

Mining and Energy Research Network

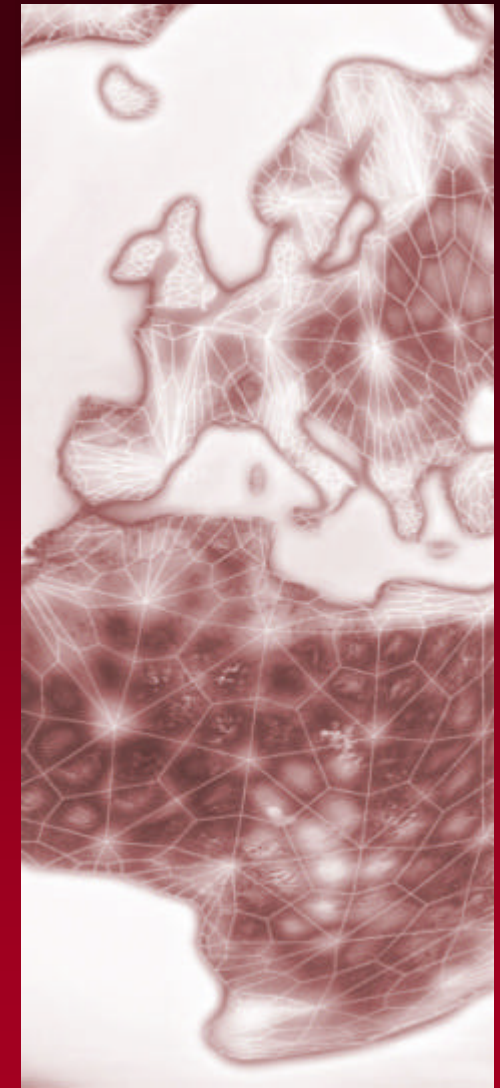
Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

SUSTAINABILITY INDICATORS & SUSTAINABILITY PERFORMANCE MANAGEMENT Paris, 14th January 2002

Professor Alyson Warhurst
Chair of Strategy and International Development
Director, Mining and Energy Research Network
Director, Corporate Citizenship Unit

alyson.warhurst@wbs.ac.uk



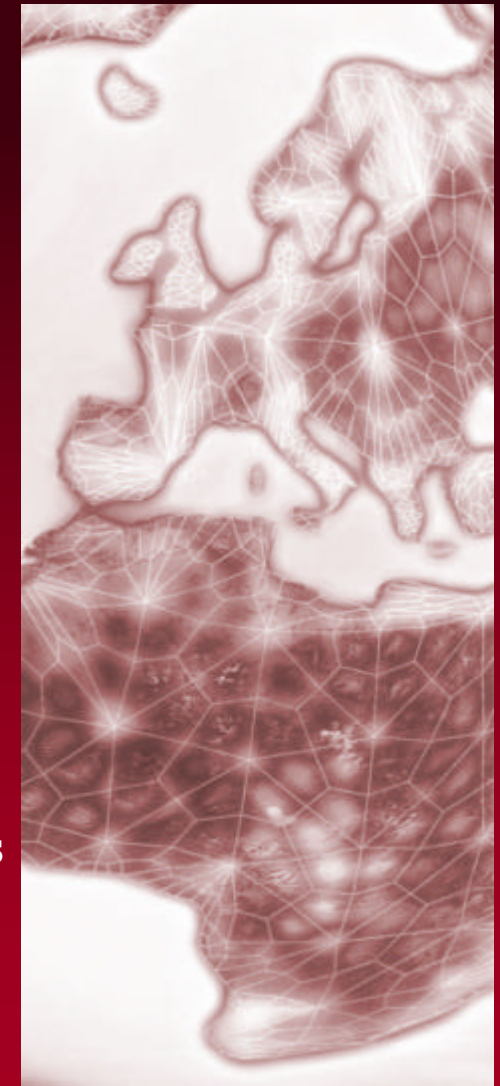
Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

- » **Development & use of indicators**
- » **Sustainability Performance Management Systems**
 - Managing Sustainable Development Issues
 - Reporting on Sustainability Performance
- » **Tools**
 - Impact Assessment
 - Social Accounting & Indicators
 - Sustainability Reporting
 - Auditing & Verification
 - Partnerships
 - Dialogue
 - CSI
 - Capacity Building
 - Strategic Integration
- » **Policy, codes & standards provide reporting frameworks**
- » **But... Corporate strategy & tailor-made approaches to SPMs & SIs support sound investment decisions**



Corporate Citizenship Unit

Mining and Energy Research Network

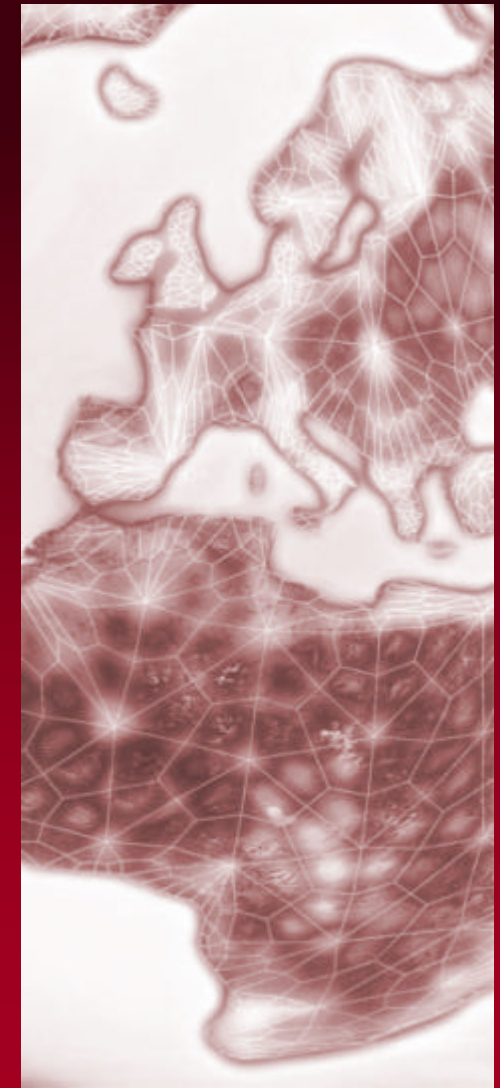
Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Corporate Citizenship Unit/MERN at WBS (5*)

- » Collaborative programmes of network research & multidisciplinary projects - theory & practice
- » Expanding PhD/Masters programme with industrial sponsorship & MBAs
- » Short courses, TAGs, executive training
- » Facilitation, coaching, mentoring, verification

» Case Studies



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

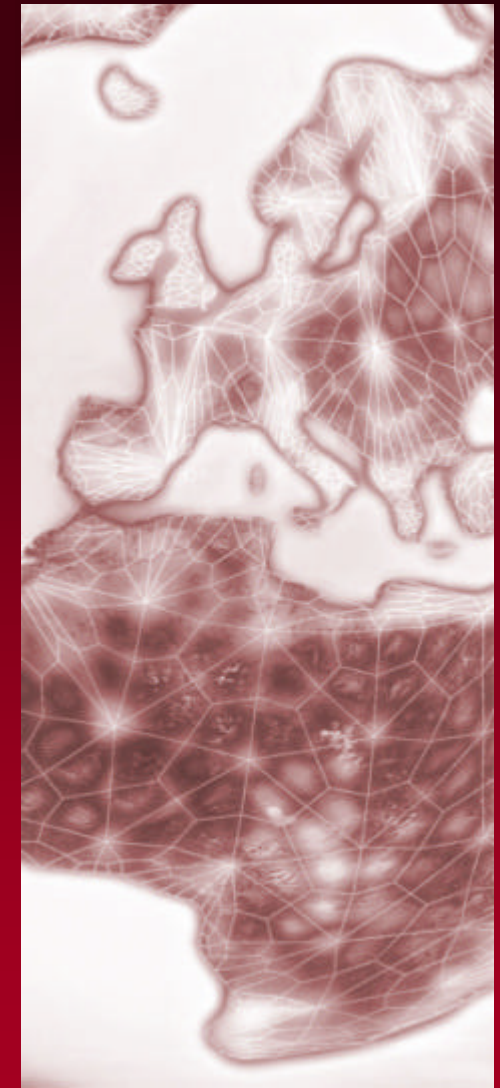
Corporate Citizenship: A New Paradigm

OLD

Polluter pays
Regulation & compliance
'Do no harm'
Crisis-management
PR
Description
Regulatory Drivers
Tangential

NEW

Pollution prevention
Rights and responsibilities
'Guarantee positive good'
Precautionary approaches
Social Reporting
Indicators
Financial Drivers
Strategic



Corporate Citizenship Unit

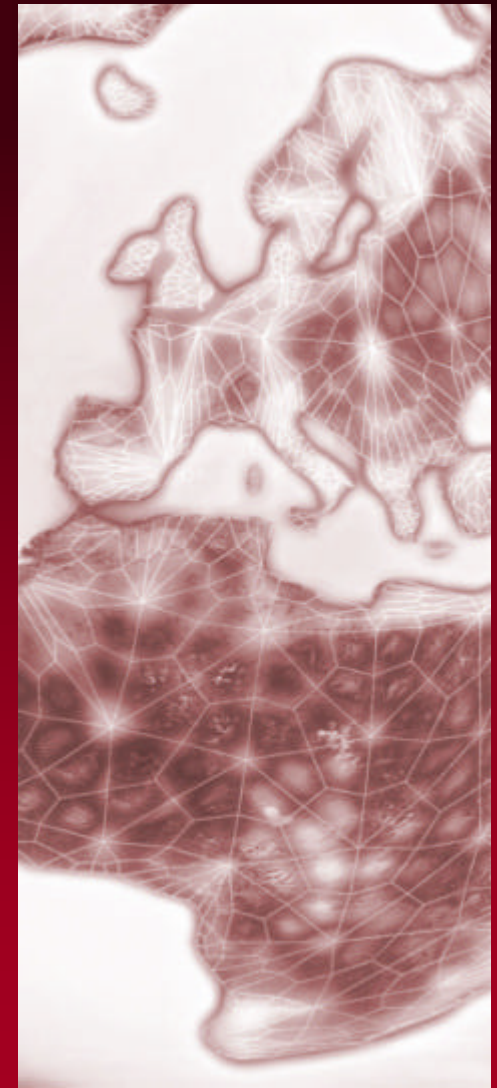
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Business and Sustainable Development

- »»» Three 'capital' components determine a nation's wealth
- »»» New working definitions of sustainable development emphasise enhanced well-being over time - 'development rights' & QoL
- »»» Shifts attention from flow measures of economic activity (GNP)
- »»» Three implications for business & investors:
 - Business Practice
 - Equity
 - Product 'Use'



Corporate Citizenship Unit

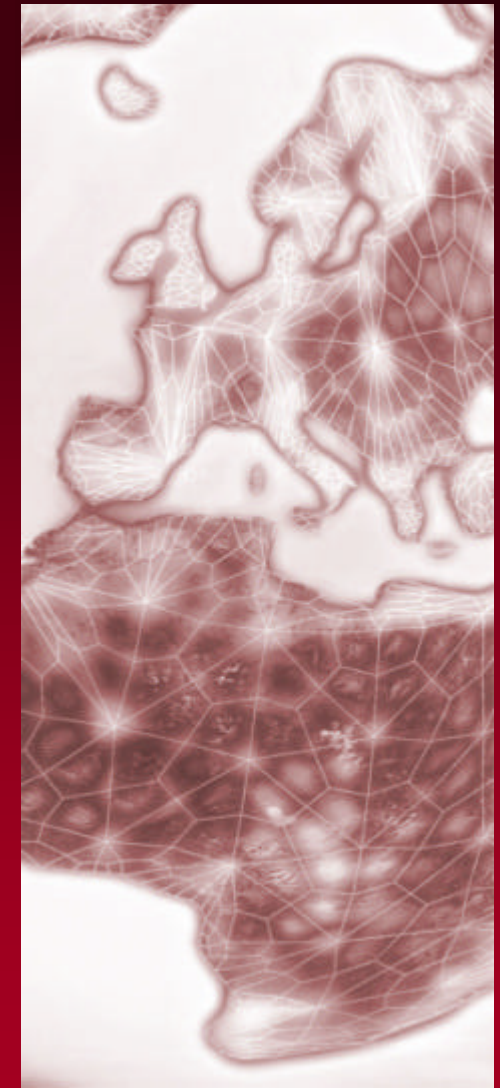
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

From Rights To Responsibilities

- »»» **Gains emanating from the transformation of sub-surface capital (e.g. minerals) contribute more positively to sustainable development**
- »»» **Pro-active interpretation of environmental & social responsibility beyond legal obligations to employees & shareholders**
- »»» **Products contribute to QoL & wellbeing**
- »»» **Sustainability Performance Management, Sustainability Indicators & Sustainability Reporting**



Corporate Citizenship Unit

Summary of Indicator Types

Indicator Type	Overview	Application		
		Environmental	Social	Economic
Descriptive	Relates to <i>drivers, pressure, state, impact, or response</i>	✓	✓	✓
Performance	Compares the actual situation with targets	✓	✓	✓
Efficiency	Insights into efficiency of processes and product use	✓	✗	✗
Sustainable Reference Values	Relate to target levels of environmental quality from SD perspective	✓	✗	✗
Production	Standard engineering approaches to process management	✓	✗	✓
Regulatory	Regulatory indicators drawn from legal compliance	✓	✗	✗
Accounting	Accounting indicators for internal or external reporting and cost tracking	✓	✗	✓
Economic	Used to value external environmental & social costs and promote internalization	✓	✓	✓
Quality	Quality-based indicators focused on waste minimisation	✓	✗	✓
Ecological	Local, regional, national & international impacts on ecosystem health	✓	✗	✗

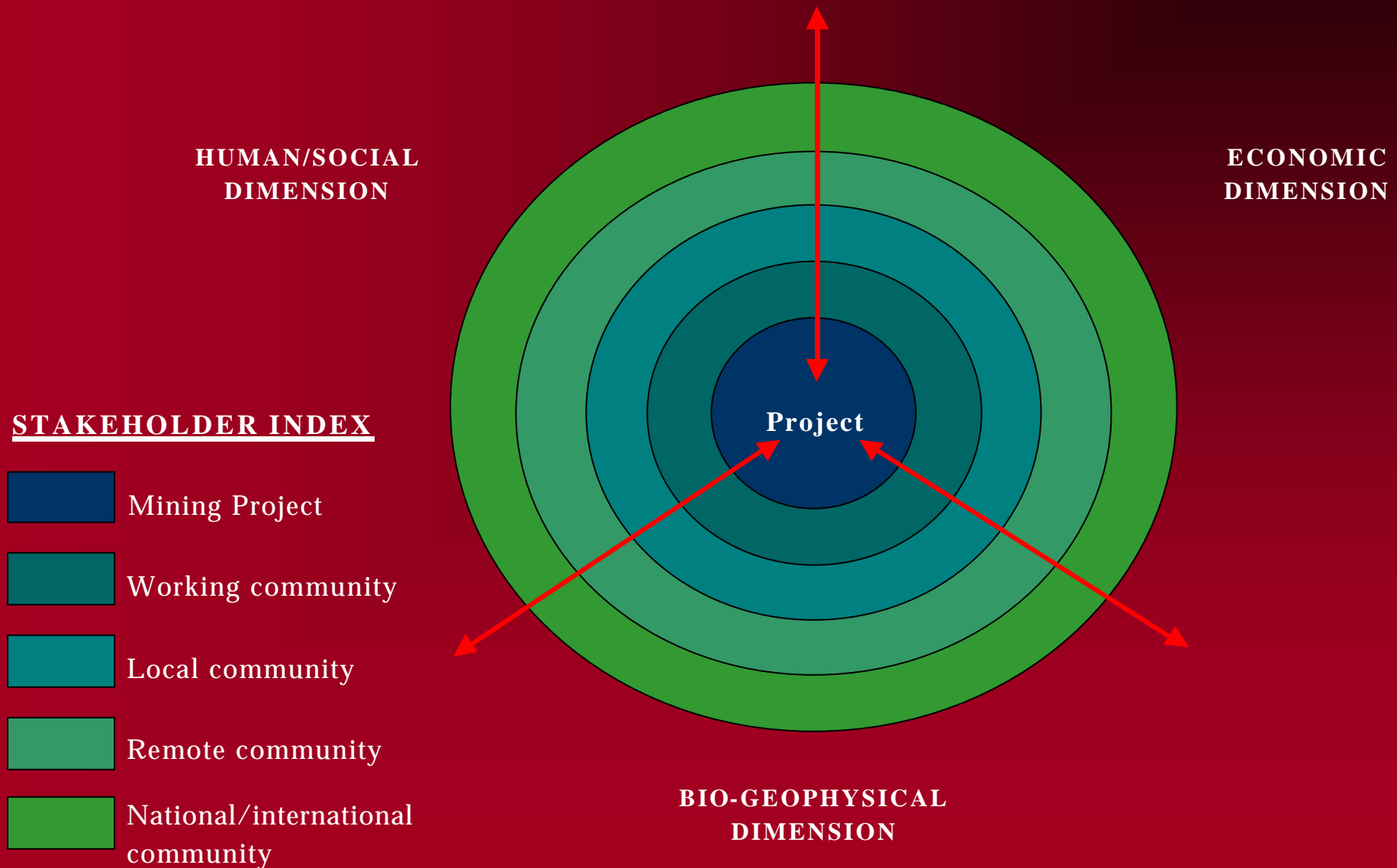
Summary of Major Reporting/Indicator Initiatives

NAME	Relevance to mining sector	Application			Geographical relevance	Major users
		Env.	Soc.	Eco.		
Global Reporting Initiative	High	✓	✓	✓	Local → Global	All
MERN	High	✓	✓	✓	Local → Global	All
WBCSD	High	✓	✓	✓	Local → Global	Business
UNEP	High	✓	✓	✓	Local → Global	All
UN International Standards of Accounting & Reporting	High	✗	✗	✓	Local → Global	Government, business
ISO	High	✓	✗	✗	Local → Global	Business
AccountAbility AA1000	High	✗	✓	✗	Local → Global	Government, business, civil society
Sectoral initiatives	Medium (specific to sector)	✓	✓	✓	Mainly local and national, more limited at global level	Business (although reported to other stakeholder groups)

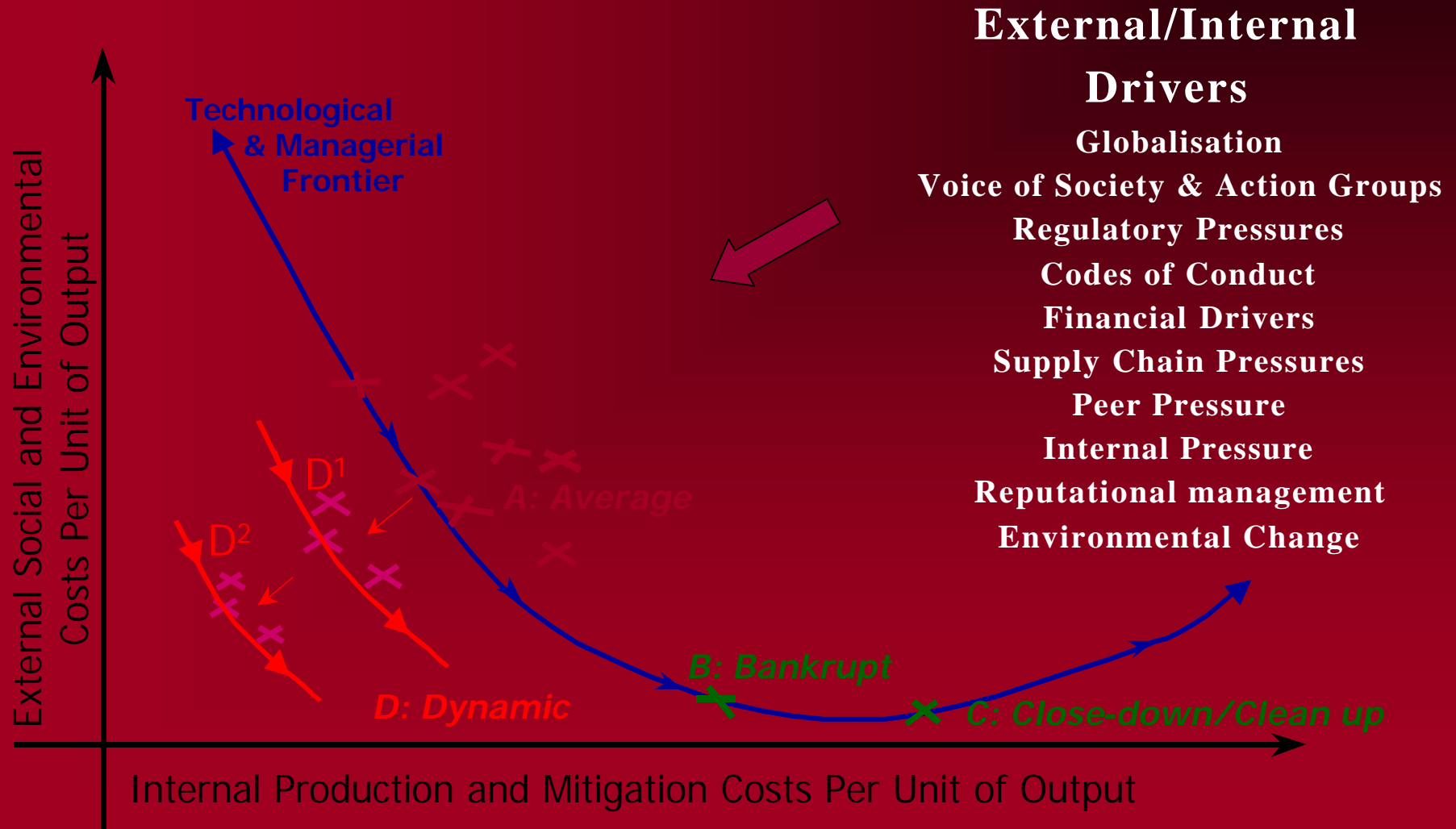
Characterisation of Different Indicator Systems (Impacts)

NAME	Application			Developer	Users
	Env.	Soc.	Eco.		
DPSIR Framework Systems analysis view of the relationship between environmental system and the human system	✓	✗	✗	OECD & various	European Environment Agency Most nations reporting on the environment
Input-Output-Outcome-Impact Project level framework	✓	✗	✗	World Bank	World Bank and related organisations
Sustainability Performance Management System Analytical structure for qualitative evaluation of performance & logic for tracking change	✓	✓	✓	Mining and Energy Research Network	Companies, government, NGOs, local communities
In-house Specific sites or companies	✓	✓	✓	Various	Companies
Quality of Life Informs community-based strategies to promote well-being	✓	✓	✓	Audit Commission (UK)	Local authorities (regional governmental bodies in the UK)
Best Performance Value Indicators Balances sustainability issues with cost of reporting	✓	✓	✓	DEFRA UK)	Local authorities (regional governmental in the UK)

Direct and Indirect Effects from the Stakeholder Perspective (D. Mergler & MERN IDRC workshop, 1998)



Indicators of Sustainability Performance



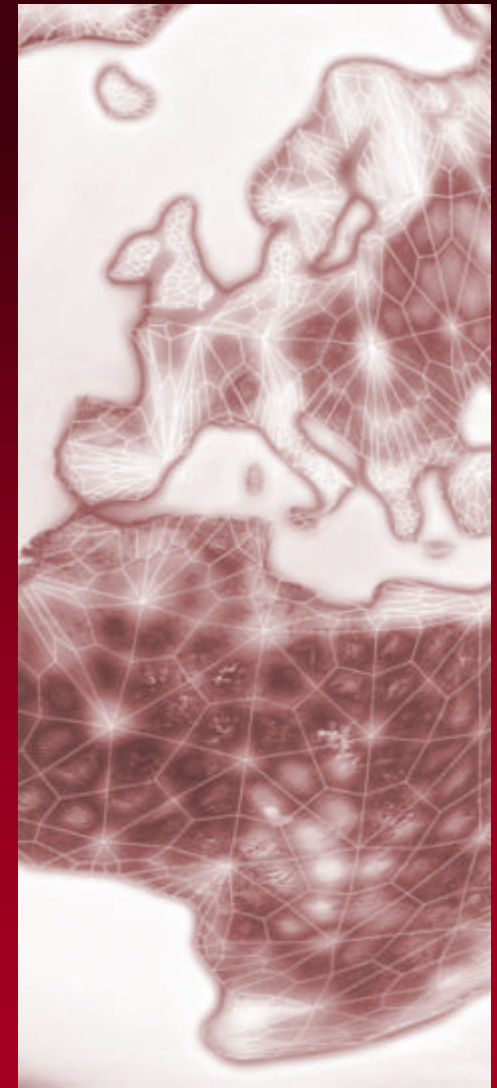
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Sustainability Performance Management

- »»» Impact assessment ® Effects anticipated & prevented
- »»» Partnership approaches to stakeholder relations
- »»» Stakeholder dialogue
- »»» Social Investment ® Foundations & community projects
- »»» Professional development and training
- »»» Social accounting including indicators & target setting
- »»» Reporting
- »»» Auditing and verification/evaluation



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Sustainability Performance Management & Strategic Management

- »»» Integrate into mainstream corporate strategy
- »»» Through coherent management framework
- »»» Horizontally (CSR; HSE; HR; Financial etc.)
- »»» Vertically (strategic)



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Developing Sustainability Indicators for the UK Non-Ferrous Metals Industry

Professor Alyson Warhurst (Business Strategy)

Dr Paul Mitchell (Environmental Technology)

Dr Magnus Macfarlane (Social Auditing)

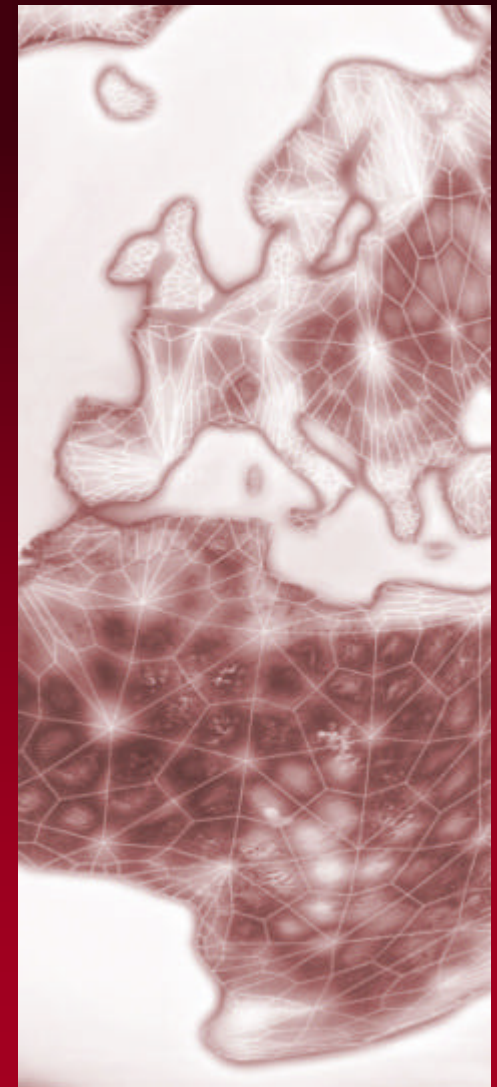
Nick Dale (Economist)

Deborah Webb (Environmental/social auditing)

University of Warwick

NFA

DTI



Corporate Citizenship Unit

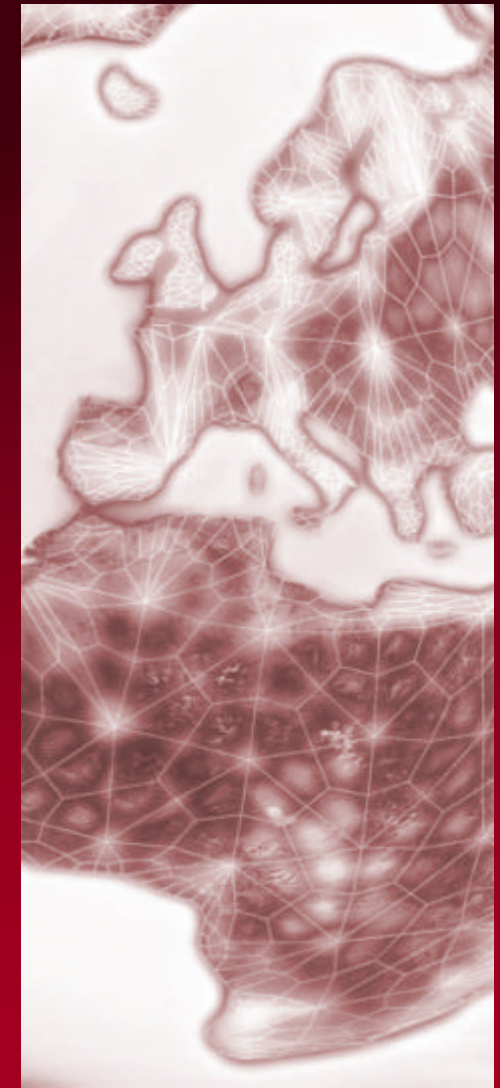
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Aims of the Project

- ① Develop a set of credible and meaningful indicators
- ② Design a framework to evaluate progress against relevant milestones
- ③ Contribute to knowledge of the industry's achievements, and the contributions that metals make to society



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

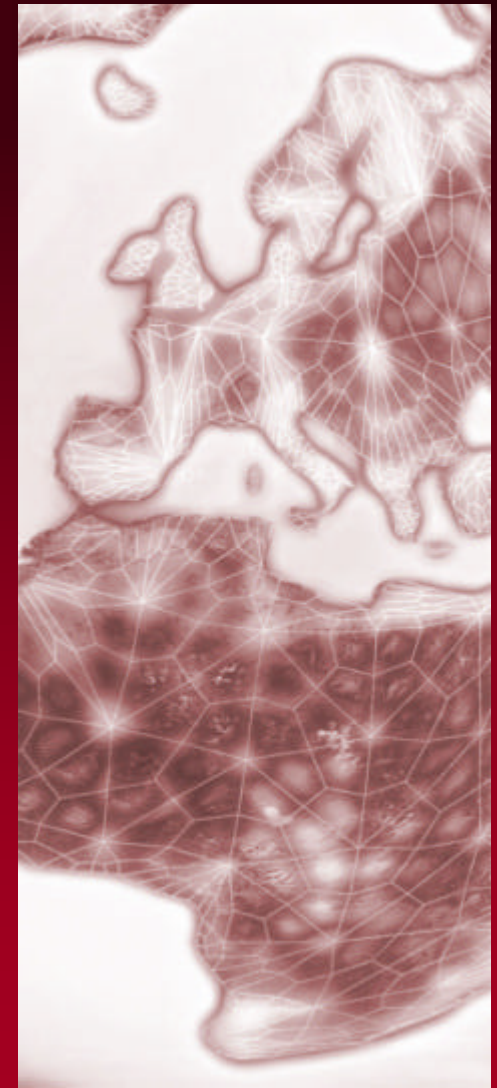
Outputs - Products of the Research

① Indicators

- *Representative*
- *Practical*
- *Responsive to change*
- *Contribute to prediction*
- *Understandable*
- *User-friendly*
- *Relevant*
- *Cost-efficient*
- *Target-related*
- *Comparable*

② Research analysis

③ Methodology



Corporate Citizenship Unit

Global	Level I	Environmental, Social or Economic Sustainability
	<i>Includes....</i>	
Sector/Large Business Units	Level II Issue	Relates to issues at the <i>sector</i> or large <i>business unit</i> level
	<i>Includes....</i>	
Company	Level III Issue	Relates to issues at the level of the individual <i>companies</i>
	<i>Produces....</i>	
Company	Level III Indicator	Derived from Level III issues - applicable at <i>company</i> level
	<i>Aggregates to....</i>	
Sector/Large Business Units	Level II Indicator	Aggregated from Level III indicators
	<i>Aggregates to....</i>	
Global	Level I Indicator	Designed to show progress towards (or away from) sustainability

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

① Groups of indicators

Environmental Sustainability

Natural resource protection (Level II)

Environmental strategy (Level II)

Management of local environmental impacts (Level II)

Economic Sustainability

Sustainable economic performance (Level II)

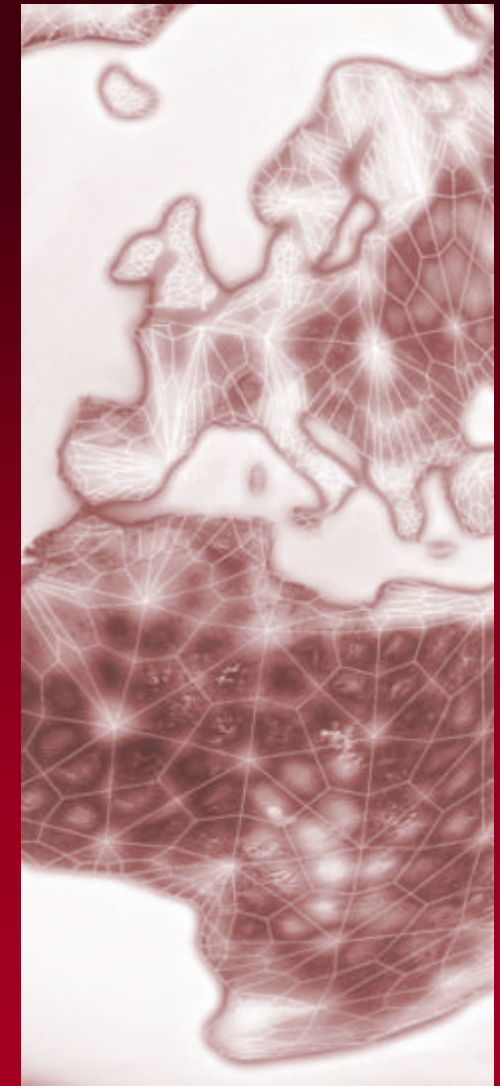
Economic impacts of the industry (Level II)

Employment impacts of the industry (Level II)

Social Sustainability

Internal stakeholder relations (Level II)

External stakeholder relations (Level II)



Corporate Citizenship Unit

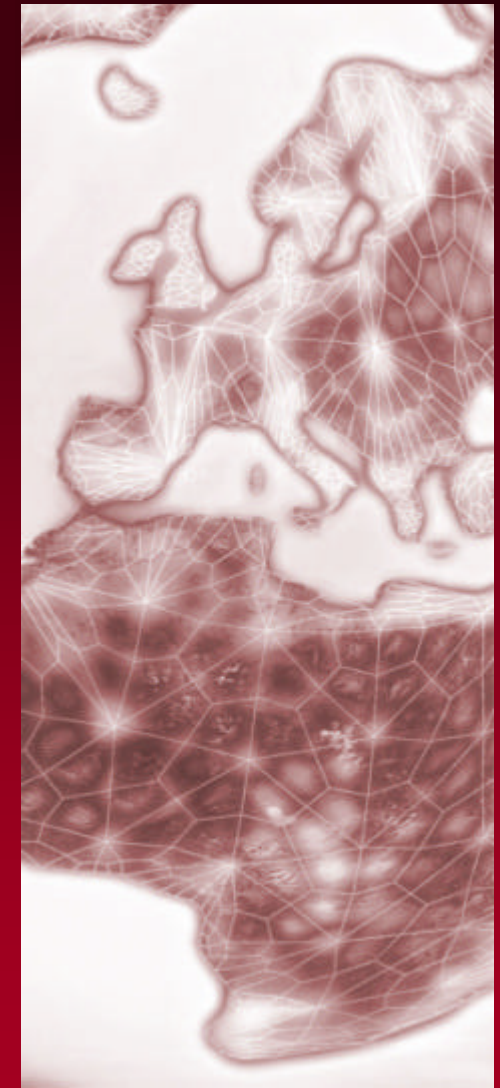
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

② Research analysis

- Systematic description of issues
- Understanding stakeholder perceptions
- Dialogue
- Effective communication of progress



Corporate Citizenship Unit

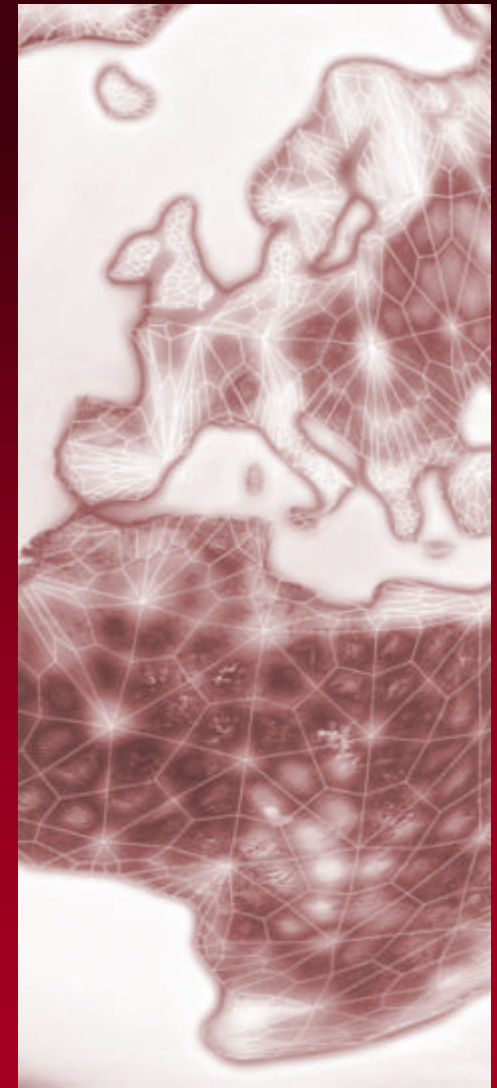
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

③ Methodology

- Stakeholder-scoped
- Expert derived
- Live, not static
- Adaptive



Corporate Citizenship Unit

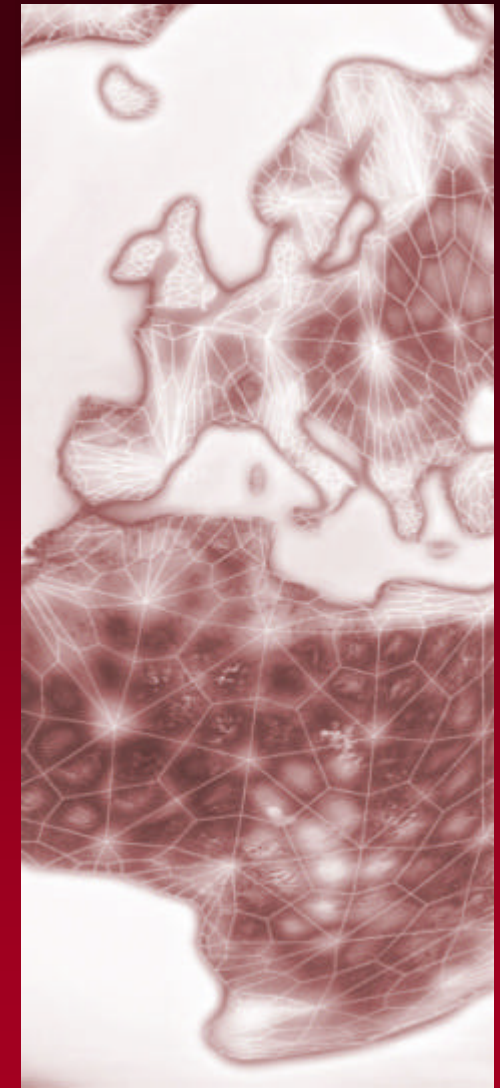
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Future Work

- »»»» Ongoing dialogue
- »»»» Ongoing development of indicators & frameworks
- »»»» Further development of the product use methodology
- »»»» Priorities & phasing
- »»»» 'Trade-offs'
- »»»» Enhancing participation
- »»»» Supply chain - upstream/downstream indicators
- »»»» Operationalising the indicator frameworks
- »»»» Scoring, auditing, reporting and verifying
- »»»» Communication



Corporate Citizenship Unit

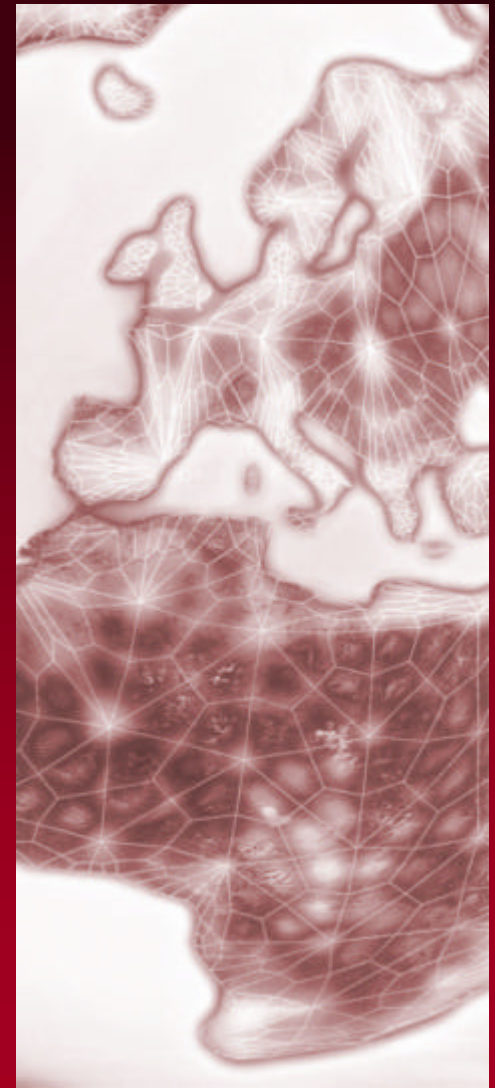
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Social Performance Reporting

**A case-study of the Social
Accounting, Auditing &
Verification process at Premier Oil**



Corporate Citizenship Unit

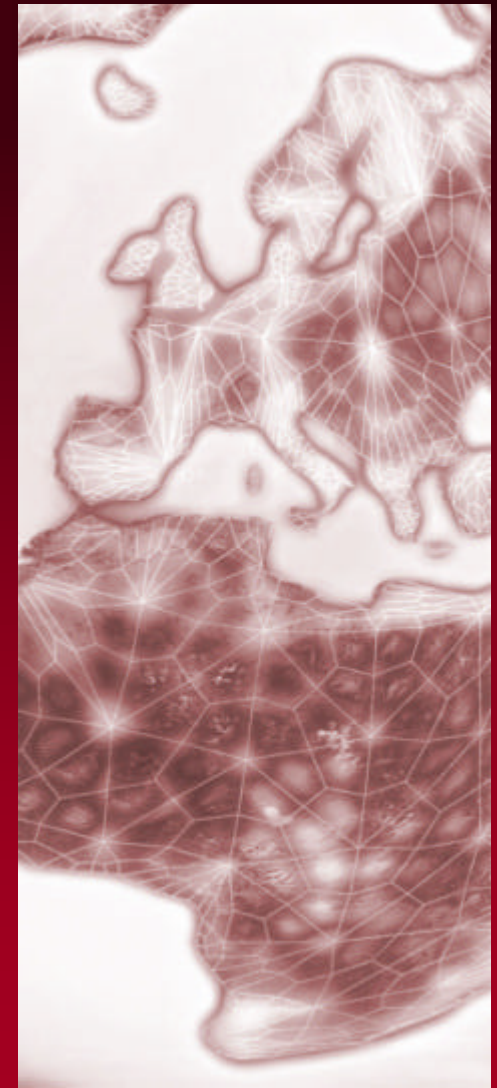
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Premier Oil

- »»» Small UK oil company
- »»» Very successful in exploration
- »»» 750 employees
- »»» Indonesia, Pakistan, Myanmar
- »»» Committed CEO and Management
- »»» Under constant scrutiny regarding human rights



Corporate Citizenship Unit

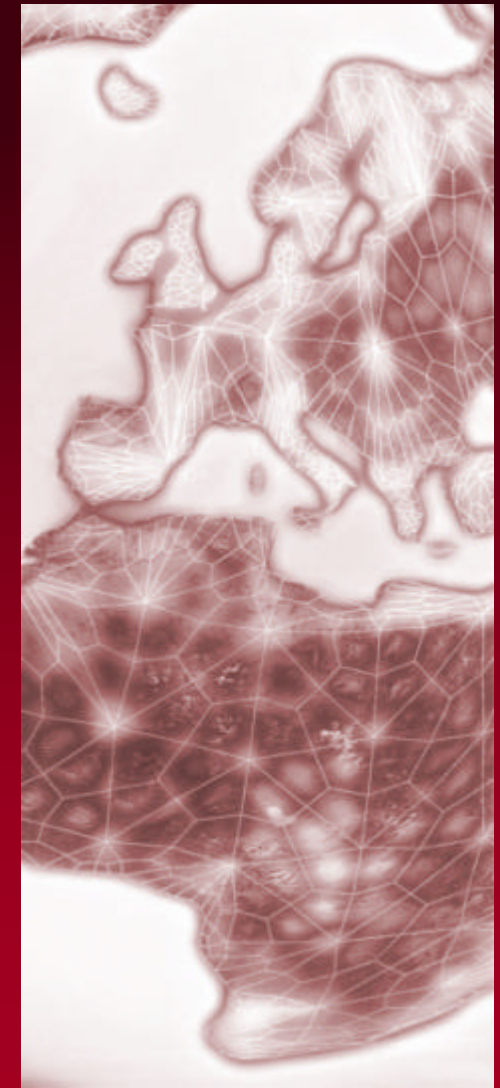
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Indicator Development

- »»»» Suggests strategic options & targets
- »»»» Internal & collaborative learning process
- »»»» Evaluates & communicates performance
- »»»» Level playing field

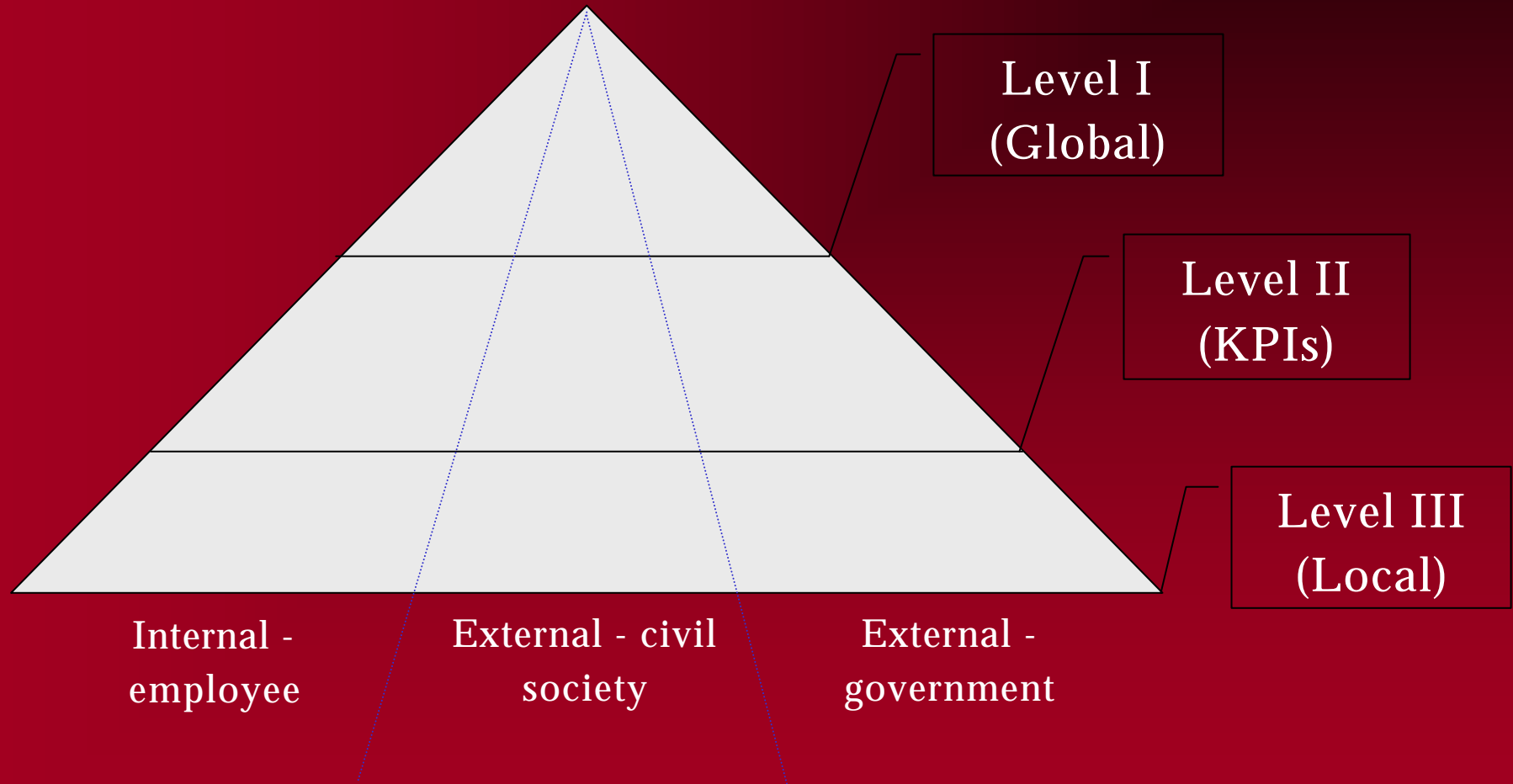


Corporate Citizenship Unit

Social Sustainability Performance Evaluation



Social Sustainability Dimensions



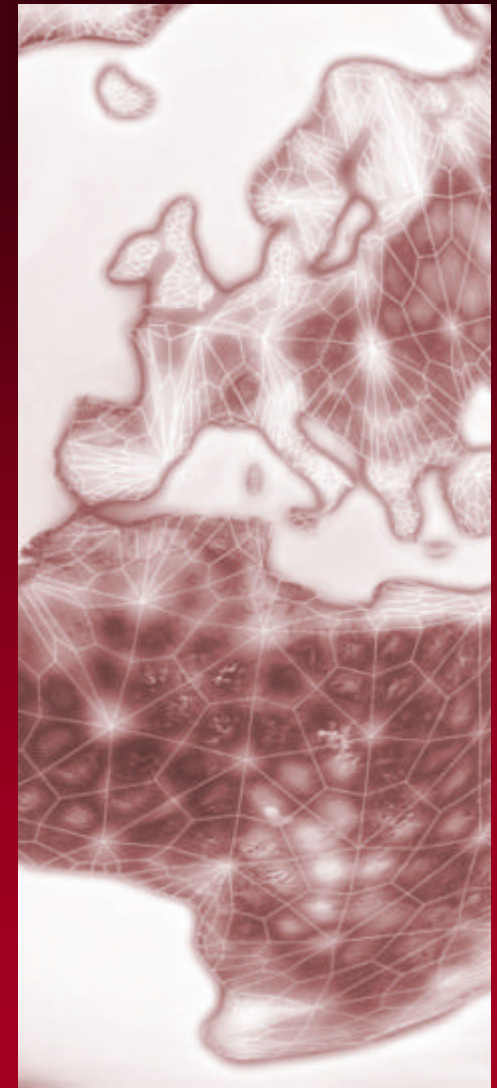
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Function of the Framework

- » Organised the social accounting process
- » Defined systematic process for indicator development
- » Categorised recommendations & targets
- » Structured report & its verification & evaluation



Corporate Citizenship Unit

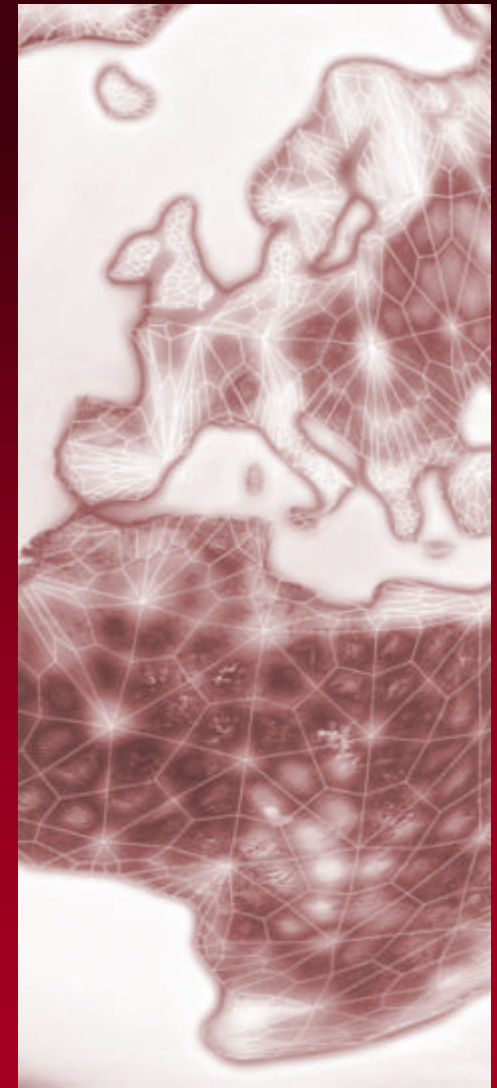
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Global Social Sustainability Goals (Level I)

- »»» Social justice in the workplace
- »»» Socially responsible external stakeholder relations
- »»» Socially responsible engagement with government stakeholders pertaining to regulation, human rights & corporate citizenship



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Level I Internal CSR – social justice in the workplace

Level II Issues/KPIs:

»»» Socially responsible...

- ...employment/working conditions
- ...management policies/systems
- ...employee development strategy
- ...communications & employee involvement



Corporate Citizenship Unit

Social Performance Management Tools



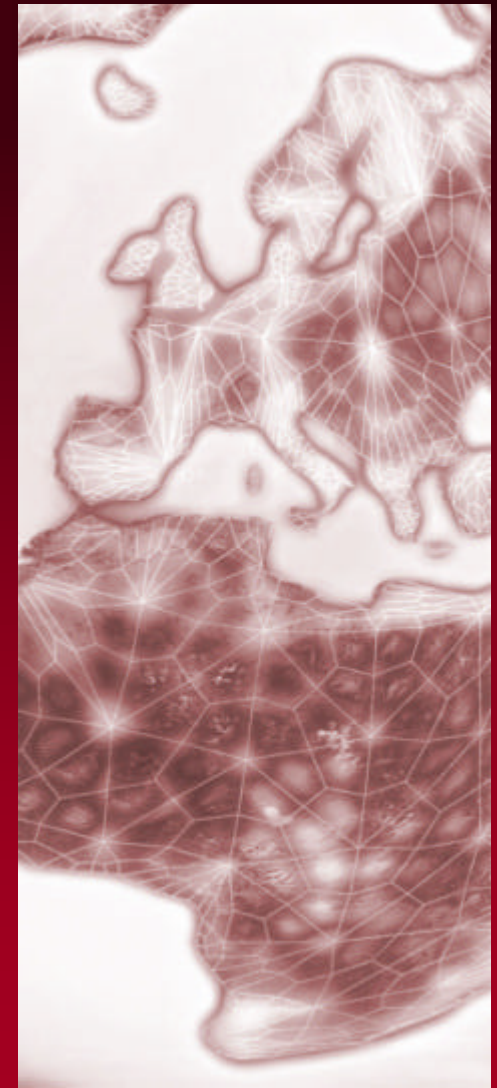
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Embedding the Social Performance Management System

- »»»» Integrate with Strategic Management System
- »»»» Management Tools
- »»»» Regular Target Review
- »»»» Imaginative Training; Secondments & coaching
- »»»» Dialogue; Active Listening & Effective Communication
- »»»» Ongoing Engagement; Monitoring & Collaboration
- »»»» Team Performance Contracts
- »»»» Workplans
- »»»» Communications inc. innovative web-based tools



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

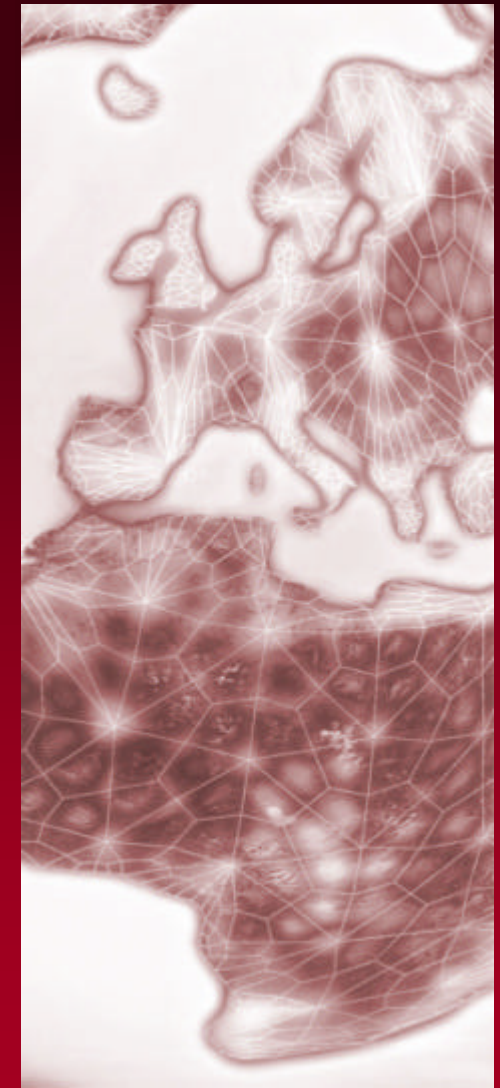
CASE STUDY

Audit & Verification/Evaluation

(I) Objectives

To audit the....

- »»»» Capacity: of the social accountants
- »»»» Process: of the social framework & account
- »»»» Findings: of the social account
 - »»»» As stated & good



Corporate Citizenship Unit

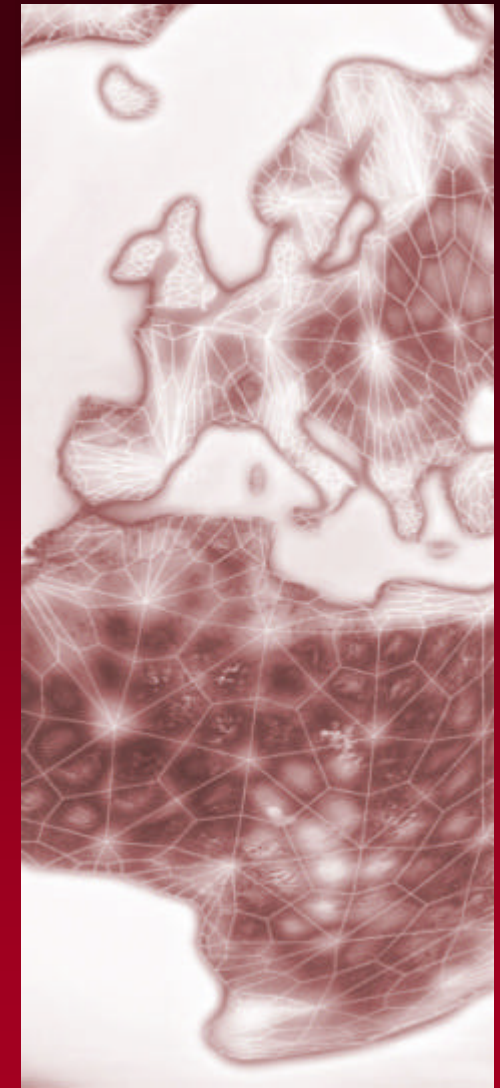
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Verification Methods

- ① **Inspection:** examining documents, records etc
- ② **Enquiry:** seeking to corroborate information
- ③ **Observation:** looking at a process being performed by others e.g. the observation of a focus group discussion



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

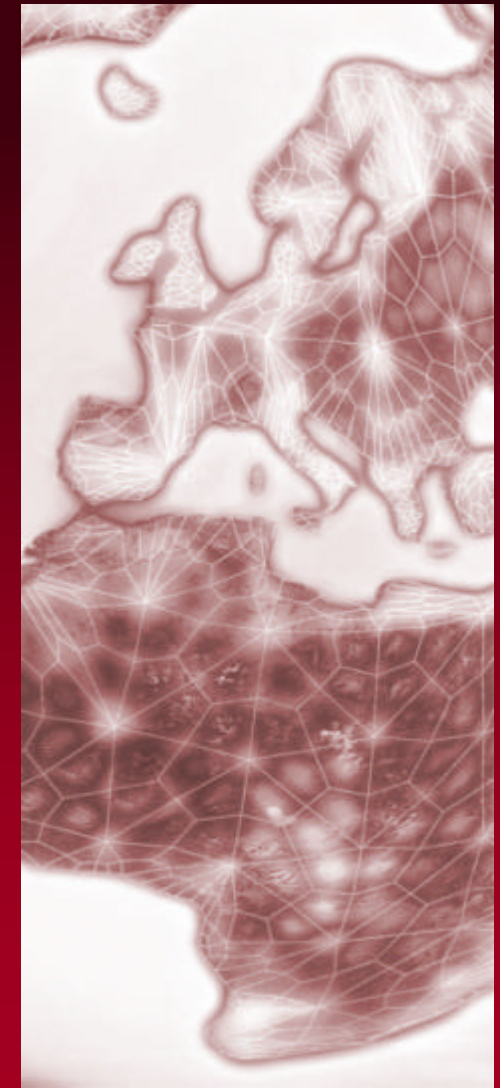
Evaluation Methods: Standards

Social Account Framework:

- ① Identifying stakeholders
- ② Defining and reviewing values
- ③ Identifying issues and indicators
- ④ Determining process scope
- ⑤ Selecting indicators
- ⑥ Embedding the process

Social Account:

- ⑦ Collecting information
- ⑧ Analysing information
- ⑨ Reporting information



Corporate Citizenship Unit

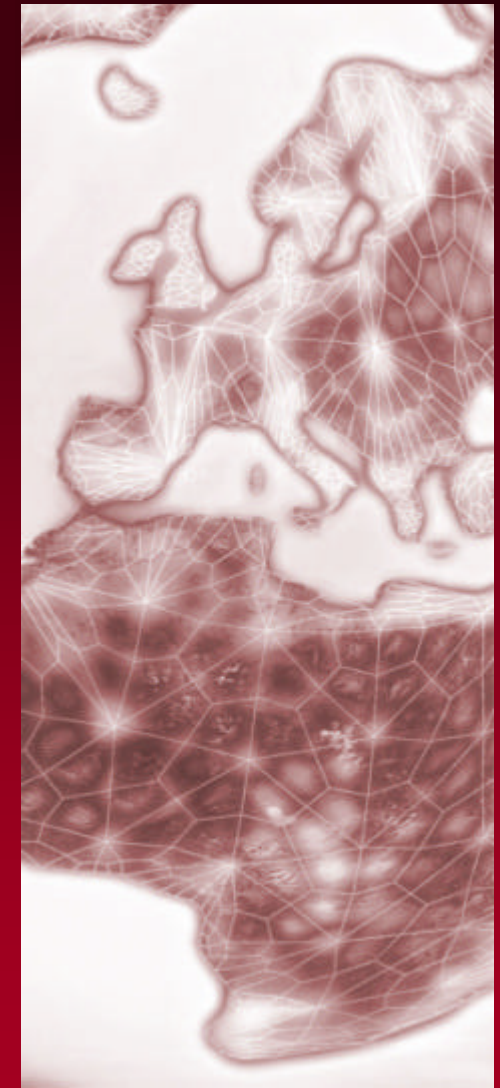
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Evaluation Methods: Principles

- ① Inclusivity
- ② Completeness
- ③ Materiality
- ④ Regularity and timeliness
- ⑤ Reliability
- ⑥ Accessibility
- ⑦ Embeddedness
- ⑧ Continuous improvement



Corporate Citizenship Unit

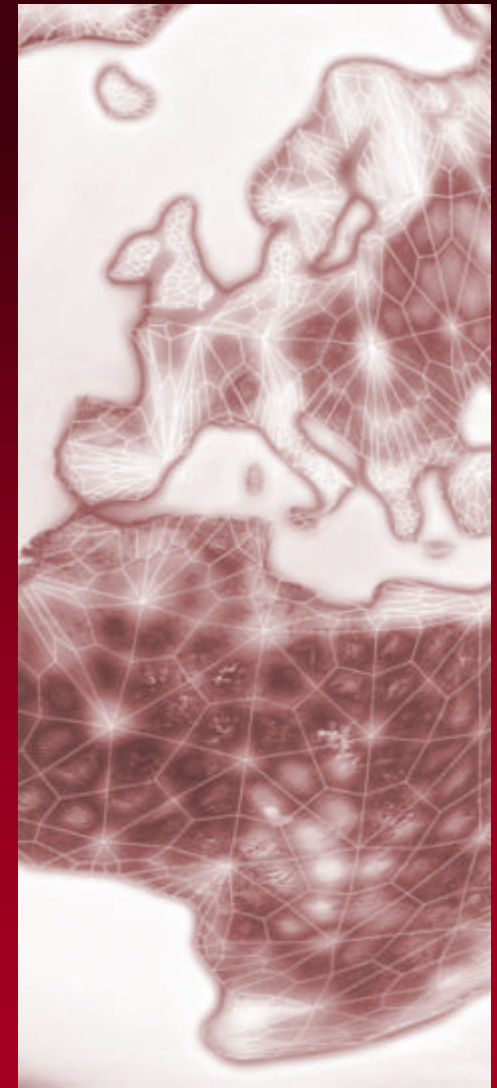
Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Then the CCU Auditor produces a.....

Verification & Evaluation Statement



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

Sustainability Performance Management & Sound Investment Decisions

- »»»» Towards a social/sustainability license to operate
- »»»» Public policy, international codes & standards provide a framework but reporting alone is no guarantee
- »»»» Corporate strategy – CSR - makes the difference & ...

effective management systems, *pro-active capacity building* and key sustainability performance management tools if all in place can promote and empower business to innovate & make that difference

**Add Integration plus Leadership
= Sound Investment Decision Making**



Corporate Citizenship Unit

Mining and Energy Research Network

Promoting Corporate Citizenship and Sustainable Development

WARWICK
BUSINESS SCHOOL

SUSTAINABILITY INDICATORS & SUSTAINABILITY PERFORMANCE MANAGEMENT

Professor Alyson Warhurst
Chair of Strategy and International Development
Director, Mining and Energy Research Network
Director, Corporate Citizenship Unit

alyson.warhurst@wbs.ac.uk



Corporate Citizenship Unit