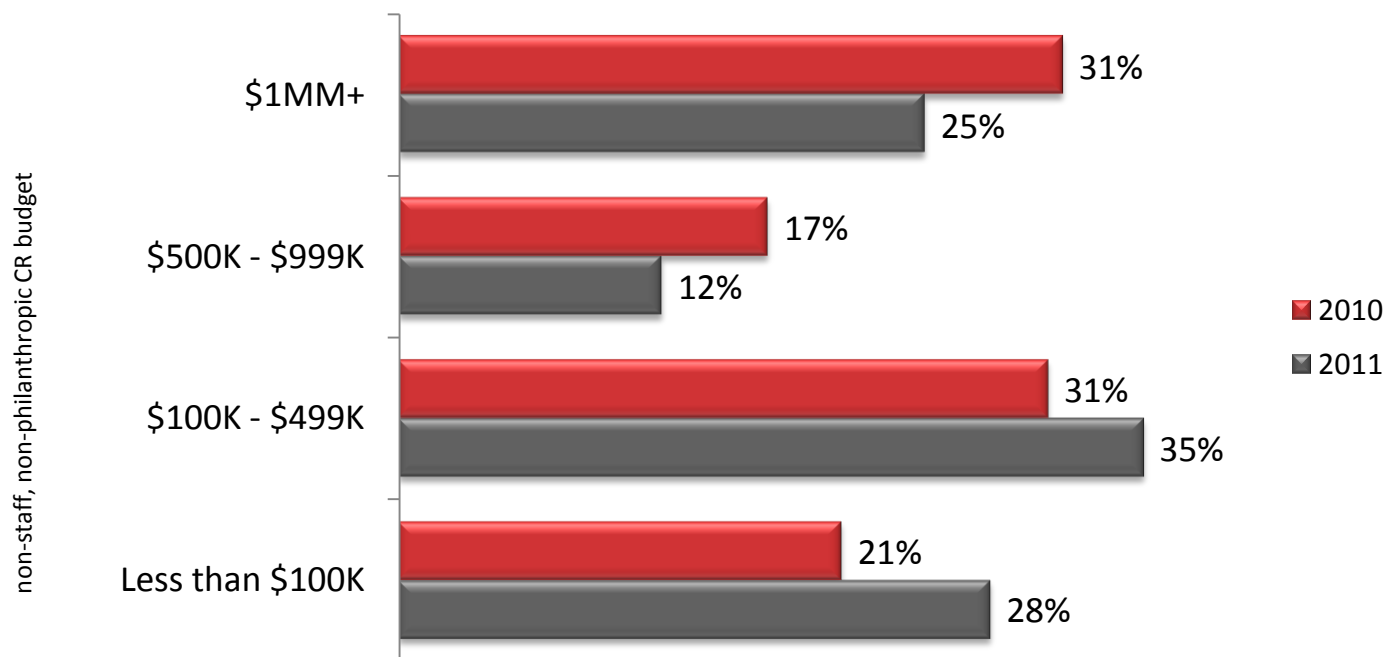


annual budget

More than half of all CR annual budgets are less than \$500,000. However, on average, the largest company's CR budgets are about three times the size of smaller company's CR budgets.

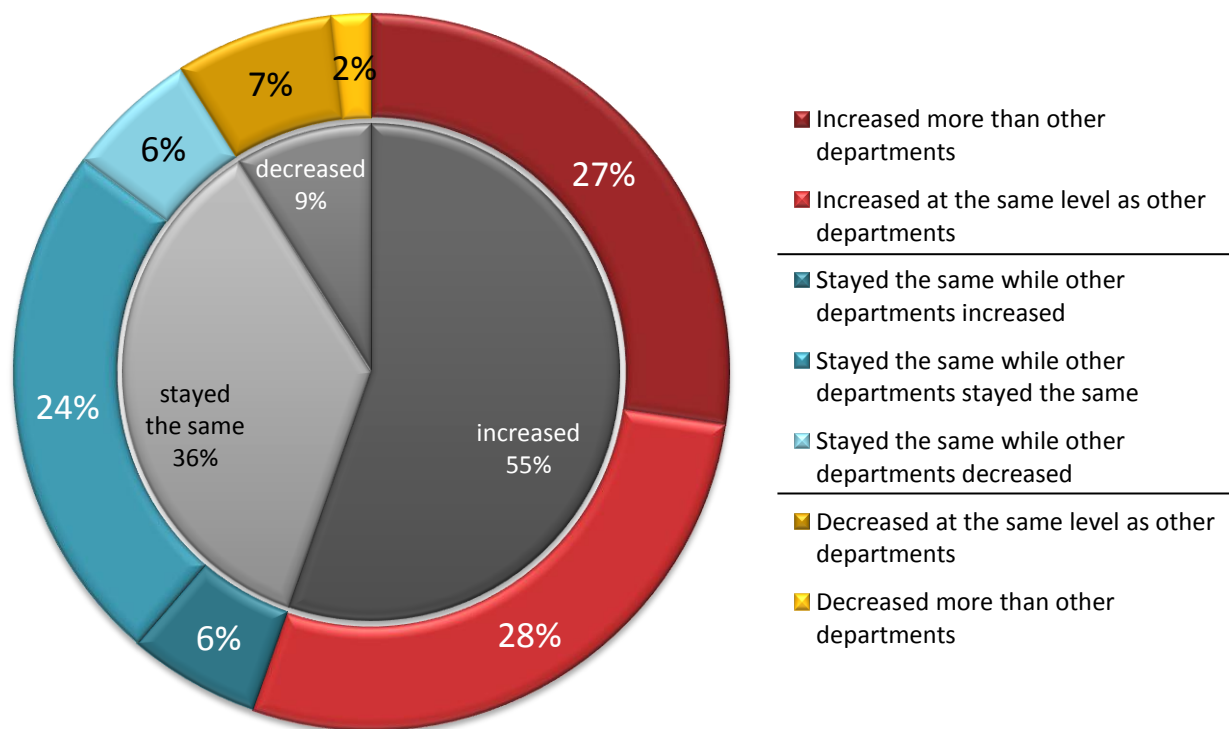


Between 2010 and 2011, reported CR budgets have declined by about 10% on average. Those declines appear across virtually all company sizes with the smallest companies' budgets declining the most; only mid-sized companies' budgets showed an increase.



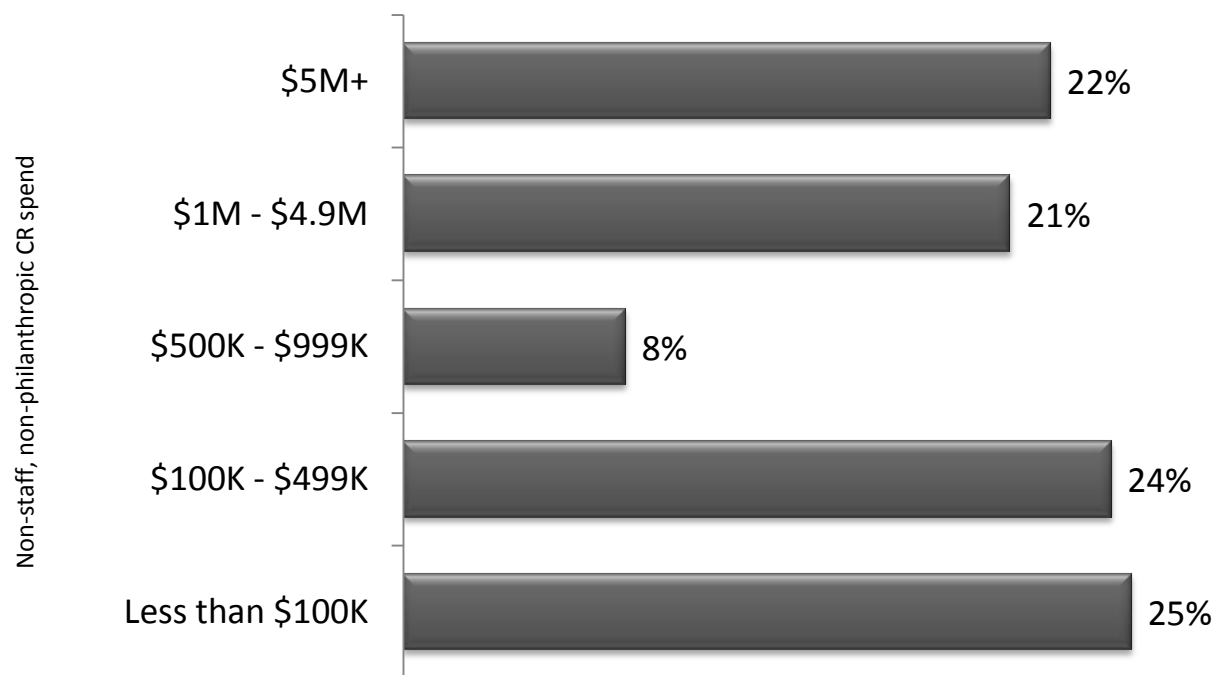
annual budget changes

However, respondents generally believe that budgets have increased or stayed the same over the past two years, with 55% saying they have increased and only 9% saying they have decreased.



annual spend

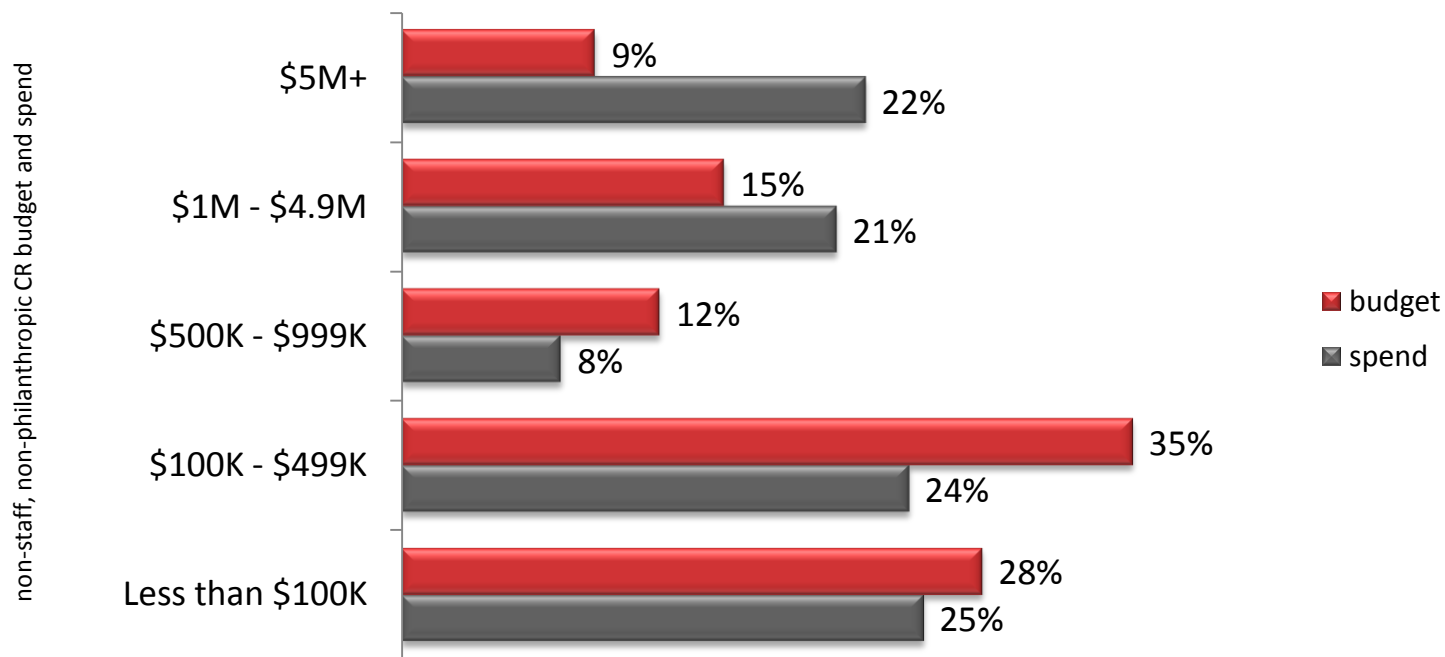
Total non-philanthropic spend (including both CR budget and activities budgeted by cost centers other than CR) is widely spread; however, as with annual CR budgets, average spend amounts increase as company size increases, with the largest companies spending over three times what the smallest companies spend.



CR BUDGET & SPEND

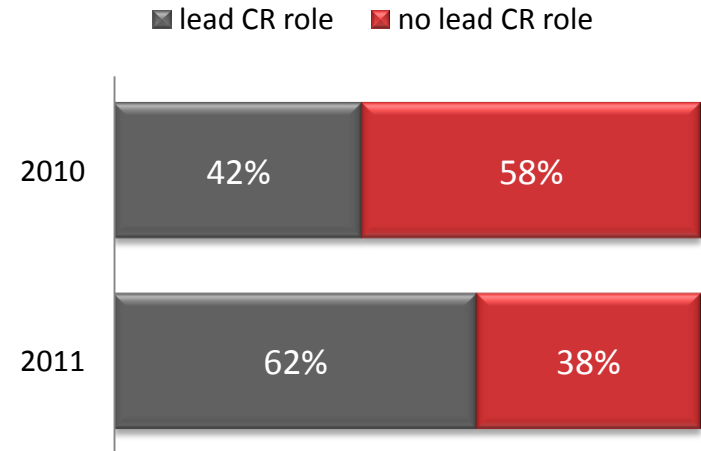
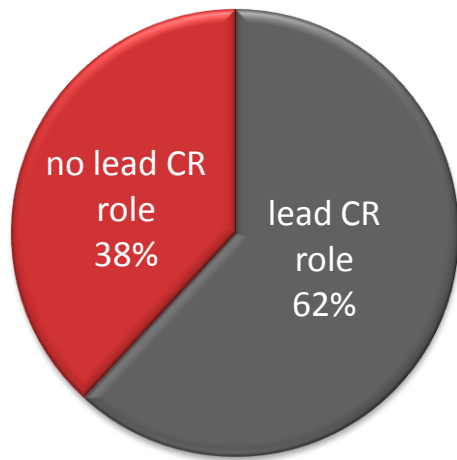
annual budget vs. spend

Total CR spend (including the CR budget and activities budgeted by other cost centers) exceeds the CR budget by nearly 20% on average. This positive difference between spending and budget is generally found across almost all company sizes.

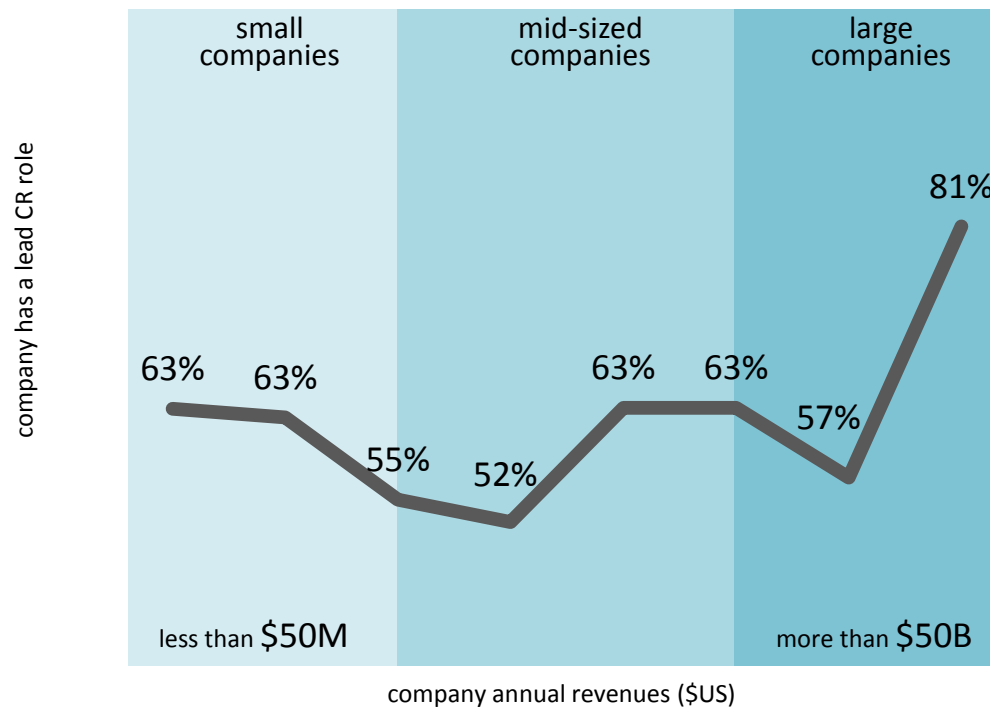


CR STAFFING

62% of all organizations have a lead CR role, significantly up from 42% in 2010.



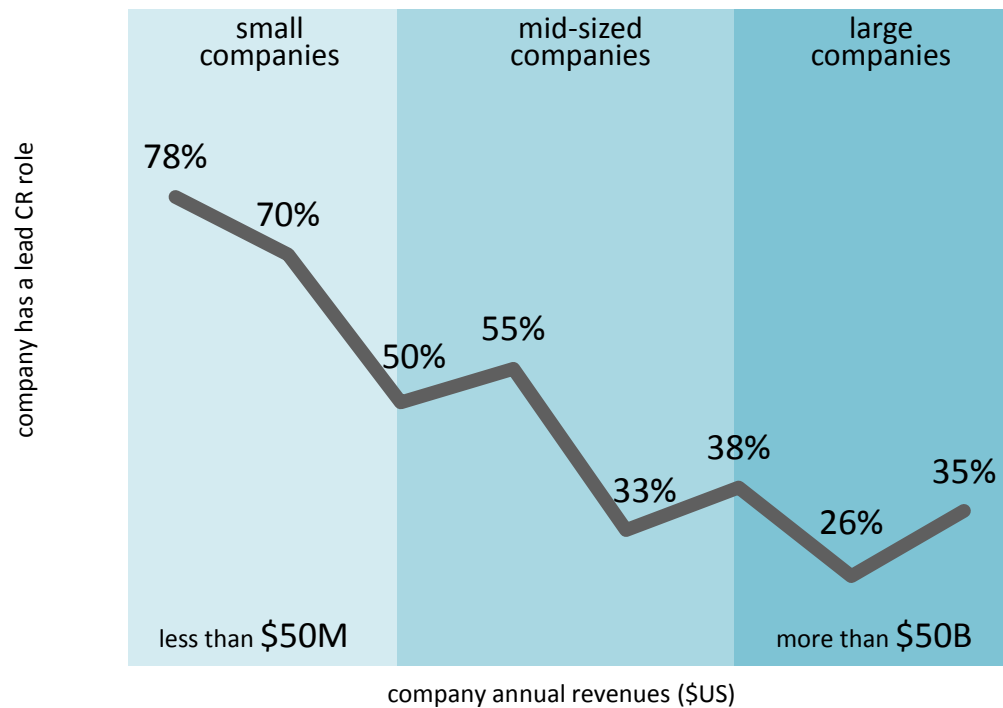
The very largest companies are more likely to have a lead CR role at just over 80%, but there is no correlation between size and likelihood to have the role below the largest companies.



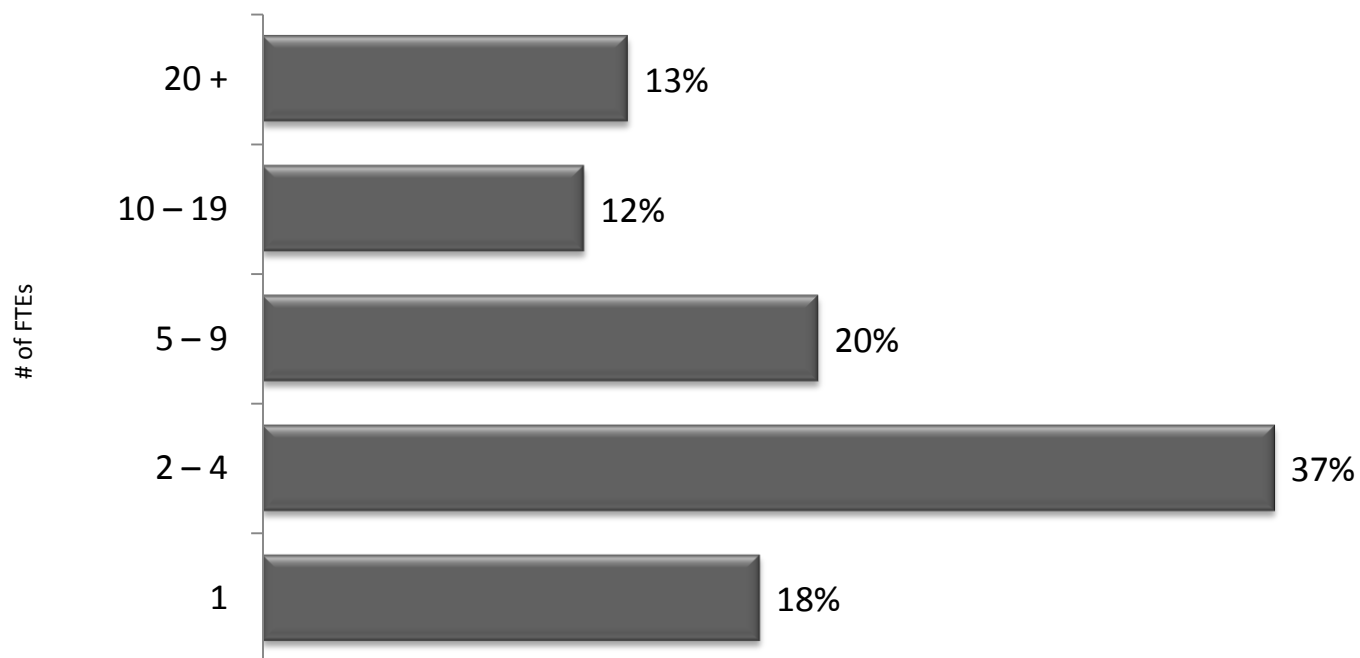
The CR role most often reports to the CEO (43% of respondents). After that, there is little commonality or reporting.

Area	% of CR role reporting to
CEO	43%
Board of directors	13%
Legal lead	8%
Marketing & Communications lead	6%
Corporate Responsibility lead	5%
Human Resources lead	5%
Public Affairs lead	4%
Operations lead	3%
Strategy & Planning lead	3%
Sustainability/Environment lead	2%
Finance lead	2%
Investor Relations lead	2%
Governance & Compliance lead	1%
Education & Research lead	1%
Environment, Health & Safety lead	1%
IT lead	1%

CR roles are more than twice as likely to report to CEOs at smaller companies that at larger companies.



While the highest percentage of companies have between 2 and 4 CR full time equivalents (FTEs), a quarter have 10 or more. There are no significant changes in these numbers between 2010 and 2011.



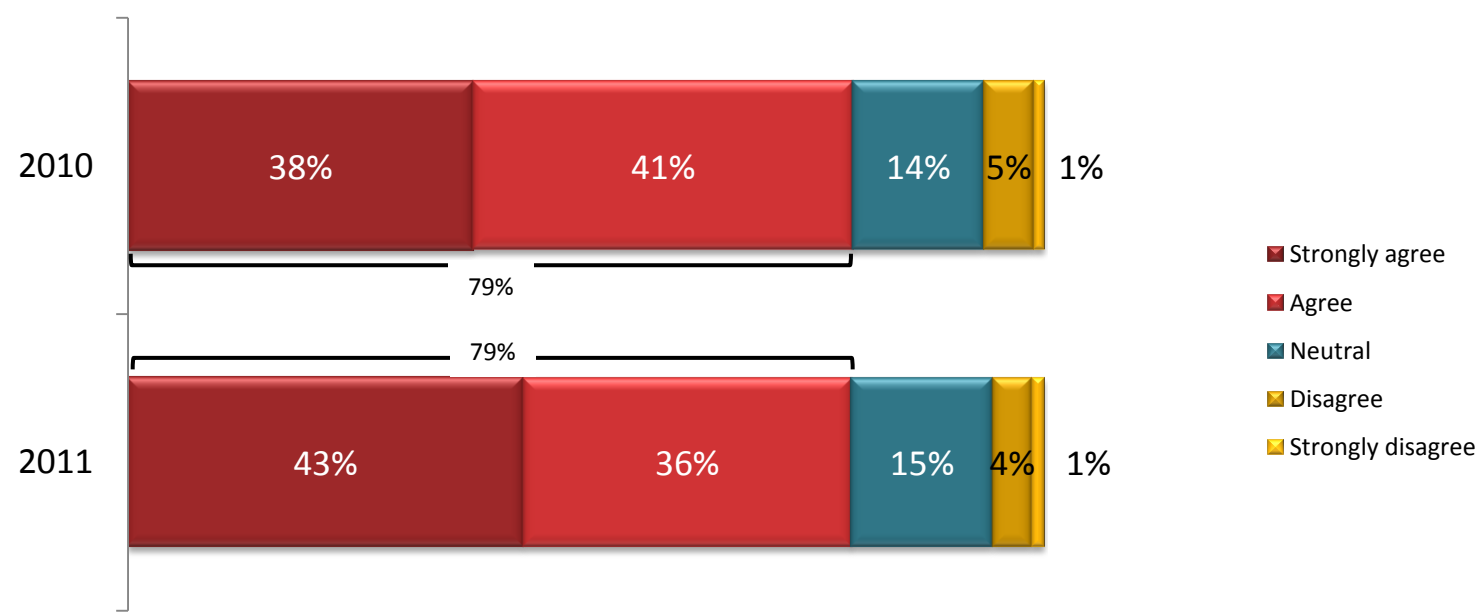
Only the largest companies most often average more than 2 to 4 employees; the highest average number of FTEs remains 2-4 until company revenues are more than US\$10 billion.

		revenues (\$US)							More than \$50B
		Less than \$50M	\$50M – \$199M	\$200M – \$499M	\$500M – \$999M	\$1B – \$5B	\$6B – \$10B	\$11B – \$50B	
# of FTEs	1	33%	38%	67%	8%	20%	16%	9%	0%
	2 – 4	61%	38%	17%	33%	45%	48%	21%	13%
	5 – 9	6%	13%	0%	25%	16%	13%	35%	31%
	10 – 19	0%	0%	17%	25%	6%	16%	16%	19%
	20+	0%	13%	0%	8%	14%	6%	19%	38%

COMPANY ENGAGEMENT IN CR

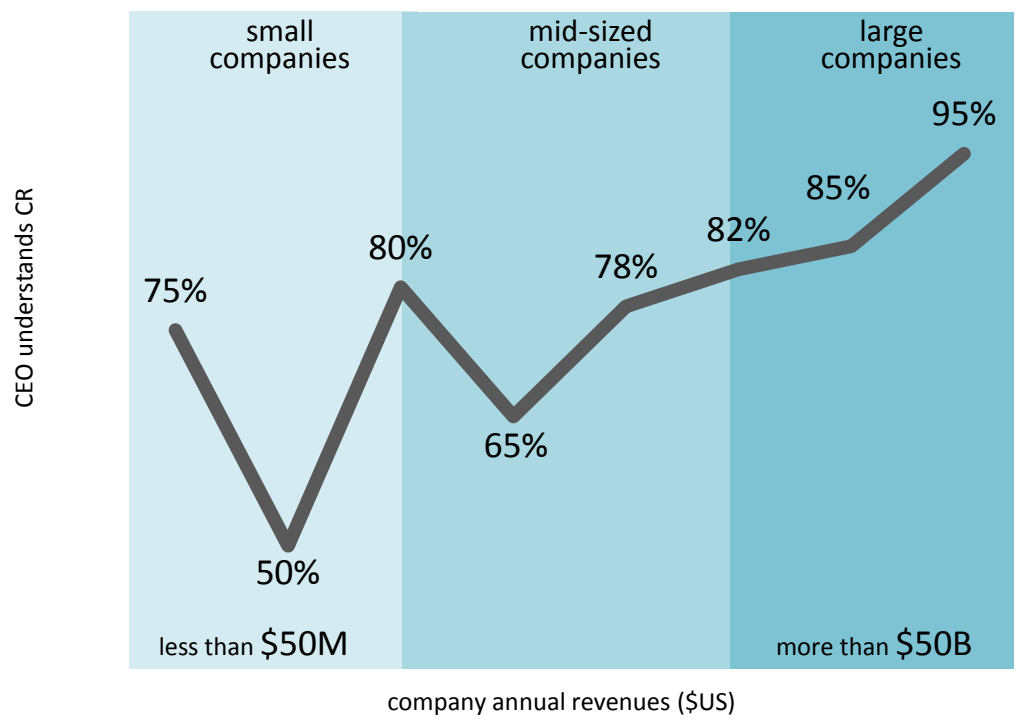
CEO engagement

Nearly 80% of respondents believe their CEOs understand the role of CR and how CR integrates with operations. While that total is unchanged from 2010 to 2011, a higher percentage of that *strongly agree* in 2011 (43%) versus 2010 (38%).



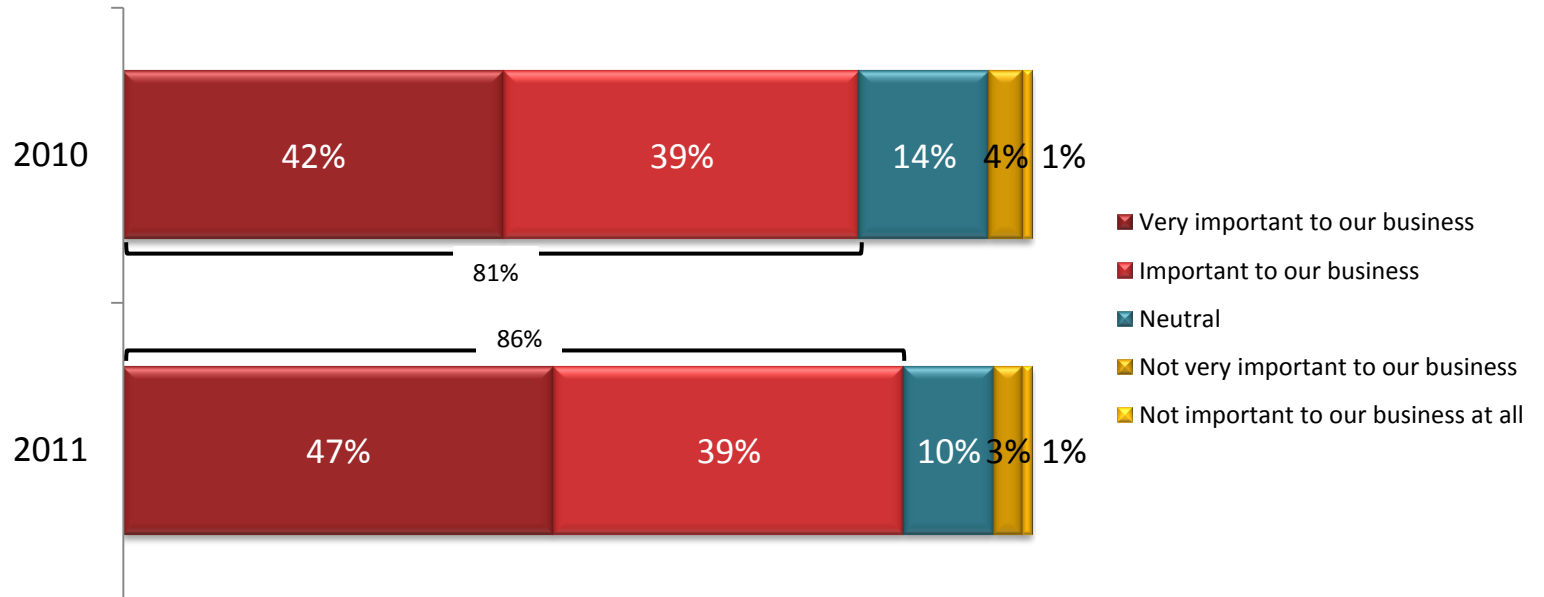
CEO engagement

While on average, respondents from larger companies are more likely to believe their CEOs understand CR than are respondents at smaller companies, this finding is not consistent across all size groups.



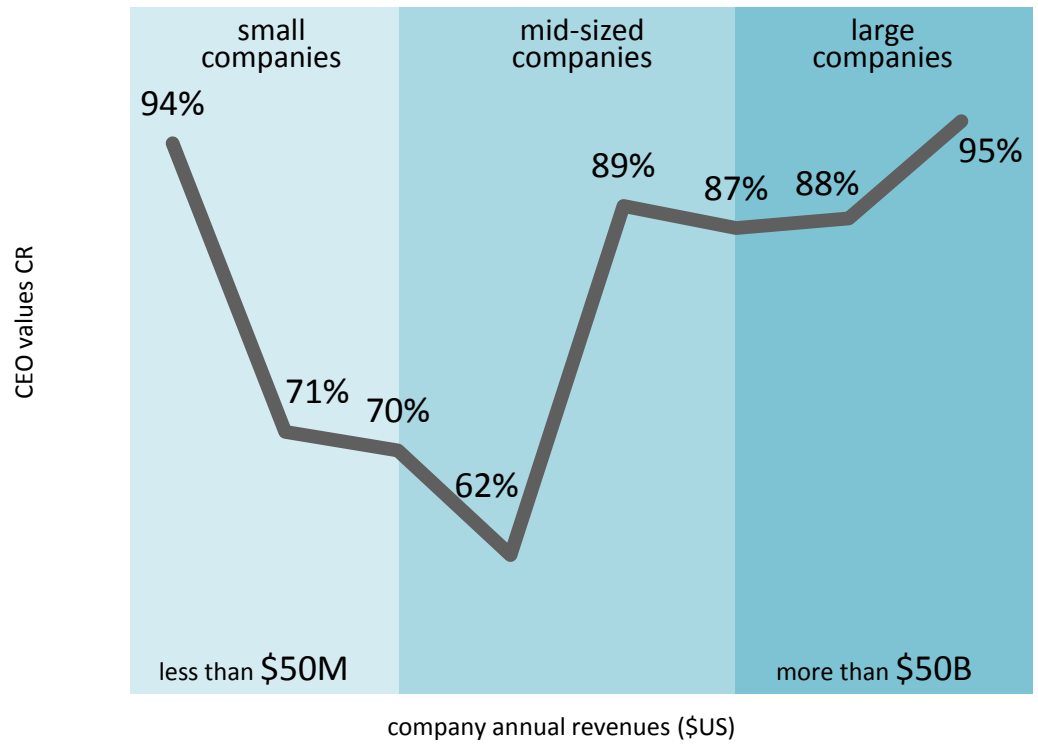
CEO valuation of CR

CEO valuation of CR is rising with 86% of respondents saying their CEOs believe CR is important versus 81% in 2010. That increase is driven by an increase in CEOs who believe that CR is *very* important to their businesses.



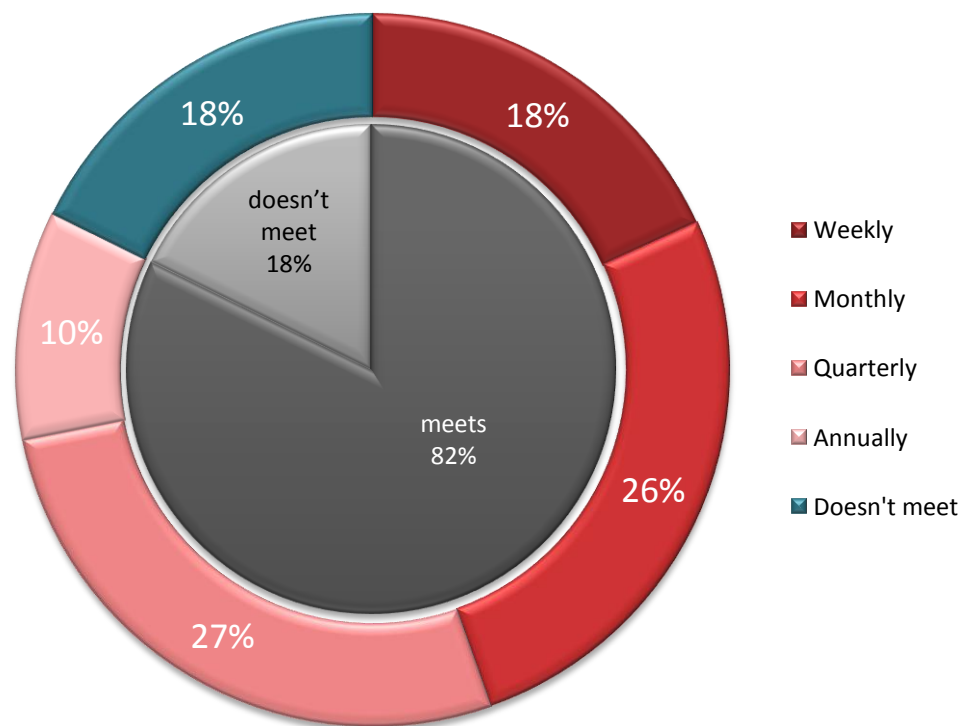
CEO valuation of CR

Respondents from larger and the smallest companies are more likely to say their CEOs believe that CR is important to their businesses; mid-sized companies are least likely to believe CEOs value CR.



CEO meetings with CR leaders

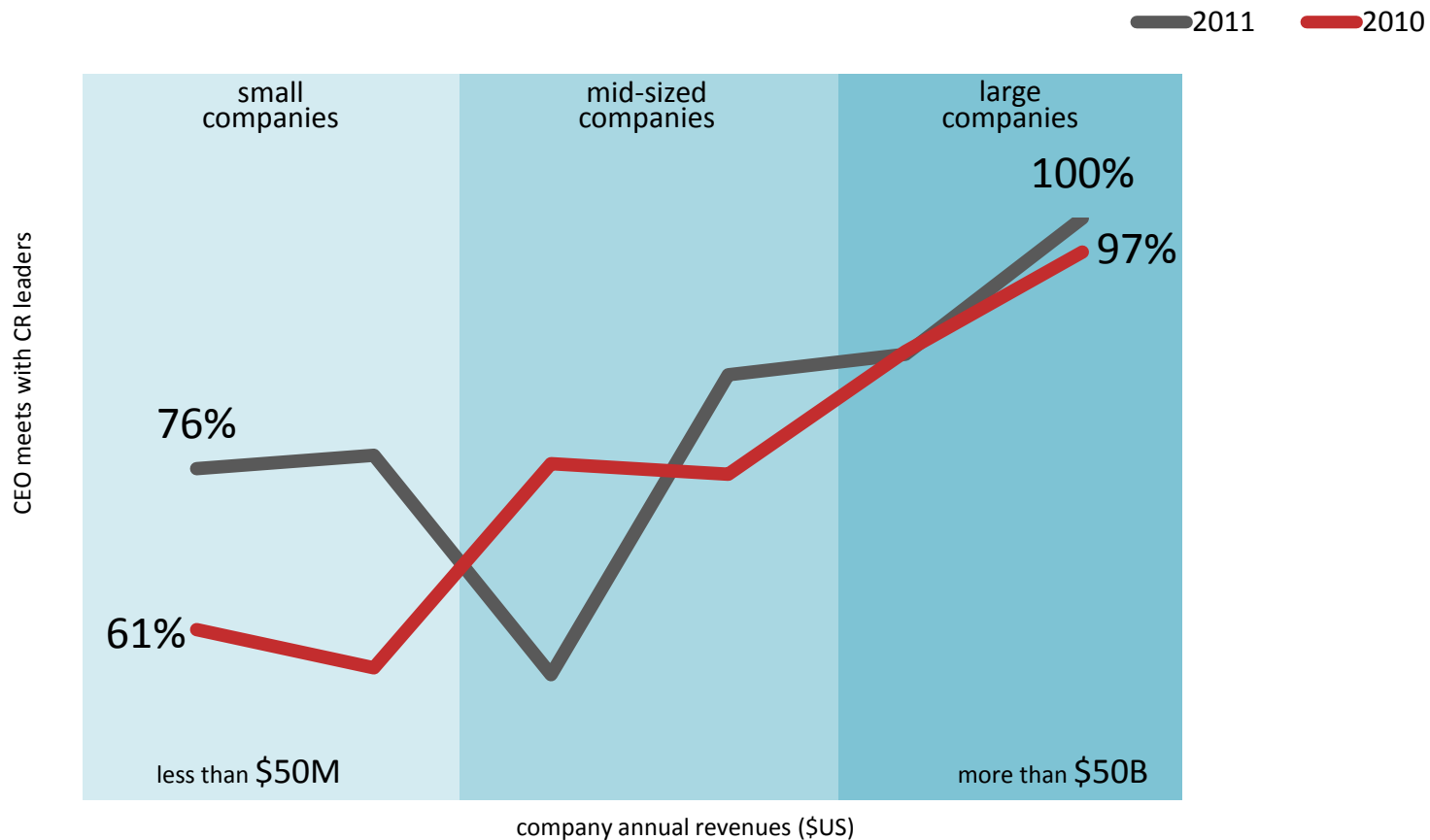
82% of CEOs meet with CR leaders at least annually. The frequency of those meetings is most often monthly or quarterly, least often annually. Still, nearly a fifth of CEOs do not regularly meet with CR leaders.



COMPANY ENGAGEMENT IN CR

CEO meetings with CR leaders

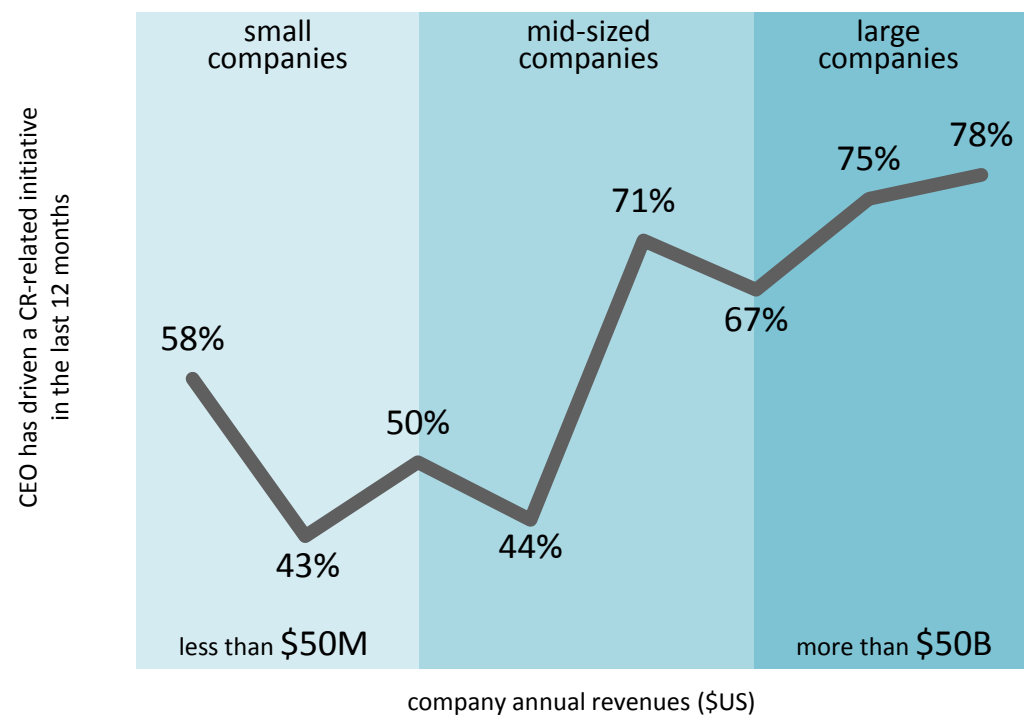
CEO direct involvement (in the form of regular meetings with CR leaders) is on the rise, with 82% of 2011 respondents saying their CEOs meet with CR leaders at least annually versus 74% in 2010. This increase holds across nearly all company sizes.



COMPANY ENGAGEMENT IN CR

CEO has driven a CR-related initiative

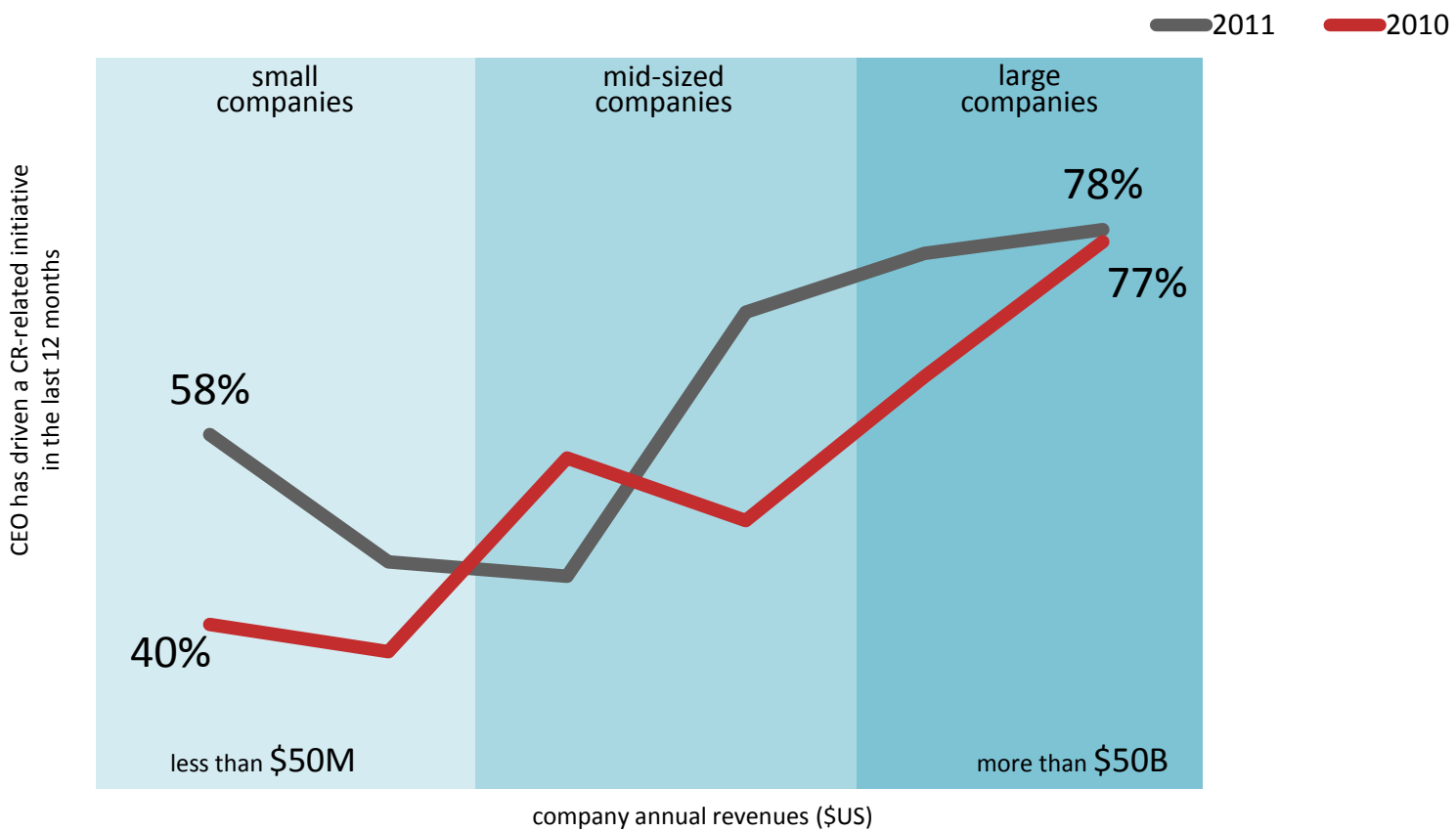
66% of CEOs have driven a CR-related initiative in the past 12 months. Larger company CEOs are generally more likely than their counterparts at smaller companies to have driven such an initiative.



COMPANY ENGAGEMENT IN CR

CEO has driven a CR-related initiative

CEOs are increasingly likely to have driven a CR-related initiative, up from 51% in 2010 to 66% in 2011. This increase holds across nearly all company sizes.



board engagement in CR

Active board engagement in CR initiatives is comparatively low, although is rising. Passive engagement – in the form of briefings – is comparatively high at 84% of responding companies saying their boards are briefed on CR-related issues within the company.

Most commonly board members are engaged through board committees/subcommittees. Next most common is board member(s) working directly with the CR team.

Activity	2010	2011
One or more member(s) of the company's Board of Directors is a designated member for CR-related topics	41%	47%
The company's Board of Directors has driven a CR-related initiative in my company in the past year	23%	34%
The full Board/Board committees are briefed on CR-related issues within the company	NA	84%

Other than the CRO or similar role, there is really no one clear champion that stands out; the CEO/chairperson is the most often mentioned, at 26%, followed by the marketing/communications lead and then no one.

At the same time, at least skepticism is limited as well, with nearly two thirds of respondents saying “no one” is most skeptical.

Other than the CRO or similar role, the biggest champion of CR at the company

Position	%
The CEO/Chairman	26%
The marketing/communications lead	16%
No one	12%

The position within the company that is most skeptical of CR

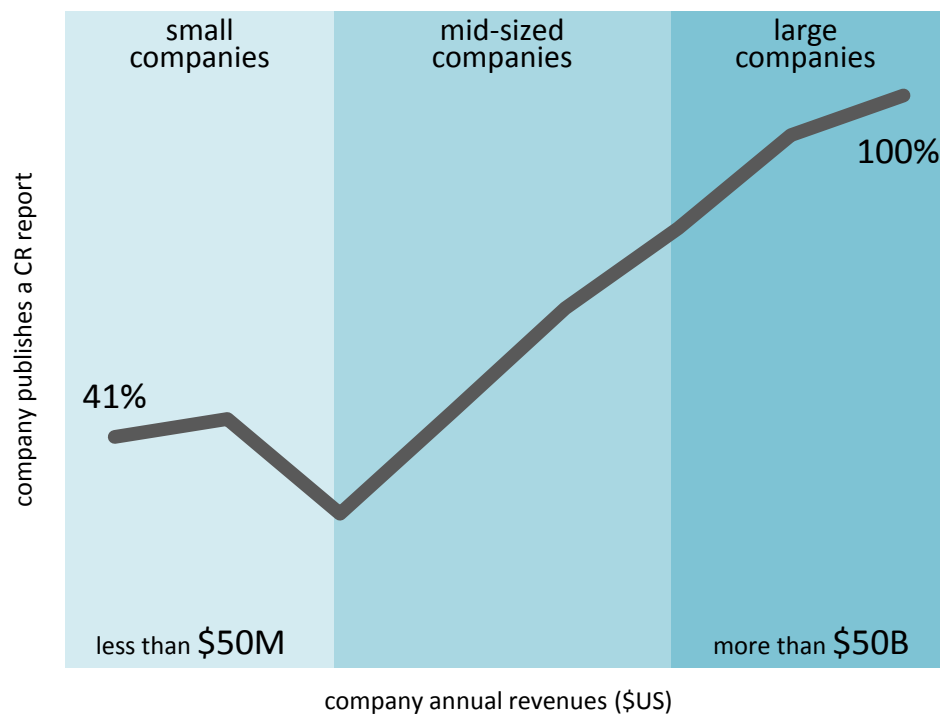
Position	%
No one	63%
CFO	12%
CEO	5%

CR COMMUNICATIONS & AUDIENCES

CR reporting

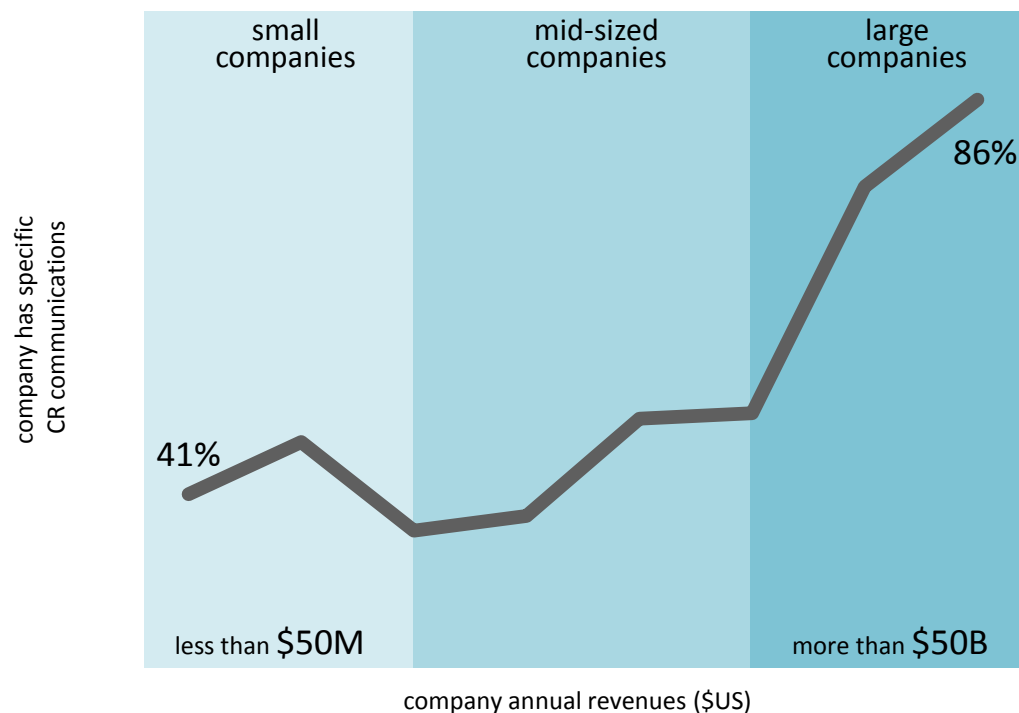
68% of all companies publish a CR report, most often on an annual basis. This number represents a significant increase over 2010's 55%.

Company size does have an impact on likelihood to report; the largest companies are as much as twice as likely to produce a report as are smaller companies.



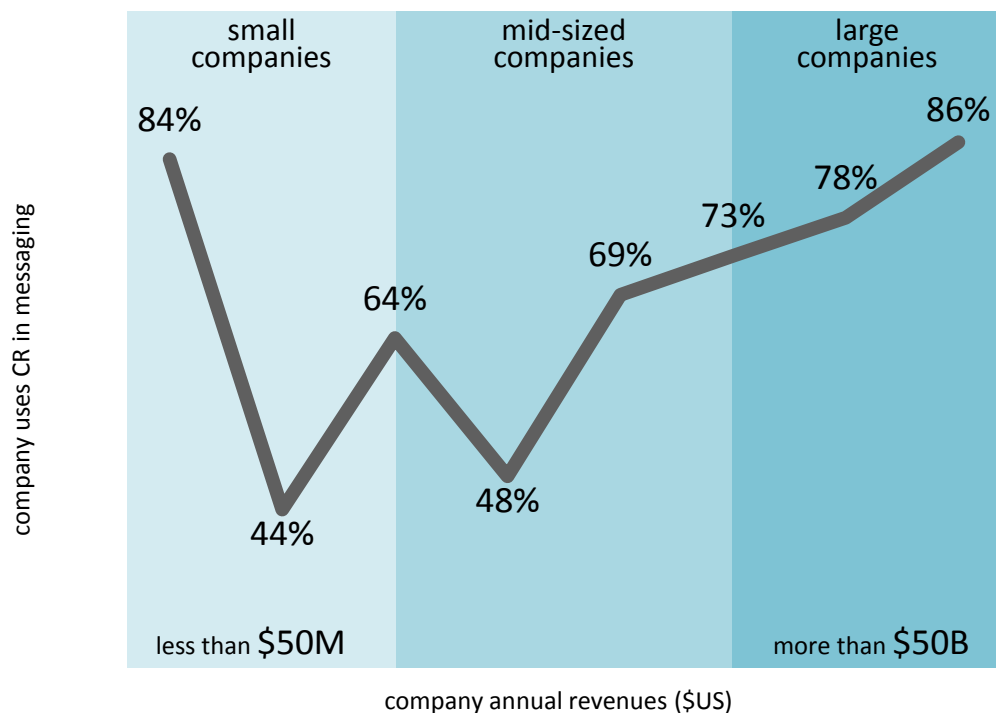
CR communications

56% of companies have a communication effort directed at “socially responsible” or “environmental” investors. (This number represents no real year-over-year change.) However, the largest companies are twice as likely as smaller companies to have such a communication.



CR messaging

71% of respondents say at least one of the company's products/service offerings relies on a CR-related message in its marketing; this represents a slight increase over 2010, when that same number was 67%. This proportion varies significantly by size, with companies at each end of the spectrum more likely to rely on these kinds of communications that companies in the middle of the range.

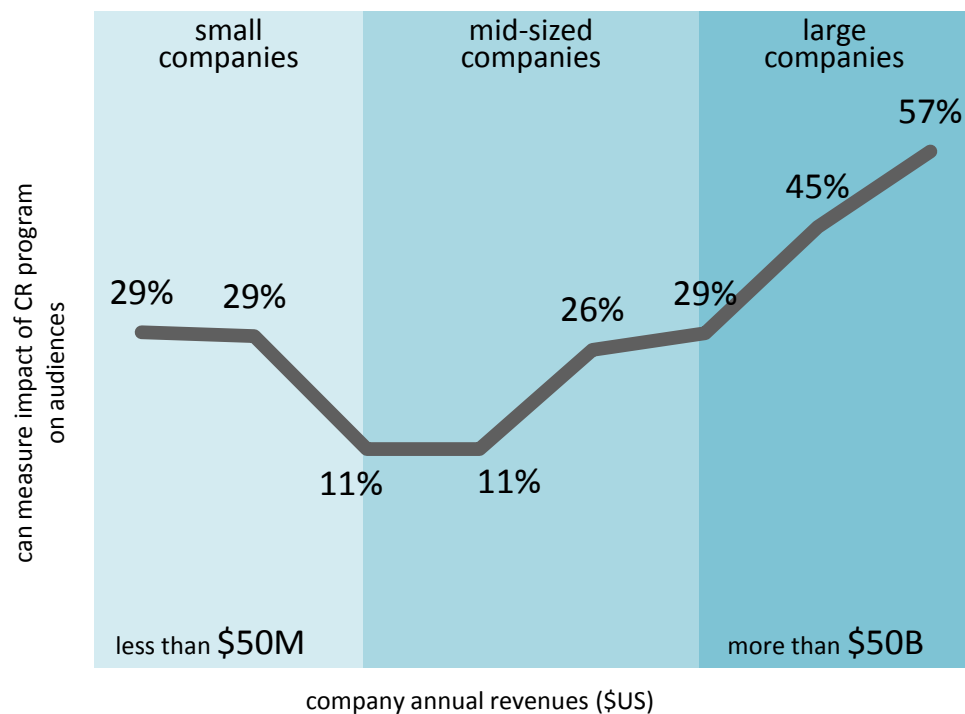


The top audiences for CR communications are clients/customers (46% select it #1) and the workforce (28% select it #1). Companies least often count media and executives among top audiences.

Rank	Audience	% Selecting as #1
1	Clients/customers	46%
2	Workforce	28%
3	Investors	18%
4	Public	15%
5	Board of Directors	15%
6	Government	8%
7	Regulators	12%
8	Media	5%
9	My executives	11%

CR audiences

Only 31% of companies say they measure the impact of their CR programs on audiences; however, the largest companies are nearly twice as likely as their smaller counterparts to take such measures.

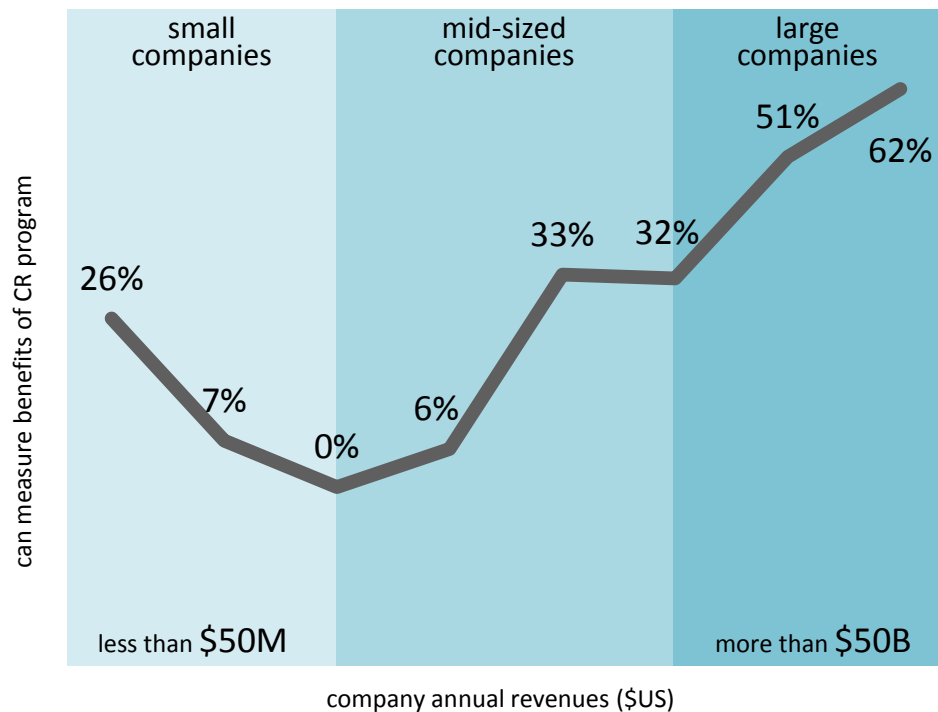


CR IMPACT

The top two benefits of CR programs that they improve customer relations and help to attract and retain talent.

Rank	Benefit
1	Improves customer relations
2	Attracts/retains talent
3	Improves environmental quality
4	Improves societal quality of life
5	Improves public opinion
6	Encourages innovation
7	Reduces financial risk
8	Attracts investors
9	Improves supplier relations
10	Provides tax credits
11	Improves stock price

Only 33% of companies say they measure the benefits of their CR programs; however, the largest companies are more than twice as likely as their smaller counterparts to do so.



specific and measurable CR goals

Companies are increasingly developing and publicly declaring specific and measurable goals across various CR areas.

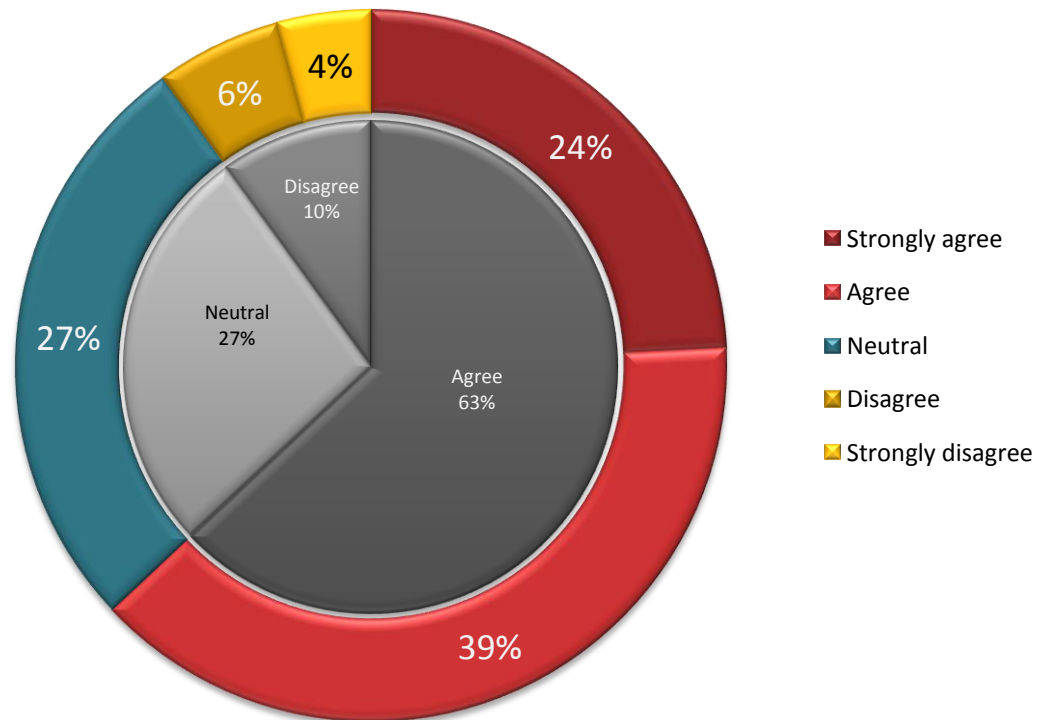
Goal area	2010	2011
Environment, Health & Safety (EHS)	60%	68%
Human Resources (HR), Employee Relations & Diversity	56%	66%
Energy Use, Environmental Impact & Climate Change	54%	66%
Corporate Social Responsibility (CSR) & Citizenship	48%	61%
Governance, Risk & Compliance (GRC)	46%	60%
Philanthropy & Corporate Foundation	45%	60%
Supply Chain Management	34%	52%
Human Rights	28%	41%

key: #1 #2 #3

Integration into business strategy

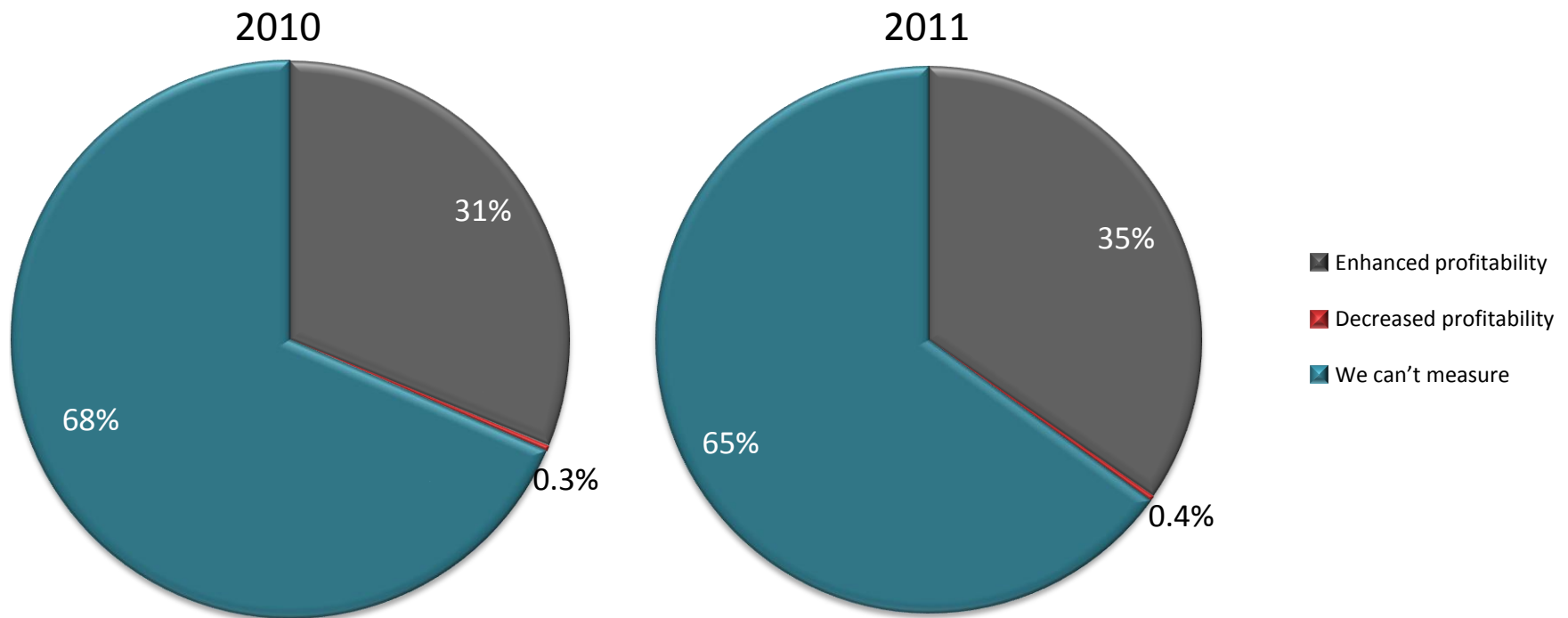
Generally, companies believe they have integrated CR into the overall business strategy; however, still more than a third either are neutral or disagree that CR is integrated into overall strategy

My company has integrated CR into the overall business strategy



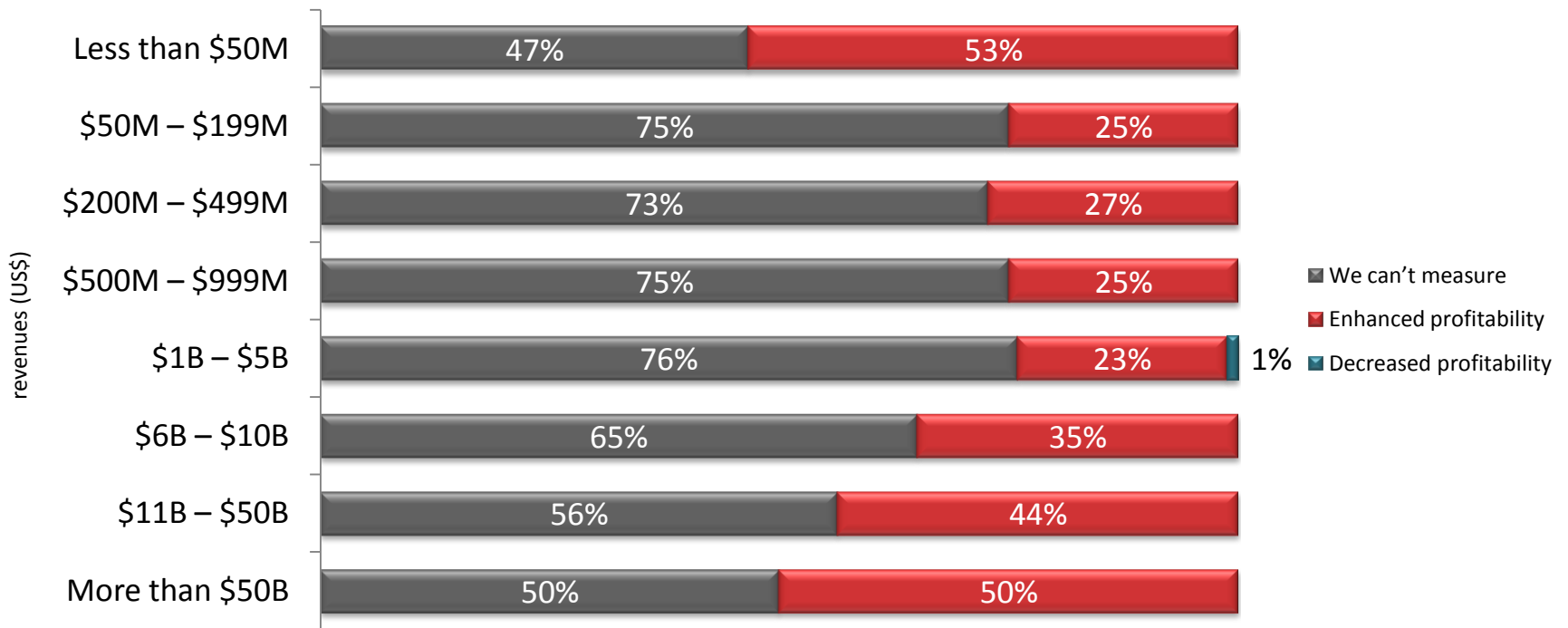
CR impact on profitability

Only 35% of companies can measure the impact of their CR programs on profitability, a percentage that remained virtually unchanged from 2010 to 2011.



CR impact on profitability

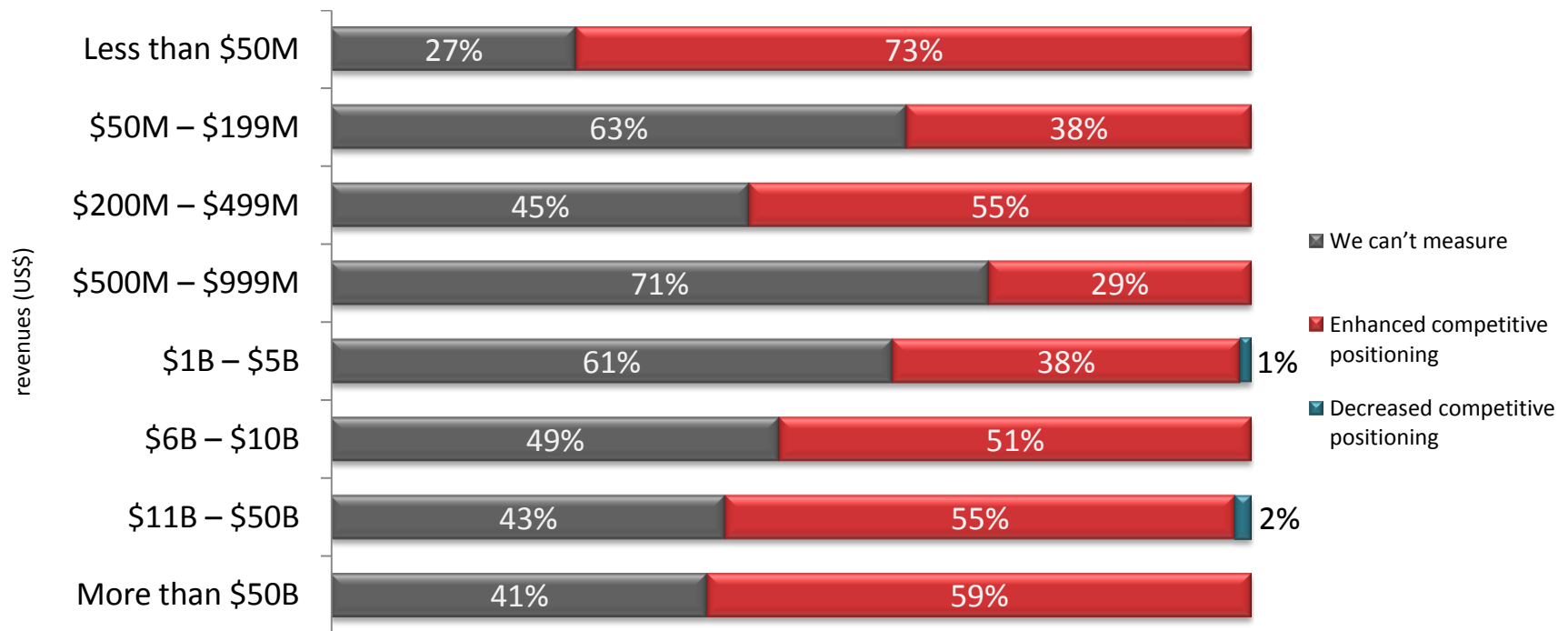
The largest and the smallest companies are most able to measure CR's impact on profitability – and most likely to say it enhances profitability.



CR impact on competitive positioning

A higher percentage – 49% – of respondents say CR has enhanced their competitive position; still 51% cannot measure CR’s impact in this area. (The remaining 1% say it decreases competitive positioning.)

Again here, company size has some impact as the smallest and larger companies are most able to measure impact.

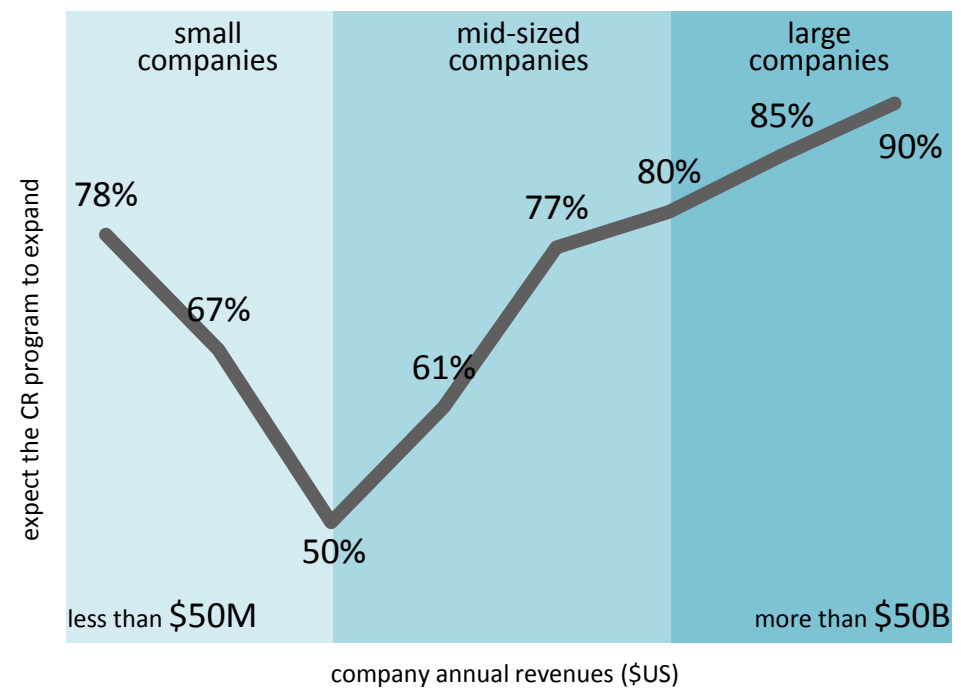
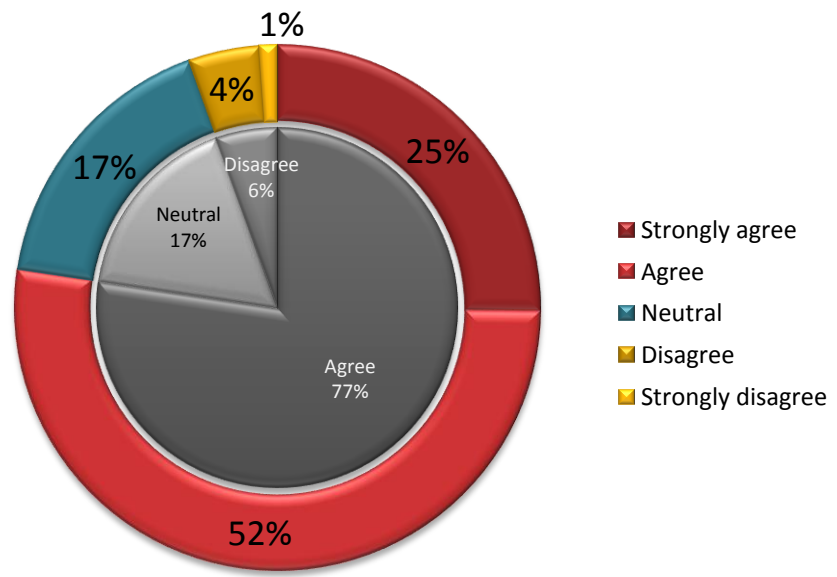


FUTURE OF CR

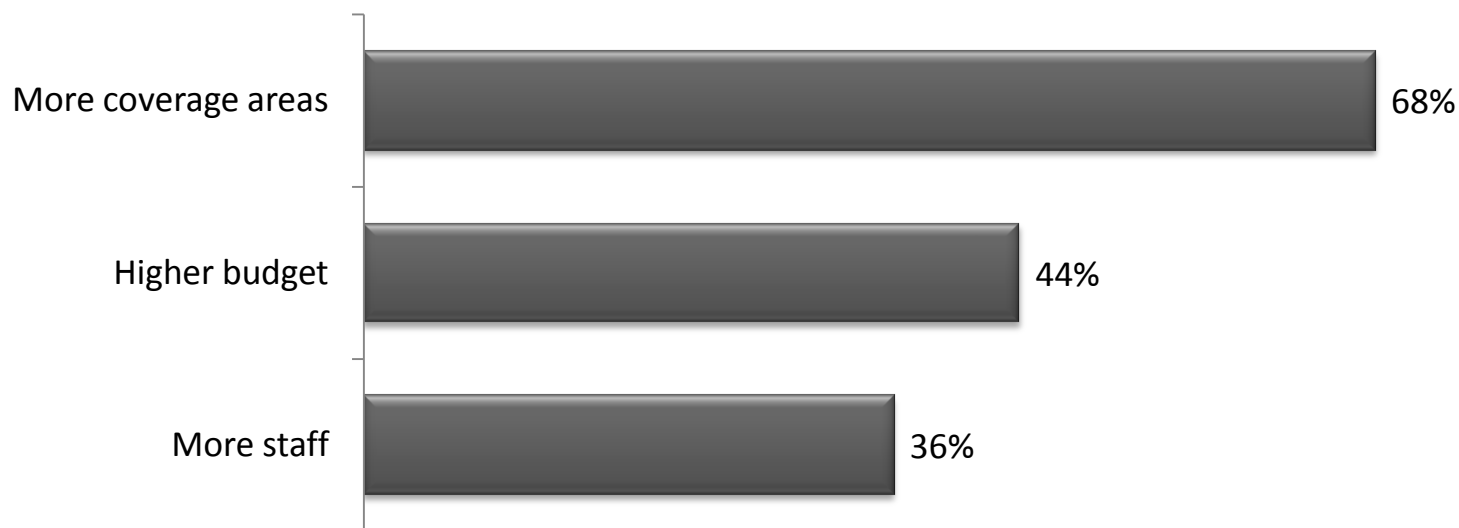
CR program expansion

Most companies expect to expand their CR programs over the next three years. Larger companies are more likely to expect to expand their CR programs over the next three years than are smaller companies.

I expect my company's CR program to expand over the next three years



Companies most often anticipate expanding their CR programs through adding coverage areas, followed by increasing budget and finally adding staff. While the degree to which companies anticipate expanding in these different areas, company size has no impact on the relative order of each tactic.

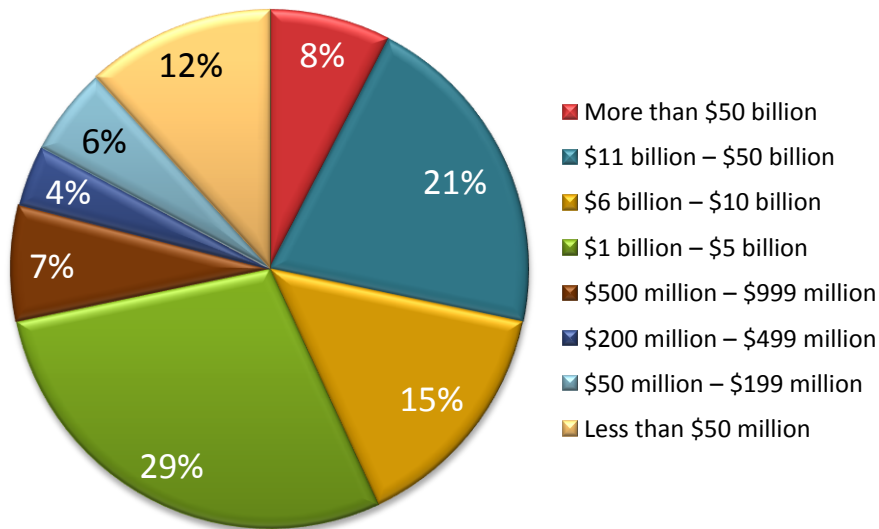


RESEARCH DEMOGRAPHICS

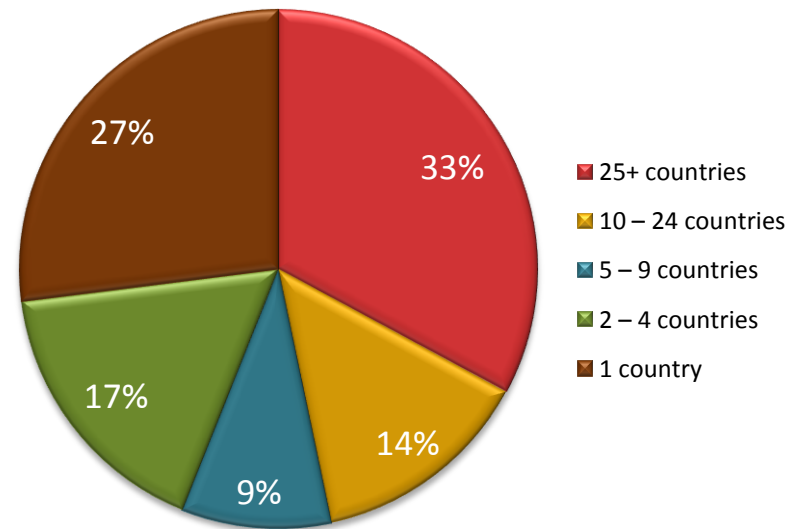
300

total respondents

annual global revenues (\$US)



number of countries with corporate operations



Industry	%
Finance, Insurance & Real Estate	17%
Manufacturing	11%
Utilities/Power, Oil, Energy, & Water	11%
Consulting/Professional/Legal Services	11%
IT, Technology, Software	7%
Public Sector/Nonprofit/Education	6%
Consumer Goods, Electronics	6%
Mining & metals	5%
Retail trade	4%
Media/Entertainment	3%
Aerospace/Aviation	3%
Construction/Engineering	3%
Biotech/Medical Equipment/Pharmaceuticals	2%
Health Care/Health Sciences	2%
Communications/Telecommunications	2%
Transportation, storage and delivery	2%
Wholesale/distribution	1%
Agriculture, Forestry & Fishing	1%
Environment/Waste management	1%
Building materials	1%

Headquarters location	%
Northern America	78%
EMEA	16%
Latin America	4%
APAC	2%