



BSR Conference 2009

**Reset Economy. Reset World.**

## Materiality and ROI

Breakout Session Summary

Wednesday, October 21, 2009 | 9:45 a.m.-4 p.m.

### Speakers

- » **Jon Campbell**, Executive Vice President, Social Responsibility Group and Chief Executive Officer, Minnesota Region, Wells Fargo & Company
- » **Nathan Monash**, Consultant, CommDev, International Finance Corporation (IFC) Oil, Gas, and Mining
- » **Veronica Nyhan Jones**, Social Development Specialist, CommDev, IFC Oil, Gas, and Mining
- » **Keiichi Ushijima**, Manager, CSR Promotion, Hitachi, Ltd.
- » **Jesse Wiley**, Editor, John Wiley & Sons
- » **Eric Olson**, Senior Vice President, Advisory Services, BSR (moderator)

### Highlights

- » Materiality and return on investment (ROI) offer opportunities to prioritize and establish the value of corporate responsibility (CR) issues and activities.
- » Materiality and ROI are two key steps in strategy development.
- » Completing materiality and ROI exercises requires cross-functional collaboration; they drive internal staff with expertise and authority in different parts of the company to work together.

### Memorable Quotes

*"We have seen leadership companies wanting to streamline and take a rigorous approach to their existing activities to understand what they are doing and why, and what provides the most value."*  
—Eric Olson, BSR

*"Our goal was to address social, economic, ethical, and environmental challenges we face in our business that are important to our diverse stakeholders. So we partnered with BSR to benchmark, survey colleagues, and perform a materiality analysis."* —Jesse Wiley, John Wiley & Sons

*"Whatever we do within materiality analysis has to be anchored in our vision and our values ... and be linked directly to our brand identity."* —Jon Campbell, Wells Fargo & Company

*"Materiality is a tool to adapt the company to society which is necessary for sustainable business ... and it gives us an opportunity to build relationships with our global stakeholders."* —Keiichi Ushijima, Hitachi, Ltd.

*"Stakeholder engagement is absolutely essential to understand what is driving risks."* —Nathan Monash, IFC

### Overview

Olson kicked off the session by presenting an overview of materiality analysis and establishing the ROI of CR as a framework for understanding the case studies subsequently presented by each guest speaker. In the context of CR, materiality refers to the idea that CR issues should be



prioritized based on their ability to influence stakeholders and the success of the business. Olson highlighted materiality examples from SAP, Shell, and Vodafone.

Olson defined ROI modeling in the context of CR as an approach to identify which activities will provide the most significant benefits to the business while also addressing key CR issues. ROI modeling can help a company create the most effective portfolio of short- and long-term activities. Olson noted that for modeling, a company should identify hard or direct benefits that deliver financial ROI and soft or indirect business benefits that deliver non-financial ROI such as brand impact and reputational value. The modeling approach should be based on a company's existing assessment and valuation approaches, such as cost-benefit analysis, ranking, and time and value.

Wiley then presented the case study of John Wiley & Sons' corporate citizenship initiative and materiality analysis. In order to take a more strategic and focused approach to the company's sustainability programs, John Wiley & Sons partnered with BSR to conduct a materiality analysis. John Wiley & Sons' sustainability program includes a Global Citizenship Council that oversees issue-specific task forces, the inclusion of corporate citizenship objectives into annual performance evaluations, and stakeholder meetings. Wiley shared important tips for performing a materiality analysis: develop ongoing communications with your stakeholders, expect work to be complicated and take longer than you anticipated, plan for ups and downs, and have consistent leadership.

Next, Campbell presented Wells Fargo & Company's experience with materiality and ROI. Campbell discussed the challenges of coordinating and incorporating the voices of leaders from the company's eighty decentralized business units into the materiality process. The company's three-step strategy included developing a unifying theme for Wachovia's and Wells Fargo's social responsibility programs, identifying CSR priorities and desired positioning, and building the infrastructure for implementing the CSR strategy. Some of the key takeaways included: ethical core business practices are a foundational component of social responsibility; historical commitment to local community development and leadership are more important than ever; team member engagement is a cornerstone value that must be part of social responsibility; environmental issues are gaining more traction in the financial industry; and consistent language is critical for effective communications.

Ushijima then presented Hitachi, Ltd.'s experience with materiality and strategic CSR. Hitachi developed a CSR road map with the goal of becoming a leading global company in CSR by 2010. Hitachi believes that to achieve the greatest results for society and Hitachi, the company should focus on the key issues that matter most to the company's stakeholders and to long-term business success. Therefore, Hitachi is using the materiality framework to align and integrate CSR with its corporate business strategy. In order to successfully execute Hitachi's materiality analysis, the company plans to educate senior executives, link the Corporate Planning and Business Development functions, and create a global CSR team.

Next, Nyhan Jones and Monash of the IFC presented the pilot for the "Planning and Financial Valuation Model for Sustainability Investments," developed in partnership with Rio Tinto Alcan and Deloitte. The model was designed to address the challenges the extractives industry faces in quantifying the value created from sustainability investments. The model estimates the expected net present value (NPV) for the company. The NPV includes both direct value creation and indirect value protection from risk mitigation of a given portfolio of sustainability investments. The model facilitates rational analysis and strategizing, enabling comparisons of different potential investment portfolios for a single project within one company.



The model was piloted on a Rio Tinto Alcan Greenfield mine and refinery in Africa. Applying the model, the theoretical NPV of the mining project's sustainability investments was US\$1.5 billion.

The pilot project revealed the following key findings:

- » Investments made before the "go or no-go" decision can yield such high returns that it may be worth investing (e.g. in the local work force) even if the project is not launched.
- » The model brings business functions together in more collaborative ways, underscoring interdependencies that were previously missed or under-recognized.
- » Using this model demonstrates a strategic approach to managing project risks, which can reduce annual political insurance premiums by 50 percent in high-risk countries.

During the afternoon portion, BSR experts facilitated various materiality and ROI exercises with participants.

---

Notes Sponsor

