

## Call to Action

### Corporate Responsibility Drives Better Outcomes for Government

Much of our modern world – from the Internet and mobile communications to a more just and integrated society – took shape in a government lab or government contract. Throughout history the US federal government has seeded new ideas and backed them up with the power of its purse. At the end of the Great Recession and in the face of lingering concerns about the role of government and business in society, government and business can once again sew the seeds of sustainable progress.

Make no mistake: other governments see the writing on the wall and have taken action. China, India, the EU, and state and local governments have invested in the technology and infrastructure of sustainability. They've invested in the industries leading the way to a more responsible and sustainable era of economic growth. They're investing in renewable energy, corporate governance, sustainable development, and a whole host of inventions big and small that will drive demand and fuel progress.

This is a call to action. A charge to the our government and industry to work collaboratively – not just in regulation and law, but in real partnership – to create the conditions and investments necessary for the Responsible Economy.

In the same way the Race to Space seeded the research and development of countless innovations that define modern life, we call upon government and industry to once again lead. To lead a Race to the New Responsible Economy.

In 2009, Norway declared “public institutions should lead the way [as] responsible consumers who request environmentally friendly goods and goods being produced in accordance with high ethical and social standards.” See Appendix 3 for how.

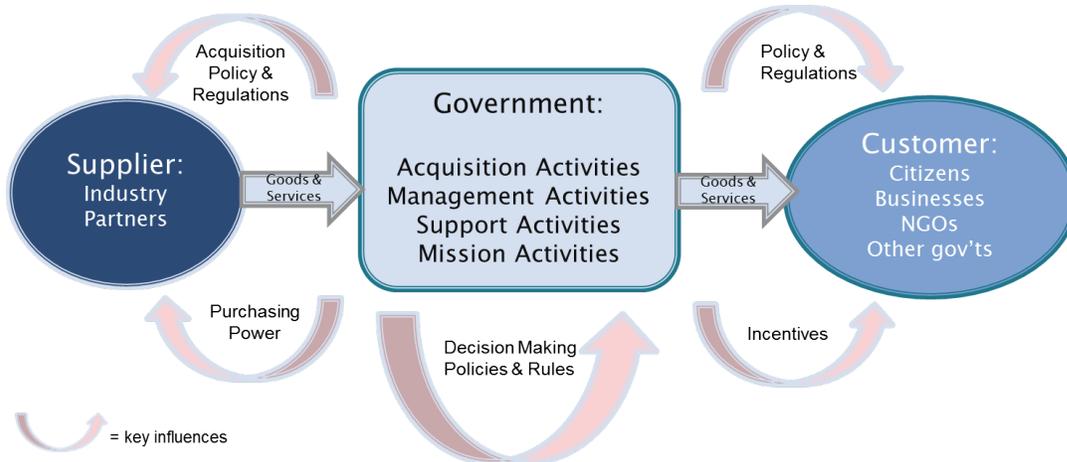
## Responsible Companies & Government

**“To change the world, change California or change Wal-Mart.”**

These two institutions have far-reaching influence on our lives. California has one of the world's largest economies. Wal-Mart's supply chain spans huge

swaths of the world economy. The US federal government has even greater reach and impact.

Framework for Government Influences on Sustainable Practices



To understand the accelerant potential of the government sector look at the entire supply chain in the diagram above. Beyond the four walls of a

government agency or even the reach of regulations or laws, the mission, management, and purchasing that support the government echo throughout society. The government plays both a formal – through policy, regulation, and law – and an informal role – setting an example and using its bully-pulpit. Industry both leads and follows government; trail-blazing new innovations and implementing specific guidance and requirements.

ResponsibilityWorks sees corporate responsibility driving the nation’s competitive advantage and works with government to bring it to fruition. Companies *can* do well by doing good. Corporate responsibility *can* drive better mission outcomes for governments.

El Paso gives preference to contractors that provide employee health benefits, making it a positive evaluation factor along with price, reputation, technical qualifications, & past performance. See Appendix 3 for how they did it.

## Defining Corporate Responsibility

### A New Economic Model

Traditional economics requires firms to take certain items into account and treat others as externalities. Corporate responsibility redefines externalities.

## The Definition

A responsible company pursues maximized return for shareholders without compromising the ability of current and future generations to meet their needs.

A responsible company fulfills its role as an employer, an investment, and member of its community, accounting for:

Climate change abatement: improving the ability of society to slow, reduce, reverse, or adapt to changes in the earth's climate.

Corporate governance: effectively and transparently governs itself.

Employee relations: actively supporting a working environment conducive to employee wellbeing.

Environmental impact: actively stewarding natural resources and the environment.

Financial performance: providing a return to investors.

Human rights: respecting the individual rights of the people in its workforce and the communities in which it operates.

Philanthropy: promoting the welfare of others.

*Corporate Responsibility Magazine* uses these same criteria to select the *100 Best Corporate Citizens*, a list of the most responsible publicly-traded firms on the Russell 1000 Index, and the *Best Corporate Citizens in Government Contracting*, a listing of the most responsible publicly-traded firms doing business with the US federal government.

Since 2000, Los Angeles has used a responsible contractor policy to ensure agencies review bidders' history of labor, employment, environmental, and workplace safety violations. See Appendix 3 for how.

## Call for Pilots

Responsibility pays. This is true in the private sector: the *100 Best Corporate Citizens* consistently outperform the S&P 500<sup>1</sup>. They drive significantly better

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<sup>1</sup> By 19% in 2010. Source: *Corporate Responsibility Magazine*.

Connecticut uses a responsibility pre-qualification system for bidders on large public works projects evaluating them on integrity, past work, experience, financial condition, and legal compliance. Appendix 3 has the details.

outcomes for shareholders, customers, employees, and communities. It can also drive better mission outcomes for government and its contractors.

We seek firms and agencies to participate in corporate responsibility pilots to deliver better mission outcomes. We have an array of potential pilot programs to consider and examples of how other governments have taken action. See Appendix 3 for examples.

To discuss a pilot, please contact ResponsibilityWorks's Executive Director Joiwind Ronen at [joiwind.ronen@sharedxpertise.com](mailto:joiwind.ronen@sharedxpertise.com).

## About Us

ResponsibilityWorks, an initiative of the Corporate Responsibility Officers Association (CROA), assembled a consortium of academics, business and government leaders, and non-profits to:

- Call on the government-sector to kick-start the “Responsible Economy”
- Define corporate responsibility (CR) in the government and government contractor sector
- Show how corporate responsibility works best in the public sector

As the professional organization for CR practitioners, the CROA improves society by encouraging greater sustainability across industries. Through ResponsibilityWorks it focuses on the government sector as a catalyst to accelerate responsible practices. Our members see responsibility as a national competitive advantage and work with government to maximize its potential.

# Appendix 1: ResponsibilityWorks Steering Committee Members

**Cisco** - Alan Balutis

**Compusearch** - Reid Jackson

**CROA** - Richard Crespin

**Defense Acquisition University** - Lenn Vincent

**Federal Aviation Administration** - Steve Cooper & Robert Tobin

**Fluor** - Douglas Larsen

**George Washington University** - Kathy Newcomer

**Government Accountability Office** - Bernice Steinhardt

**HP** - Judy Douglas & Kiersten Regelin

**Hudson River Valley Institute** - Vince Tamagna

**IBM** - Charles Prow & Dan Chenok

**KBI Industries** - Vince Tamagna

**The MITRE Corporation (FFRDC)** - Karen See

**National Academy for Public Administration** - Lena Trudeau

**Phalanx Group** - James Lay

**STR Responsible Sourcing** - Emily Brennan & Sol Milius

**ResponsibilityWorks** - Joiwind Ronen

**T3 TigerTech** - Donald Zacherl

**Unison Advisory Group** - Lynne Kaye

## Appendix 2: Data Elements

For publicly traded firms in the government sector, ResponsibilityWorks recommends using the [CR Magazine Corporate Citizenship definitions](#), criteria, and measurements *en toto*. For privately held firms and government agencies, we articulated, within the overarching definition of CR above, a set of principles and data elements outlined in the table below.

| Category       | Data Element  |
|----------------|---|
| Climate Change | <ol style="list-style-type: none"><li>1. Does the organization disclose its total use of carbon offsets and/or its total purchase or sale of carbon credits?</li><li>2. Does the organization disclose its total Direct GHG emissions?</li><li>3. Does the organization disclose its total Indirect GHG emissions?</li><li>4. Does the organization disclose its total Direct CO2 emissions?</li><li>5. Does the organization disclose its total Indirect CO2 emissions?</li><li>6. Does the organization have a publicly disclosed enterprise level climate change policy or make a statement or statements in its disclosed materials that is/are indicative of the company's enterprise level stance toward climate change?</li><li>7. Is there a component of the climate change policy addressing suppliers/vendors/partners?</li><li>8. Does the organization have a senior level officer responsible for the implementation of this climate change policy?</li></ol> |

9. Does the climate change policy include a commitment to quantifiable targets or goals?
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Employee  
Relations

1. Does the organization provide any demographic disclosure (limited to gender, race, ethnicity, age, and similar categories) regarding the composition of its workforce?
  2. Does the organization provide any demographic disclosure (e.g., percentage by gender or race) regarding the composition of its management force?
  3. Has the organization been fined or disciplined by the Equal Employment Opportunity Commission (EEOC) in the past 3 years?
  4. Does the organization disclose what employee benefits it offers (e.g., leave, insurance, employee assistance, wellness programs)?
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Environmental

1. Does the organization disclose the total amount of energy and/or water conserved through its conservation programs?
2. Does the organization disclose the investment and/or associated total savings or profits achieved as a result of conservation programs?
3. Does the organization disclose its total electrical power and/or energy use?
4. Does the organization disclose the percentage of electrical power and/or energy used that is derived from renewable sources?
5. Does the organization disclose the presence of any recycling programs and/or the use of any recycled materials in its products?

6. Are incentives given to employees for meeting organization conservation goals?
7. Does the organization have buildings that are LEED certified and/or EnergyStar qualified?
8. Does the organization have an enterprise level environmental policy?
9. Is there a component of the environmental policy addressing suppliers/vendors/partners?
10. Does the organization have a senior level officer responsible for the implementation of this environmental policy?
11. Does the environmental policy include a commitment to quantifiable targets or goals?
12. Have any environmental fines or penalties been levied against the organization over the past 3 years?

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Financial - may not directly apply to government

1. Is the organization in compliance with all required financial filings and disclosures?
2. Does the company have positive 3 year return?
3. Does the company have positive cash flow?

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Governance - may not directly apply to government

1. Does the organization have a Classified Board of Directors?
2. Does the organization have an independent Audit Committee?
3. Is the organization Committee independent? (if applicable)
4. Is the Nominating/Governance Committee Independent? (if applicable)

5. What percentage of Directors have failed to attend at least 75% of Board Meetings
  6. Is there an Outside Majority on the Board?
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- Human Rights
1. Has the organization been involved in any litigation, pending or settled, and/or fines levied against it related to human rights issues in the past 5 years?
  2. Does the organization have a clearly stated human rights policy?
  3. Does the organization make a commitment to the provision of competitive compensation and benefits to its workforce?
  4. Is there a component of the organization's human rights policy addressing suppliers/vendors/partners?
  5. Does the organization's human rights policy include a commitment to quantifiable targets or goals?
  6. Does the organization have a senior level officer responsible for the implementation of its human rights policy?
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- Philanthropy
1. What is the organization's total annual giving as a % of profit (or agency budget for government agencies)?
  2. Are in-kind gifts a part of the organization's philanthropic giving?
  3. Is paid employee volunteering a part of the organization's philanthropic giving?
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# Appendix 3: Government Sector Responsibility Examples & Issues

## Public Sector Responsibility Program Examples

The following examples illustrate a spectrum of different roles the government sector can play in accelerating responsible practices, beyond law and regulation. These examples are presented on a spectrum from voluntary to mandated.

Bully Pulpit. Public sector and industry leaders work together to bring about change. Examples:

In 2009, the government of Norway declared that *“public institutions should lead the way in being responsible consumers who request environmentally friendly goods and goods being produced in accordance with high ethical and social standards.”* To accomplish this, the government partnered with the multi-stakeholder Ethical Trading Initiative involving companies, trade unions and NGOs. This launched the [Ethical Criteria in Public Sector Procurement](#) guide, showing which ethical criteria public institutions may set for their suppliers, at which stage of the procurement process it is appropriate to set the criteria, and how observance of the criteria may be monitored.

The governments of Australia, Canada, EU, Norway, and the United Kingdom have called upon businesses within their societies to tackle human rights issues in their supply chains, by implementing the [UN Protect, Respect, & Remedy Framework](#) (aka the “Ruggie Framework”).

[Todd Park, Chief Technology Officer for the Department of Health & Human Services](#), calls upon the healthcare information technology community to develop innovative approaches to using health data to improve health outcomes.

Challenges/Prizes. A government agency underwrites a competitively awarded cash prizes to stimulate innovation in basic and applied research, technology

development, and prototype demonstration. Example: To our knowledge, this model has not yet been used to encourage sustainability, but could be modeled off the [NASA's Prize Authority](#).

Seeding Innovation. Agencies test the viability of experimental products or services. Examples: experimenting with [biofuels for military aircraft](#).

Large Scale Purchasing Power. A government validates a behavior, good, or service by incorporating it into its purchasing criteria. Examples:

The City of El Paso, Texas gives contractors that provide their employees health benefits a preference in the contracting process by making provision of health benefits a positive evaluation factor – along with price, reputation, technical qualifications, and past performance – that is weighed by city agencies in making their award decisions. The health benefits bidders provide are rated on a scale of 0 to 10, and the resulting score represents 10 percent of the overall best value score for the bid. Price remains the most significant factor accounting for between 40 and 70 percent. Source: [National Employment Law Project I: The Road to Responsible Contracting](#).

Since 2000, Los Angeles has used a responsible contractor policy to ensure all agencies review potential bidders' history of labor, employment, environmental and workplace safety violations. Bidders must disclose past and pending litigation, past contract suspensions, and outstanding judgments and these responses are subject to public review. Source: [City of Los Angeles Administration Code](#).

Connecticut has adopted improved responsibility review and a pre-qualification system in 2004 for bidders on public works projects larger than \$500,000. It evaluates prospective bidders based on their integrity, work history, experience, financial condition, and record of legal compliance. The Illinois Department of Transportation uses a similar system to evaluate prospective bidders' capacity to perform public contracts based on a range of factors that includes past compliance with labor and equal employment

opportunity laws. Source: [National Employment Law Project I: The Road to Responsible Contracting](#).

## Implementation Issues

ResponsibilityWorks identified the following significant implementation issues.

Voluntary vs. required. We established this effort to raise the bar, not the set a floor. Establishing minimum requirements remains the province of regulators and legislators. As a voluntary regime, this has the virtue of creating distinctions between firms that choose to live up to these commitments versus those that choose to set lower standards. It also has the pitfall of not having "teeth" in the form of enforcement penalties. At this stage of corporate responsibility's evolution this is wholly appropriate.

Willingness to disclose. Some firms choose to remain privately-held because they do not want scrutiny. For a variety of, for them, very legitimate reasons, some firms may choose not to disclose the data. The same may also be true of government agencies.

Ability to disclose. Gathering and reporting data to comply with these disclosures has a cost. Some firms or agencies may not be able to afford the systems and processes.

Unintended consequences. What gets measured gets done. Part of the overall intent in encouraging greater disclosure is to cause firms to measure the data required for more responsible operations. From experience, we know that once data get measured, changing the behaviors related to those things becomes not only possible, but almost inevitable. At the same time, we acknowledge that even with the best of intentions, causing specific things to be measured may result in unintended consequences, "gaming the system", or other unforeseeable outcomes.