THE BUSINESS CASE FOR BEING A RESPONSIBLE BUSINESS

Business in the Community Ireland

Contents

Foreword

Do we really need a publication outlining the business case for Corporate Social Responsibility (CSR), to prove that acting responsibly and ethically is not enough in itself? It seems so; we talk to hundreds of companies each year and often are asked about the bottom line impacts of CSR and why it should be invested in now and the longer term. This publication answers those questions.

Business in the Community Ireland (BITCI) is the network for responsible business. Membership comprises businesses from many sectors in Ireland both large and small. It was established by business leaders in 2000 with the objective that all businesses in Ireland would be responsible and sustainable. Since its inception, BITCI has built significant expertise in assisting companies to measure, manage and report on their corporate responsibility.

Across Ireland companies are at different stages in their journey to responsible and sustainable business behaviour. Many companies have already realised the benefits of embedding best in class practices across their organisations whilst others are addressing material areas based on their business goals.

When BITCI was established, CSR was based on corporate giving and engagement with charities and causes. Today, CSR is accepted as covering all areas of the business with the active engagement of stakeholders crucial to the success of the business, and openness and transparency in actions and communications underpinning good governance.

In 2011, to acknowledge the high standards being reached by leading companies, BITCI launched The Business Working Responsibly Mark. The Business Working Responsibly Mark is the only accredited Irish standard for corporate responsibility, and is based on the ISO 26000 guidelines and audited by the National Standards Authority of Ireland (NSAI). By having a formal standard in CSR, Irish business is demonstrating leadership within the international marketplace.

The analysis and research presented in this report shows that the business case for CSR is undeniable and that the drivers for companies to act ethically and with integrity is now crucial for their reputations when dealing with informed employees, consumers, communities and other stakeholders.

The emerging trends show the multifaceted areas that are raising the complexity of business operations from human rights to integrated reporting. However the direct key benefits of CSR to an enterprise enables them to respond positively, openly and transparently to not only address these challenges but to derive a sustainable and responsible business from this engagement.

CSR is shown to drive innovation, trust and transparency, all of which the world needs more of as the challenges of a growing population, climate change and biodiversity become more evident day by day.

Business in the Community Ireland supports businesses who want to drive and embed responsible and sustainable practices across their organisations. We hope this publication assists businesses and other relevant stakeholders to gain further insights into the business case for CSR.

Yours sincerely,

Tina Roche Chief Executive

Business in the Community Ireland

Introduction

As the network for responsible business, BITCI aims to build a shared understanding of CSR and its positive impacts through dissemination of best practice principles and practice across Irish businesses. From our work, we know that there are many levels of maturity and resources within and across businesses. With this report we aim to enhance understanding of the business case for CSR. The report reviews key trends and identifies the direct and indirect benefits of engaging in strategic CSR practices.

While there are many concepts of CSR in current business and academic literature, for the purposes of this report we use the EU Commission definition:

Corporate Social Responsibility is the strategic and continuous process to integrate social, environmental, ethical, human rights and consumers concerns into their business operations and core strategy in close collaboration with their stakeholders. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management and innovation capacity.

While governments provide a regulatory framework for governing issues such as employment rights, environmental protection, equality and fair trading, CSR goes beyond compliance with legislative requirements and creates shared value through collaboration with all stakeholders. As businesses differ and have their own unique culture, values and characteristics, there are no 'one-size-fits-all' business benefits for CSR; however the research shows that the identified benefits affect most businesses to some degree, and with impact varying based on maturity of CSR practice.

Section One of the report discusses key emerging trends in Ireland and internationally which will impact on Irish businesses in the foreseeable future including:

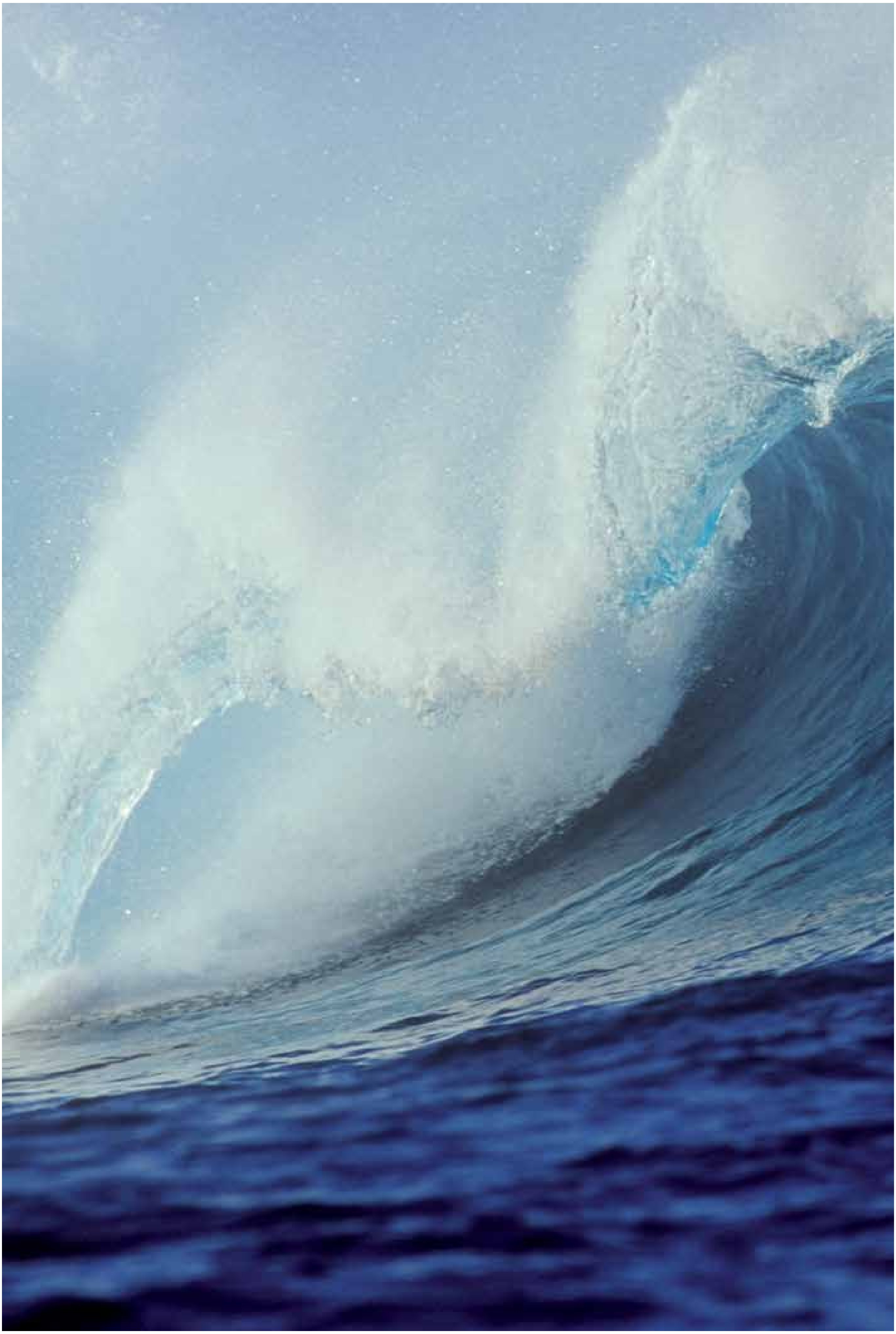
1. Irish Government and State Agencies Support for CSR
2. Business and Human Rights
3. Circular Economy
4. Integrated Reporting
5. The Changing Workplace

Section Two of the report draws upon international literature and empirical data collected by BITCI to outline the direct benefits of CSR to a firm's triple bottom line[1]. Based on analysis and BITCI experience, particularly through the Business Working Responsibly Mark, six direct benefits of CSR are presented:

1. Leveraging Brand Equity
2. Engaging the Workforce
3. Driving Business Expansion
4. Optimising Risk Reduction and Management
5. Ensuring Competitiveness
6. Boosting Long-Term Profitability

The analysis demonstrates that effective CSR policies and procedures can achieve measurable gains in terms of profit, market value and reputational capital.

[1]Triple Bottom Line: a means of measuring a company's success based on its economic returns, its effects on its environment and its impact on the community.



1. Key Emerging Trends

Business in the Community Ireland have identified the key emerging trends which will particularly impact on Irish business.

1. Irish Government and State Agencies Support for CSR
2. Business and Human Rights
3. Circular Economy
4. Integrated Reporting
5. The Changing Workplace

1. Irish Government and State Agencies Support for CSR

In April 2014, with the objective of making Ireland the best small country in which to do business, the Irish Government launched the National Plan on Corporate Social Responsibility (CSR) as a competitiveness measure under the Department of Jobs, Enterprise & Innovation. The National Plan outlined a vision for Ireland to be recognised as a Centre of Excellence for responsible and sustainable business practices. This aligned Ireland with twelve other European states that have active National Action Plans on CSR.

The main objectives are to:

- Establish a Stakeholder Forum on CSR to support the development of CSR in Ireland
- Establish a baseline of CSR activity in Ireland through the National Standards Association of Ireland
- Work with stakeholders to raise awareness of CSR and support best practice CSR
- Explore how IDA and Enterprise Ireland can promote CSR with their client companies
- Support programmes to develop CSR in the SME sector

'Ireland's Competitiveness Challenge' (2014) by the National Competitiveness Council states that:

"The Irish Government's recent National Plan on Corporate Social Responsibility recognises the importance of this dimension for continued economic success noting that "good CSR practices" are distinguishing the best companies from their competitors. The Plan specifically draws attention to the economic returns that accrue to individuals, companies and the wider economy when enterprises go beyond what is required by legislation alone. From a company perspective, benefits arise through improved customer relations, better risk management, efficiency and costs savings, greater innovation capacity, and enhanced attractiveness to investors."

Following the launch, the National Stakeholder Forum on CSR was established to drive discussion, create awareness and highlight the resources and links to this business agenda. BITCI, together with members companies, is actively participating in the Forum.

2. Business and Human Rights

Respect for human rights has become an integral part of business operations and should be written into company policies by all corporations. The increased awareness through social media of abuses of human rights by both governments and corporations has led to a demand by consumers of business to protect and defend human rights. Corporations can impact on human rights in a number of significant ways. These have increased over recent decades as the economic force and political influence of corporations increases and they become more involved in delivering services that previously would have been controlled by governments. The corporate responsibility to respect human rights means companies must work to avoid infringing on the rights of individuals and address adverse impacts for which a company may be responsible. This sets expectations for companies to:

- Make a policy commitment
- Exercise due diligence
- Engage in remediation

This was clearly set out in the UN Guiding Principles on Human Rights (colloquially called The Ruggie Principles after the author). These Guiding Principles were endorsed by the UN Human Rights Council in June 2011, and in the same resolution, the UN Human Rights Council established the UN Working Group on Business & Human Rights. The Ruggie Principles encompass three pillars outlining how states and businesses should implement the framework:

- The state duty to protect human rights
- The corporate responsibility to respect human rights
- Access to remedy for victims of business-related abuses

In early 2015, Chambers Ireland and the Department of Foreign Affairs and Trade hosted a workshop on Business and Human Rights. This workshop is part of an ongoing consultation as the Department drafts its National Plan on Business and Human Rights, as required by the UN Guiding Principles. Human rights in every aspect of business operations is fast approaching mandatory status meaning companies both in Ireland and internationally must incorporate respect for human rights within all their dealings with internal and external stakeholders.

There are compelling reasons why businesses should include human rights in their strategies, policies, practices and procedures. Businesses increasingly need a stable international environment in which to operate with sustainable markets and a 'level playing field' of opportunities. Human rights offer a common framework for businesses to understand society's expectations and deliver value to stakeholders in a more sustainable way. Advancing human rights is as much about realising new opportunities and managing risks as it is about meeting essential global standards.

Statistics

Business and Human Rights Resource Centre describes the main Human Rights issues for the top 100 global businesses as:

- Health
- Discrimination
- Children and Child Labour
- Freedom of Association

Statistics

The retail and apparel sector has the lowest percentage of companies with a human rights policy at **37%** compared to the average of **51%**.

(Business & Human Rights Resource Centre, 2015)

Statistics

The pharmaceuticals sector has the highest percentage of human rights policies globally at **100%**.

(Business & Human Rights Resource Centre, 2015)

Smurfit Kappa Group

SMURFIT KAPPA GROUP - Case Study

For Smurfit Kappa sustainability and social responsibility are at the heart of their business, and core to ensuring the long-term success of the company. They believe that as a global corporate citizen they have a responsibility to help meet the challenges of climate change, increasing resource scarcity, poverty, inequality and conflict.

'True closed-loop thinking starts in the forest, which is why we are unique among our peers in committing to 100% sustainably sourced new fibre from forests where biodiversity and human rights are assured to the highest globally recognised standards.' Gary McGann, Group CEO.

Smurfit Kappa's engagement with diverse stakeholder groups found that human rights are a key strategic issue for investors. The company regularly reviews its global operations to ensure ongoing respect for human rights in labour practices including freedom of association and collective representation in full compliance with ILO standards. Respect for diversity and equality of opportunity, treatment, and pay are in place in all locations. The company's commitment to citizenship principles has ensured that 90% of management teams in each location are comprised of local citizens. In 2014 they were listed in the FTSE4Good index in recognition of their progressive policy and practice.

3. Circular Economy

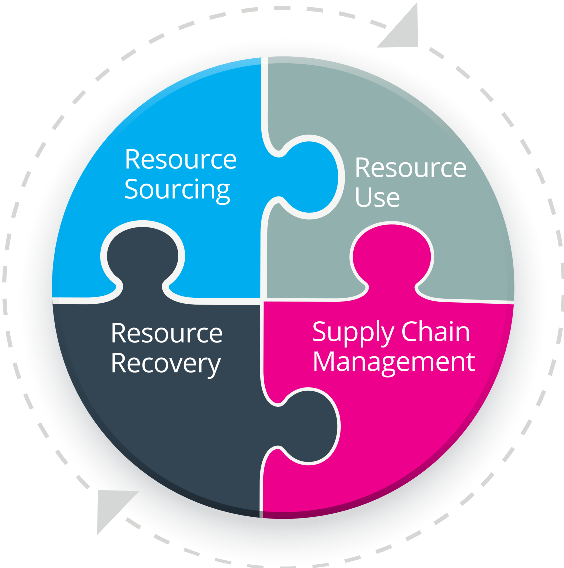
The circular or 'closed loop' economy, championed by the Ellen MacArthur Foundation, is a growing concept in Britain and Europe. It is defined as a restorative process whereby biological elements are designed to re-enter the biosphere safely, and technical elements are designed to be reincorporated back into future products. The evidence for integrating the circular economy model into production processes shows that the model is cost effective and sustainable. Given the increased understanding of the rapidly depleting reserve of natural resources, many businesses are applying this concept to their products.

One of the main driving forces for businesses engaging in a circular economy is that due to the rise in population and demand for consumer goods, our current 'throw away' culture is unsustainable. Effects of this method of production on the environment are already evident through climate change and with the depletion of resources companies are looking to other areas to maintain their capacity as businesses. Resource recovery is a means to maintain a consumption culture while also ensuring that resources are not depleted.

Current population trends predict that 3 billion people will join the 'middle class' by 2025, increasing the overall wealth of society. By 2040, based on current growth trends the overall population is expected to reach 9 billion. Given these population and affluence trends, the only way to lower environmental pressure is to change the way that goods and services are created.

The analysis *Growth Within: A circular economy vision for a competitive Europe* (2015) states that by adopting the circular principles, Europe can take advantage of the technology revolution to create a net benefit of €1.8 trillion by 2030 i.e. €0.9 trillion more than in the current linear development path. This would be accompanied by better social outcomes including an increase of €3,000 in average household income, a reduction of 16% in the cost of time lost to congestion, and a halving of carbon dioxide emissions compared with current levels.

This research presents, for the first time, a vision of how the circular economy could look for three of Europe's most resource-intensive basic needs: food, mobility and the built environment, which together account for 60% of household costs. The report acknowledges that, while on the current linear path technological disruption will bring benefits, the potential gains for growth, household income and the environment are much greater with a circular model.



Statistics

The cost of manufacturing mobile phones could be reduced by **50%** through a circular economy model.

(Ellen MacArthur Foundation, 2015)

Statistics

Costs of packaging, processing and distributing beer could be reduced by **20%**.

(Ellen MacArthur Foundation, 2015)

RICOH
imagine. change.

RICOH - Case Study

Ricoh developed 'GreenLine' as part of its Total Green Office Solutions programme, which aims to minimise the environmental impact of products at its customers' sites. Copiers and printers returning from their leasing programme are inspected, dismantled, and go through an extensive renewal process— including key components replacement and software update—before re-entering the market under the GreenLine label with the same warranty scheme that is applied to new devices. Because it increases customers' choice, Ricoh's GreenLine programme has quickly become a success story and it now keeps pace with Ricoh's new equipment sales.

The benefits are manifold for Ricoh, from enhancing its product portfolio with lower-cost models and serving a wider range of customers to rendering its offering more competitive by mixing 'new' and recirculation equipment. Its evolved relationship with its products in use is producing further results: optimising the years that machines are in operation at customer sites and generating annuity; generating additional revenue and margin by selling equipment more than once; and making a considerable contribution to resource conservation.

4. Integrated Reporting

Integrated reporting involves companies aligning their financial and non-financial information to create leaner, more streamlined organisations. It is an international trend that will gain significant value as new models of accounting are piloted and mainstreamed. Integrated reporting is the disclosure by a company of information on its near, medium and long-term capacity to generate value. Integrated reports disclose information related to all its capital; financial, manufactured, intellectual, human, social, relationship and natural (IIRC, 2013).

"The logic of integrated reporting is to bring together financial and ESG (environmental, social and governance) aspects of a corporation's performance in a single report, in order to encourage a better integration of ESG components in the company's strategy. It is about driving an internal transformation through a new organisation of corporate disclosure." (OECD, 2014)

At an EU level, the amended Accounting Directive 2013/34/EU regarding disclosure of non-financial information requires relevant companies to disclose in their management report information on policies, risks and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors. This will provide investors and other stakeholders with a more comprehensive picture of a company's performance. The new rules will only apply to some large companies with more than 500 employees. This includes listed companies as well as other public-interest entities, such as banks, insurance companies, and other companies that are so designated by Member States because of their activities, size or number of employees. The scope includes approx. 6,000 large companies and groups across the EU.

Integrated reporting, in common with the circular economy concept, is a process that while based on CSR is starting to become part of mainstream business operations. It has many proven benefits for the companies who incorporate it into their overall reporting strategy:

- Efficiency opportunities: by comparing operational costs and environmental impacts side by side, CEOs and management receive a complete picture and can make informed and strategic decisions (OECD, 2014).
- Investors: research indicates that companies who practice integrated reporting have more dedicated and less transient investors (Serafeim, 2014).
- Communication: companies who practice integrated reporting also commented that communications between departments who are responsible for strategies and controls have improved (PwC, 2014).

Reporting

The International Integrated Reporting Council (IIRC) lists organisations whose reports refer to the IIRC or the International Framework. This provides a range of best practices examples. In considering BITCI members, the following companies are referenced as having exhibited progressive approaches to reporting:

- Coca-Cola Hellenic Bottling Company
- Marks & Spencer
- PwC NV, Europe
- Diageo
- Vodafone

Statistics

74% of global CEOs say that measuring and reporting total non-financial impacts contributes to their long-term success.

(PwC, 17th Annual Global CEO Survey, 2014)

93% of companies pioneering integrated reporting say it helps remove barriers between departments.

(PwC,10 minutes on integrated reporting, 2014)

5. The Changing Workplace

Technology is redefining the modern workplace and the employee experience. In a 2014 Deloitte study the 'overwhelmed employee' was identified as the most pressing HR challenge for Irish employers. It is not just an Irish issue as employers across the world face employees that are exhausted due to the 'always on' technology which leads to the 'always on' work. People are accessible and encouraged to be accessible at all times. Yet it is known that innovation and creativity is fostered by reflection and periods of downtime. Respected business thinker, Gary Hamel, identifies a global epidemic of anxiety that is caused by, among other things, the 'always on' culture.

Another trend is the increased prevalence of short-term or zero hour contracts that are part of the approach to a flexible workforce. Highly educated and qualified people find themselves on successive short-term contracts but with a desire to secure longer-term contracts and/or a full-time permanent job.

Continuous performance management to enhance productivity and the rotation of leaders every couple of years is exacerbating the lack of relationship building that companies articulate as a goal. The era where an individual spends the whole of their working life with just one company would appear to be over. However, companies are still in need of experienced, loyal and engaged employees living in vibrant, thriving communities.

A Deloitte 2015 study identified that leading companies are struggling to develop leaders at all levels. The same study states that companies are looking for a workforce on demand including hourly employees. This trend is a dichotomy for leaders of companies as on the one hand they are investing to create a happy, productive and innovative workforce but the type and duration of work offered is often leading to insecure, exhausted, unhappy and less innovative staff.

Leaders will have to review this trend, i.e. the 'swing of the pendulum' from one job-for-life to hourly contracts, to find the right balance in order to build a responsible and sustainable business.

Statistics

Accenture's *The Future of HR* (2015) identified the following top trends that will significantly impact the HR function in the future:

- Tapping Skills Anywhere, Anytime
- Managing Your People as a Workforce of One
- The Rise of the Extended Workforce
- Digital Radically Disrupts HR
- Reconfiguring the Global Talent Landscape
- Social Drives the Democratization of Work
- Talent Management Meets the Science of Human Behaviour and Organisation
- HR Drives the Agile Organisation
- HR Must Navigate Risk and Privacy in a More Complex World
- HR Expands Its Reach to Deliver Seamless Employee Experiences

Deloitte's *Human Capital Trends* (2015) identified the HR trends of most relevance to Ireland as:

- Culture and Engagement
- Leadership Learning and Development
- Performance Management
- Workforce on Demand

2. Key Direct Benefits

In recent years companies have increasingly measured the impact of their CSR actions on their financial and non-financial performance. Based on analysis of BITCI members and international research, the following direct benefits are discussed in this section including:

1. Leveraging Brand Equity
2. Engaging the Workforce
3. Driving Business Expansion
4. Optimising Risk Reduction and Management
5. Ensuring Competitiveness
6. Boosting Long-Term Profitability

1. Leveraging Brand Equity

Impactful CSR combined with transparency and effective communications builds brand reputation and trust. Methods of enhancing brand value and maintaining reputation are developing in both context and meaning within the business environment in Ireland and globally, largely due to the rise in use of social media networks by both internal and external stakeholders.

Companies in Ireland have increased online visibility and were ranked third in Europe for use of social networks in 2013 with 48% of enterprises using social networks in Ireland compared to an average of 38% for the EU 28 (CSO, 2013). The rise of social networks and increased peer connections has brought a higher demand for complete business transparency concerning environmental and social impacts with 50% of companies reporting an increase in inquiries from investors/ shareholders concerning sustainability-related issues from 2012-2013 (Greenbiz, 2013).

In the age of social media, when a business can no longer exert complete control on its marketing and communications, reputation has never been more fragile, or more important. Research shows that CSR continues to inform the corporate agenda and is an essential component of the dialogue between companies and consumers. Companies that engage in authentic CSR practices see positive effects on consumer behaviour and spending patterns. Consumers feel a sense of loyalty and warmth towards the company and will respond by favouring the company over its competitors and creating positive word of mouth for the company (Romani, 2013).

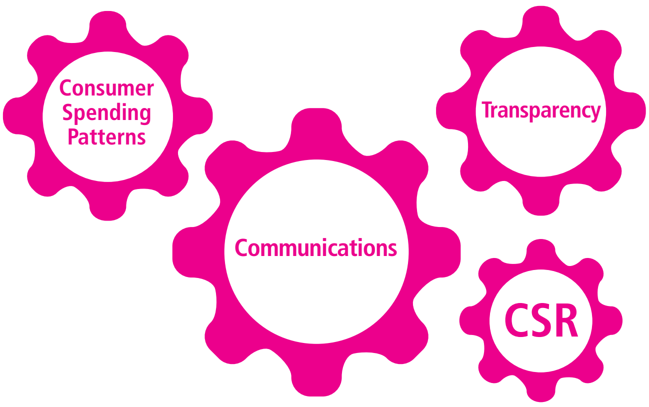
An effective CSR policy has been proven to be a comprehensive tool to substantially enhance brand value and reputation while a lack of responsibility either socially or environmentally is also shown to have detrimental effects on a firm's brand and reputation. As companies increase their use of social networks they can use these platforms to showcase their CSR actions. Effective CSR has been proven to provide future reputational capital that can secure insulation in times of crisis (Gunelius, 2012).

Parallel to an increase in social media networks, consumer purchasing and spending patterns are evolving. Three of the main influencers for purchasing from companies who partake in credible CSR practices are; altruism, self-image and social image. Of these 'social image' is the influencer that is rapidly expanding in its potential to increase a brand's value and reputation. Social image encompasses an individual's desire to both increase their 'social prestige' and to avoid any form of 'social stigma' (Quadir, 2013). According to BITCI research, 89% of Irish consumers believe it is important that companies show a high degree of social and environmental responsibility (BITCI, 2014).

In the national context a main barrier to increasing brand value and reputation for Irish companies is the lack of reporting and documentation of responsible business practices at a local level. This is particularly true of small and medium enterprises (SMEs) where traditionally there is little reporting. While it is difficult to quantify the economic value of such practices, ISME undertook a national survey in 2015 to capture the level of CSR activities by Irish SMEs. This report showed that their CSR activities are not widely visible to consumers and therefore SMEs are not harnessing their full potential to increase brand power. Although 46% of SMEs believed they either didn't know or were not active in CSR, everyone surveyed was involved in activities that are classed as CSR.

- 94% of SMEs donate money to charity
- 94% have waste reduction programmes
- 84% actively support the learning and development of their employees
- Only 54% understood enough about the term and the nature of CSR to be able to state that they were engaged in it

When consumers are informed of a business's CSR activities it helps build trust in the company. Trust is an important factor that affects the sales and profit margins of a company. According to the 2015 Edelman Trust Barometer, where a company is trusted by a consumer: 84% choose to buy their products or services, 74% recommend them to a friend, 55% pay more for products or services, and 42% share positive opinions online.



Statistics

Just **1 in 4** people believe that the majority of businesses in the Republic of Ireland operate in a responsible manner.

(Ricoh, Responsible Growth Survey, 2015)

Statistics

72% of Irish consumers consider a company's reputation when making a purchase.

(BITCI, Amárach Consulting, 2013)

BOOTS -Case Study

Good corporate citizenship runs deep in pharmacy chain Boots. In a 'mission statement' drafted before the term was even coined, its founding family made a pledge: "We declare – for pure drugs, for qualified assistants, for first class shops, for reasonable prices, for your good health and for moderate profits" to "minister to the comfort of the community in a hundred ways". That was in 1897.

More than a century later the chain still sees good corporate citizenship as central to business success. "CSR is intrinsic to everything we do, whether it's sourcing our products, or testing them, through to dealing with customers. After all, every product on our shelves is a representation of our brand - so its environmental impact and its ethical impact, right the way through the supply chain, matters to us. To have a successful business, we need the most engaged colleagues possible. The happiest colleagues provide the best care to customers, and that feeds out into the community. People feeling they have a purpose beyond profit is hugely important."

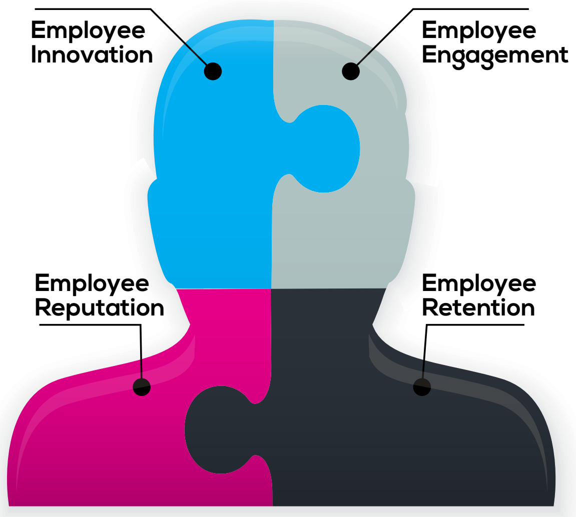
"We have a brand that people trust. When we launch a product, people assume it will work. When we give advice, people assume it is impartial. That is central to our business success. All I know is that the most successful companies in the world have an integrated CSR policy, and I'm not prepared to risk my own business's success to test that theory." Richard Bradley, Boots Ireland Managing Director.

2. Engaging the Workforce

Commitment to employees creates engagement with increased levels of innovation, decreased levels of turnover and overall improved productivity. Having engaged, satisfied, motivated, innovative and skilled staff is one of the key challenges for every CEO in Ireland today. To recruit, train and retain the appropriate staff is proving testing in an environment where employee mobility is high and employees want to work for companies whose values align with their own.

There are many examples of companies in Ireland that provide a wide range of innovative best practice CSR initiatives for their employees, including flexible working arrangements, promotion of diversity, staff consultation, worker directors and many more.

The benefits of CSR on current and future employees have been established by academic research and are evidenced through the lived experiences of companies operating both nationally and internationally. They enhance employee engagement, innovation, retention, and reputation.



Employee Engagement

Research shows that when employees are engaged in their company they typically exhibit and apply high skill levels to their role resulting in high productive rates and innovation.

Increased employee commitment can happen when an employee feels their values align with the company they are working for and this can lead to real cost savings and increased profitability. These impacts are achieved when employees with high levels of commitment require less supervision (Latif and Gulzar, 2011), higher skill levels among employees leads to more efficient use of materials, lowering production costs (OECD, 2010) and a lowering of long-term costs involved with safety and legal disputes (Sino-German CSR Project, 2012).

Employee Innovation

Embracing equality and diversity can have measurable benefits for a firm in terms of innovation. By developing a diverse workforce from different social, cultural and ethical backgrounds, firms are developing a large knowledge pool that encompasses a variety of alternative perspectives. These different viewpoints can provide added value to the business. The European Commission has outlined the following advantages in utilising an Equality and Diversity agenda: improved stakeholder relationships, enhanced customer satisfaction, wider customer base, better financial results, better company reputation/image and improved efficiency (European Commission, 2008). Of the companies surveyed by The European Commission which had an Equality and Diversity agenda in place, 60% suggested that it has had a positive impact upon their business, with 64% identifying a link between diversity and innovation.

Employee Retention

When efficient CSR policies and procedures are incorporated into the operations of a corporation, the company can be seen to display higher organisational commitment which leads to a reduced staff turnover rate (Sino-German CSR Project, 2012). This reduction in turnover due to increased loyalty has direct economic gains for companies. It is estimated that costs for employee turnover can range from 50% of base salary for entry positions to 400% of base salary for highly-skilled specialists (Sprinkle and Maines, 2010).

Employee Reputation

Similar to the correlation between brand equity and CSR, employees are more attracted to companies that comply with and go beyond their competitors in terms of CSR practices and policies. According to social identity theory if employees feel their values co-align with their employers it can boost workforce morale leading to higher rates of productivity (Sino-German CSR Project, 2012).

Along with higher productivity an examination of companies from a number of different sectors highlighted that companies who engage in higher levels of CSR than their competitors can lead to more engaged and committed employees. This "warm glow" feeling by employees that allows them to uphold their moral code is found to be more important than increased wages for employees (Schmitz, 2015).

Statistics

70% of CFOs believe that talent costs will impact negatively on a company's performance.

(Deloitte, 2014)

INTEL - Case Study

Intel actively cultivates a work environment in which engaged, energised employees can thrive on the job and in their communities. Initiatives such as embracing diversity, emphasising health & safety and encouraging volunteerism are integrated into the Intel way of working because they are good for business.

One of the key ways in which Intel works to ensure it is a good corporate citizen is by actively fostering diversity. "We invest in our people because we want to have the best people possible and we know that the research shows that diverse teams are more successful and are at less risk of falling into poor business practices such as 'group think'. For many years we have seen that there hasn't been enough diversity in the tech sector. Yet studies have shown that diverse boards are typically 30-40% more profitable, because diverse teams come up with better solutions." Eamonn Sinnott, Vice President of Intel Corporation and General Manager, Ireland.

"Our aim is to have a 50/50 mix in gender terms, but we have to hire from the market. Where there are qualified women, we look to hire them. But you can't hire them if they are not there, so our challenge is that it's simply not enough to say we want a diverse workforce, we have to go out and help create a diverse pool to recruit from."

To re-inforce the strategic importance that Intel places on corporate responsibility, they link a portion of every employee's variable compensation – from front-line workers to CEO – to the achievement of corporate responsibility metrics. The 2015 corporate responsibility bonus metric will focus on hiring and retention of diverse employees.

3. Driving Business Expansion

CSR is an indicator of a good company for both Irish and foreign investors and for shareholders when looking for opportunities to expand. The reputation of a company is not easily demonstrated by review of financial reports. Savvy investors and other stakeholders who want to understand the character of a company they wish to invest in or collaborate with are increasingly accessing the company's CSR or Sustainability communications as part of their due diligence. A company shows its attitude to risk, reputation, employees, environmental, social and governance concerns in these communications. Countries with progressive responsible companies, like Ireland, attract Foreign Direct Investment (FDI) and national investment as they are seen to be strong, robust and in business for the long term - people invest in companies that they trust.

At present socially responsible behaviour does not reflect the accountability companies have as a result of their size, where 51% of the 100 largest global economies are corporations. The power of corporations is significantly greater than those of many national governments and these companies play a dominant role in sectors that are significant for national economies (Pearson, 2013). While many corporations and prominent business minds have argued that the sole role for business is to make a profit (Friedman, 1970), by engaging with CSR businesses can provide themselves with a significant advantage and opportunity to expand the remit and size of their companies.

FDI is important to the economic prosperity of any country and to the businesses that work within it, especially in Ireland. As of December 2014, €2.8 billion was collected in annual corporation tax as a result of FDI and there were 1,033 overseas companies operating in Ireland providing 161,112 direct employment opportunities. Companies are attracted to Ireland for a number of reasons, including the educated workforce, the attitude of government to incoming businesses, the fiscal and regulatory standards and its geographic position. More recently companies looking to invest in Ireland are increasingly factoring in CSR considerations into their investment decisions (Grant Thornton, 2014).

With other countries lowering their levels of corporation tax, such as Cyprus at 12.5%, Gibraltar at 10% (down from 22% in 2010) and Qatar at 10% (down from 35% in 2009) (KPMG, 2015), it is no longer sufficient for a country mainly to have a low corporation tax to attract FDI. Governments must also take CSR into consideration to appeal to foreign investors. Good CSR practice is favoured by foreign investors as it increases overall reputation and prevents reputational risk and growing pressure to behave ethically and to move operations from tax havens (Grant Thornton, 2014).

Statistics

€21 billion is spent in the economy as a direct impact of FDI in Ireland.

(Grant Thornton, 2014)

Statistics

47% of senior management are expecting to collaborate with competitors in the next twelve months.

(PWC, 2015)

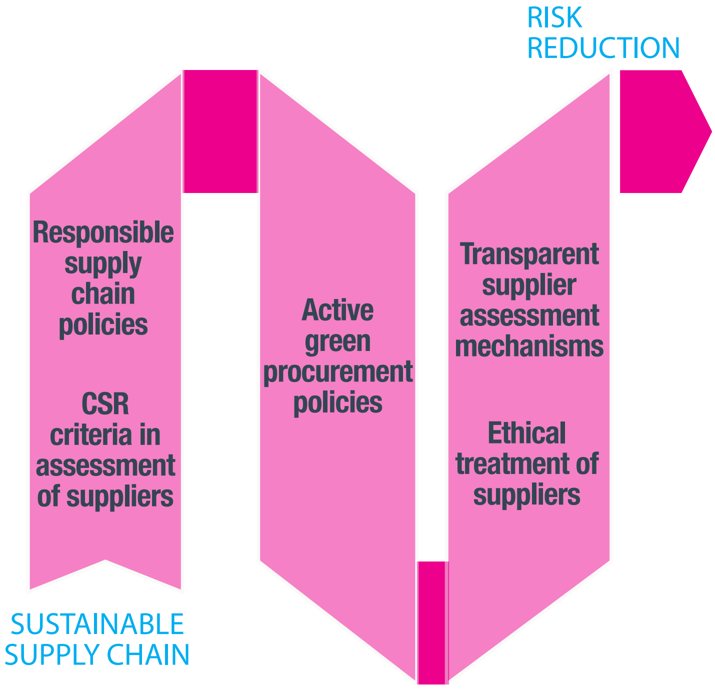
NORTHERN TRUST - Case Study

The guiding principles at Northern Trust are service, expertise and integrity. Integrating a comprehensive CSR policy across the business is core to this. Being a responsible business helps Northern Trust Limerick engage staff, help its local community and win business in a competitive environment. The company, which has had a presence Shannonside since 2006, is to expand operations there with the addition of 400 new roles by 2017.

Actively communicating on Responsible Business Practices has become an important part of Northern Trust's recruitment strategy. Candidates like to know what kind of a company they are joining. Limerick is home to some of the most innovative and successful companies, both multinationals and indigenous, in Ireland. All of these look to attract the brightest and the best young graduates around. It is a priority therefore that Northern Trust maintains its status as 'an employer of choice', a first preference for top calibre graduates in the region.

"The wider market is paying attention too. Clients are expressly interested in our annual CSR report. When we are bidding for business, part of that involves laying out what our CSR policy is. We find that, increasingly, clients are very in tune with this."

Embracing CSR as a core contributor to competitive advantage is now imperative for any business. "Being a socially responsible company contributes directly to our financial success. People hear about banks in the news all the time, and it's not often good. At Northern Trust that means we have to work harder to show ourselves as good corporate citizens." Catherine Duffy, General Manager.



Statistics

60% of organisations in Ireland have a dedicated senior staff member who monitors the effectiveness of the company's ethic codes.

(Chartered Accountants Ireland, 2013)

4. Optimising Risk Reduction and Management

CSR policies and practices can help mitigate and manage risks in a number of areas – for example, supply chain risks such as human rights abuses, operational risks such as compliance with regulation and product risks such as waste created during production and health and safety. Focusing on sustainable supply chains, this has strong risk reduction opportunities. It can decrease reputation risks, provide goodwill capital and can lead to an increase in sales volumes. In today's fast paced economy all stakeholders, both internal and external, are demanding greater levels of transparency in terms of how a company operates and how the companies in their supply chain operate. It is no longer sufficient for a business to rely on CSR practices that they incorporate in their own business operations, now they must prove that all stages of their supply chain and the business relationships they have engaged in, are also developing socially and environmentally responsible practices.

Companies have a duty to ensure fair treatment in their supplier relationships. This level of transparency should also translate into a company's relationship with its consumers, including treating them with integrity (BITCI, 2014). Corporate risk management must incorporate consumer reactions to the sustainability of supply chains.

The reactions of customers to unsustainable supply chains can affect trust in the brand and subsequent sales revenue (Sweetin et al, 2013). Multiple examples highlight the 'knock-on' effect of poor supply chain quality and consumer reaction e.g. Tyson Food, GAP and Nike.

A sustainable supply chain can potentially serve to increase brand reputation and overall sales, and enhance relationships with suppliers which can lead to an increase in the quality of products and better time management. Fair operating practices, where transparency and trust are apparent, enable a company to manage risk and future-proof its goods or services.

By establishing and reporting on the effectiveness of a strategic sustainable procurement policy, companies are increasing their reputational capital and the firm's overall reputation. Good audit procedures that highlight the effectiveness and benefits of CSR to all stakeholders now enable companies to take advantage of lower reputational risks, however only 35% of the world's largest corporations publish reports on their environmental policies and performances (Greenbiz, 2013), indicating a current gap and lost advantage in CSR reporting.

Statistics

8 in 10 companies have incorporated sustainability risks into their enterprise risk management framework.

(Greenbiz, 2013)

Gas Networks Ireland

GAS NETWORKS IRELAND - Case Study

Gas Networks Ireland is committed to responsible business practice, ensuring that ethical, environmental and social considerations are at the heart of their strategy and business decisions. Risk management is essential to deliver a safe, secure natural gas network in Ireland, a key role played by sustainable procurement. Gas Networks Ireland develops partnerships with suppliers whose principles and values align with theirs and who have a responsible approach to how they conduct their business.

"Collaboration is one of our company values which drives our efforts with business partners to explore opportunities together that deliver strategic results and impact positively on society.

In addition to health, safety, quality, environment, we now include criteria on human rights, employment practice, freedom of association, community support and engagement in our procurement practice where appropriate. These indicators further offset potential risks in the areas of reputation management, marketplace loyalty, business interruption, safety and compliance." Caroline O'Connor, Corporate Responsibility Manager.

5. Ensuring Competitiveness

In the current business climate CSR is an indicator of business success and provides a competitive advantage against surrounding and same sector businesses. Demands on corporate transparency are increasing as there are better-informed external stakeholders in the current market than ever before including customers, media, future and current employees, industry analysts, potential and current investors, communities, and regulatory bodies. These stakeholders are holding companies accountable for their environmental and social impacts.

With this new age of transparency and accountability comes another element of competitiveness among firms both nationally and internationally. Companies, in Ireland and globally, are expanding rapidly and using their CSR policy and practices to distance themselves from competitors and to increase their Unique Selling Proposition (USP) for investors and consumers (Wirl, 2014).

Potential and current investors, with the aid of tools such as the MSCI KLD 400 Social Index[2], can now target companies with high Environmental, Social and Governance (ESG) ratings and avoid companies which fail to meet ESG targets.

Similarly where companies are more socially responsible than their competitors they receive higher acquisition returns, further signs that investors will favour companies who engage with effective CSR (Deng, Kang and Low, 2013).

Shareholders holding firms accountable for their ESG rating are already a reality. A 2013 Greenbiz survey concluded that 50% of companies saw increased enquiries from investors/shareholders about sustainability-related issues in the previous 12 months. The five topics that shareholders/investors were anxious to address were:

1. Efforts to reduce energy consumption (69%)
2. Greenhouse gas emissions/adoption of quantitative goals (64%)
3. Publishing a sustainability report (51%)
4. Working condition/human rights issues (44%)
5. Financial risks associated with climate change (36%)

Research has shown that companies' CSR policies are significantly influenced by the CSR policies of companies in surrounding areas, even after controlling for factors such as size, leverage, profitability, capital expenditure and advertising (Jirapon et al 2014), thus highlighting that in order to increase a firm's USP they must at least match the responsible business practices of their competitors and of the surrounding businesses.

Statistics

An average of **67%** of business professionals feel there will be "very significant progress" or "significant progress" made in the area of CSR in the next five years. Only **8%** of respondents feel there will be "little" or "no progress".

(BSR, 2014)

Statistics

56% of CEO's in Ireland believe that CSR actions give them a competitive edge.

(BITCI, 2013)

[2] The MSCI Global SRI Indexes are benchmarks for investors seeking exposure to companies with outstanding sustainability profiles and avoiding exposure to companies that produces goods and services considered to have highly negative social or environmental impacts.

ESB - Case Study

ESB is betting on sustainable innovation to address the challenges of a low carbon future. This philosophy is embedded and integrated throughout the business, is aligned with its mission and values and contributes towards its commercial success.

Chief Executive Pat O'Doherty explains why fostering innovation is a hugely important part of ESB's competitive strategy: "We are on the cusp of enormous and fundamental change in relation to the nature of fuel. Technologies that we could not even have envisaged 10 years ago are coming into play and if we want to remain at the forefront of the minds of the people of Ireland, as a player for the national good, it is innovation that will help us achieve that."

ESB sees new low-carbon business opportunities as a source of competitive advantage into the future, enabling them to maximise the benefits of their status as a vertically integrated generation, transmission and supply business.

Sustainability adds value through developing new renewable energy sources and new energy solutions to meet the growing customer demand for sustainable and innovative products and services. ESB has a dedicated business area to focus on the development of sustainable business opportunities in specific areas of innovation including Electric Vehicles, Broadband, Ocean Energy, Solar PV and clean-tech investments.

6. Boosting Long-Term Profitability

Sustainable and responsible business practices influence long-term profitability through creating enhanced innovation, increasing productivity via employees, efficiency gains and new collaboration opportunities.

Another area that has been examined through the lens of effective CSR is the short-term investment in environmentally sustainable production and operations that has led to long-term savings and increased profit margins. Findings in a 2015 BAM Ireland / GMIT study showed that contractors have the potential to increase their profitability by up to 14% with resource efficiency.

In 2012, Accenture examined businesses internationally to question executives as to whether they view sustainable practices as an investment or a cost. The research established the following views:

- In the emerging markets, 97% said an investment, 3% a cost
- In the US, 88% said an investment, 12% a cost
- In European Markets, 87% said an investment, 13% a cost
- In Japan, 42% said an investment, 58% a cost

The high levels in the emerging markets (97%) that consider CSR an investment rather than a cost outlines an upward trend towards sustainable business operations. This means that existing businesses and the current markets need to re-examine their attitude towards CSR and work towards effective engagement in CSR best practices if they are to remain competitive in present and future economies.

Statistics

71% of CEOs believe that corporate responsibility activities have a positive impact on the bottom line.

(Business in the Community, UK et al, 2011)

Statistics

A 2013 survey by Chartered Accountants Ireland showed that having a company code of ethics helps to secure long-term shareholder value.

M&S

EST. 1884

MARKS & SPENCER - Case Study

For Marks & Spencer sustainability is the building block on which the business is built. The launch in 2007 of Plan A saw it give a very public hostage to fortune in terms of its commitment to being carbon neutral. The ultimate goal is to become the world's most sustainable major retailer. CEO Mark Bolland recognises the challenge for M&S, 'But we realise that becoming the world's most sustainable major retailer was never going to be down to a single measurement or even several measurements. It's a state of mind, an ambition to be restless in our aim to improve things for the better.'

In June 2014 Marks & Spencer launched Plan A 2020, which reflects their determination to put sustainability at the heart of the brand and corporate strategy. Their impressive progress to date and ambition for the future has been recognised by more than 220 sustainability awards.

M&S shareholders have seen Plan A deliver financial benefits and transform the quality of information they receive with the inclusion of 12 non-financial measurements in the Annual Report. Net benefit of £625m has been generated by Plan A since 2007, with £160m in 2014/15 alone. This was achieved through improved design and operation of stores, warehouses and transport fleets in UK and Ireland to increase efficiency and reduce waste. Today they are the only major retailer with carbon neutral operations.

Conclusion

There are many levels of CSR maturity and resources within and across Irish businesses. As the network for responsible business, Business in the Community Ireland aims to build a shared understanding of CSR and its positive impacts through dissemination of best practice principles and examples.

CSR has evolved from a corporate response through engagement with communities/charities in the early 2000s to a highly evolved response to environmental, social and governance pressures driven mainly by resource depletion, high costs, and changing consumer and employee expectations.

The accumulated research shows that the business case for CSR is unassailable and that the drivers for companies to act ethically and with integrity is now crucial for their reputations when dealing with informed employees, consumers, communities and other stakeholders.

CSR is shown to drive innovation, trust and transparency, all of which the world needs more of as the challenges of a growing population, climate change and biodiversity depletion become more evident day by day.

The emerging trends show the multifaceted areas that are raising the complexity of business operations from human rights to integrated reporting. However the direct key benefits of CSR to an enterprise enables them to respond positively, openly and transparently to not only address these challenges but to derive a sustainable and responsible business advantage from this engagement.

Business in the Community Ireland seeks to support businesses who want to drive and embed responsible and sustainable practices across their organisations. Please contact us if we can be of assistance to you.

Methodology

We wish to acknowledge the Business in the Community UK report "The Business Case for being a Responsible Business" (2011) and this report has drawn on both its structure and content. The business and academic research supporting this report is outlined in the References Section. The cited research is drawn from robust and reputable publicly available research published from 2010 to 2015, and from BITCI empirical data collected during 2012 to 2014. The case studies used in the report to highlight CSR best practice are from BITCI member companies, and efforts were made to ensure recent examples were included.

The identified trends and benefits are informed by evaluation and comparison of best business practices from BITCI member companies against international research. Through this process we identified how the benefits outlined by BITC UK (2011) have changed or amalgamated while also identifying the new emerging trends. You can see more examples of best practice in CSR by member companies on our website www.bitc.ie.

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