



BSR Conference 2010

Innovate. Integrate. Inspire.

Risk and Reward: Incorporating CSR Into Due Diligence

Breakout Session Summary

Thursday, November 4, 2010 | 2:45-5 p.m.

Speakers

- » **Laura Clise**, Director of Sustainable Development, AREVA
- » **Sharon Walck**, Senior Vice President, Corporate Sustainability, HSBC, North America
- » **Charles Weiss**, Vice President, Health, Environment, and Safety, Occidental Petroleum Corporation
- » **Michael Oxman**, Director, Advisory Services, BSR (moderator)

Highlights

- » Applying a CSR lens to due diligence processes can help companies build a more holistic approach to risk management.
- » Due diligence is most effective in revealing non-technical risks if applied with a view to the entire lifecycle of a project.
- » There are a growing number of tools that can help companies implement CSR due diligence practices.

Memorable Quotes

"The due diligence exercise isn't an end in and of itself. It is about creating a foundation for what comes next."—Laura Clise, AREVA

"This Conference has been very much about partnership and engagement, and that's how we think about due diligence in our company."—Sharon Walck, HSBC

"The biggest value in having a human rights policy is not the piece of paper, it is the discussion it fosters."—Charles Weiss, Occidental Petroleum Corporation

Overview

Oxman opened the session by stressing the importance of improving CSR due diligence as a way to establish lines of accountability and set expectations with stakeholders.

Clise shared some of the challenges that AREVA, a leader in nuclear energy, has faced in thinking beyond the compliance-oriented framework that is deeply rooted within the company to integrating CSR into due diligence. To be effective, she said, "We've learned that you need to think above and beyond compliance." Clise added that it has been especially challenging to get people, particularly engineers, to break from the procedural and regulatory-oriented culture to think more strategically about opportunities for innovation. One way to do this, she said, is to translate CSR into "their language."

For HSBC, Walck explained that due diligence is about building relationships with both customers and suppliers. To do so, HSBC has created guidelines for a number of sectors (chemicals, defense, energy, forest land and products, freshwater infrastructure, and mining and metals) and asks a series of questions of potential borrowers to gauge lending risks and influence positive



change with customers. Walck has found that clients respond positively when they see alignment between their own vision and what HSBC aims to achieve through the due diligence process. Walck said that not all borrowers are in full compliance, but HSBC tries to leverage the relationships with customers to help them see the value in addressing sustainability.

Being the partner of choice for governments and communities is a key driver for Occidental Petroleum's due diligence process, which is closely linked to the company's human rights policy. Weiss recommends that all companies adopt a human rights policy, as he found it to be a very cathartic process because it helped Occidental transcend cultural boundaries to discuss difficult issues. Weiss argued that one of the key challenges for building effective CSR due diligence processes is that companies often have to act quickly and without well-defined data. In these cases, he said, it is important to identify people who can help fill the information gaps.

In response to questions about implementation, all three panelists shared tools that they have introduced into their companies to bolster due diligence processes, including the [ISO 14015](#) standard and the [Equator Principles](#).

Building on this, Weiss argued that the key to embedding CSR into due diligence processes is making it the responsibility of line management. This helps with implementation, tracking progress, and accountability. He also revealed that discussing EHS management is a useful entry point to engaging managers as well as contractors on non-traditional risks. Weiss added that the best way to evaluate whether CSR has been integrated effectively into the due diligence process is by asking managers open-ended questions about the biggest risks they face. If they mention issues about the community, they are thinking beyond the fence line, Weiss said.

The panelists also said communication is an area that is key to improving the effectiveness of due diligence processes. Clise and Weiss both commented that there have been increasing expectations internally to share more information on non-traditional aspects of due diligence. Clise also stressed the importance of stakeholder engagement at different stages in the lifecycle of a project, and she talked about some of the unique lessons AREVA learned through this process for its renewable energy projects.

During the Q&A, a representative of Bechtel Corporation asked how companies are addressing CSR due diligence in their exit strategies. Clise responded, "Before we move a grain of sand, we are already thinking about the entire lifecycle of the project." The company has created a group called AREVADELFI to consider what happens at the end of a project and what the company can do to ensure it delivers long-term benefits in communities where it operates.

In response to a question from a participant from Control Risks consultancy about how human rights issues have helped shape companies' due diligence practices, Clise and Weiss both shared concrete examples of how company staff have used a human rights lens to understand their role in relation to the government. Clise provided an example of a legacy uranium mine site where the company has set up health facilities to ensure that families are able to have regular health check-ups after the mine closes.

Notes Sponsor

VOLKSWAGEN
GROUP OF AMERICA