



Executive

Updates on issues vital to the
practice of investor relations

ALERT

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NIRI Survey Reveals Current Member Posture Towards Sustainability

Multiple social and economic factors are converging to draw attention to the challenge and potential opportunity of corporate sustainability. While aware of the issue, most IROs consider it less pressing than the other major concerns facing the profession.

Key Findings

- Awareness of corporate social responsibility (CSR) among respondent IROs is growing though it is not considered a pressing issue.
- Consequently, respondents generally disagreed that IR has played a leadership role in establishing sustainability strategy to date, with a majority disagreeing that sustainability occupies much of their thinking in their professional roles.
- Sixty percent of respondents agreed or strongly agreed that sustainability is more of an opportunity than a threat.
- However, when asked if the benefits of sustainability outweigh its costs, nearly half of the respondents (45%) were neutral, suggesting perhaps that companies' approaches to sustainability are still in development, are focused primarily on tactical measures, and that internal ROI data are scant.
- Managements, representing the most forward-looking perspective, see an opportunity for CSR, whereas their companies overall are less certain. When asked to provide the perspective of their *management teams*, 47% of respondents agree that the benefits to their companies from sustainability investments outweigh the costs, but when respondents identified the views of their companies generally, that number was lowered to 37%.
- Well over half of respondents indicated that there is no specific sustainability budget within their companies. Those that do have budgets specific to their sustainability efforts identified a wide range of budgets, from the nominal through a handful of seven-figure numbers.
- In terms of active approaches to sustainability, nearly three quarters (73%) of respondents indicated that their companies at a minimum try to limit negative impacts from their actions, if they are not actively working for positive impacts.
- While the majority of respondents agree that their companies consider the impact of their decisions on broad ranges of stakeholders, non-financial objectives tend not to be a factor in assessing returns on projects.

Discussion

The concept of business sustainability or corporate social responsibility is in its nascent stages and, typical of emerging phenomena, there is a wide disparity of opinions on what is meant by the term. The definition provided as part of the survey is as follows:

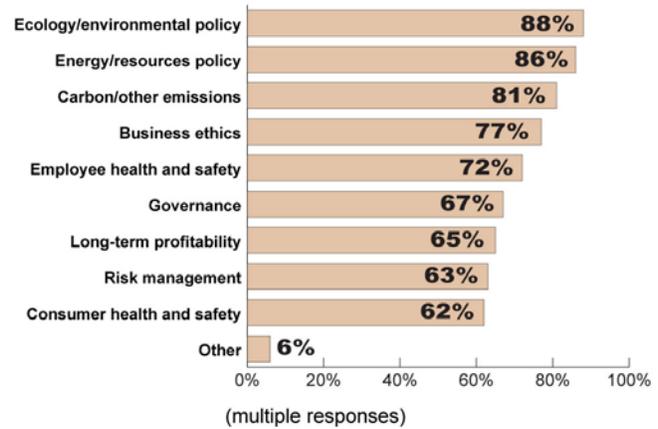
“Sustainability encompasses concurrent concerns for social, environmental, and economic outcomes of business activity.”

This definition as well as the phrase “triple bottom line,” which has become a part of the sustainability lexicon, implies that social, environmental and economic outcomes are co-equals. However, they aren’t equal players in respondents’ perceptions of what sustainability is any more than they are equal objectives for corporations. Figure 1 shows that a majority of respondents believe sustainability has a broad definition including all the factors listed, yet perhaps owing to a heightened public dialog and a perceived urgency in the matter, environmental factors were most frequently cited (taking the top three slots), followed by business ethics.

But that’s where relative consensus ends. Current corporate sustainability strategies run the gamut among NIRI survey respondents, with the greatest proportions occupying the ends of the response continuum. Over a quarter of respondents (27%) have a coherent CSR strategy that spans the organization as well as the supply chain, while an equal percentage have no strategy and no immediate plans to develop one. Another quarter is currently developing a strategy.

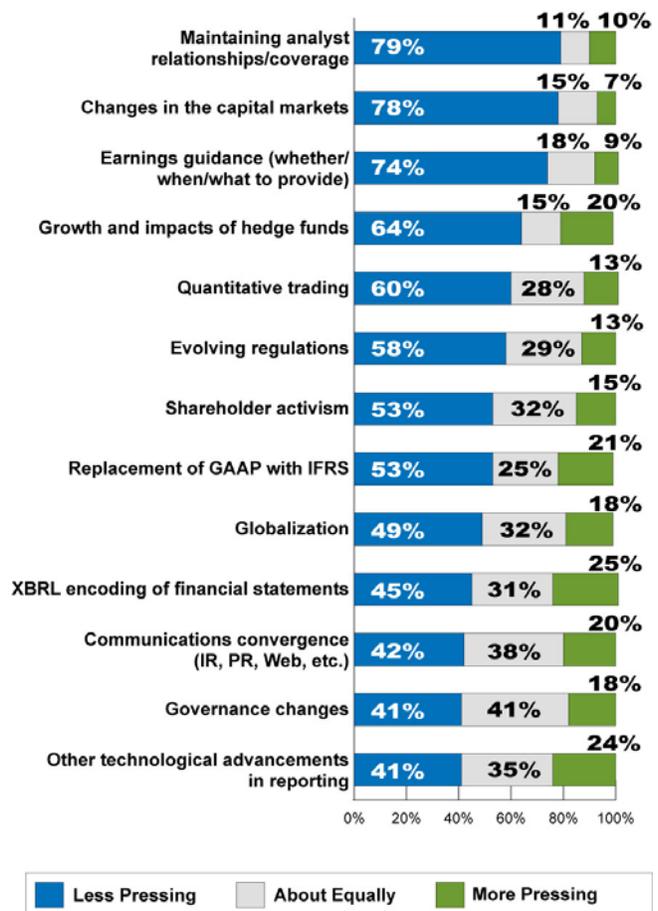
Simultaneously, the IR departments represented in this survey tended not to consider IR professionals leaders in the area of sustainability either internally or externally. This may be due to IROs’ perception of other issues as more pressing. When asked about the importance of sustainability versus other major IRO concerns, every topic – from IFRS and XBRL to shareholder activism and guidance practices – was ranked as more

Figure 1: What is business sustainability?



Source: NIRI

Figure 2: How pressing an issue is sustainability vis-a-vis the following



Source: NIRI

pressing, as shown in figure 2. In light of this, it is not surprising that respondents tended not to feel strongly about sustainability, though they do seem to see themselves as better informed about the topic than most of their colleagues (46% agreed or strongly agreed). More agreed than disagreed that their managements expect IR to play a significant role in strategy development, but taking action on CSR is nonetheless dependent on the personal convictions of the top manager for 40% of respondents. In follow-up interviews, participants whose companies had more robust sustainability benchmarks typically had a key non-IR stakeholder driving toward those goals.

Respondents are, however, somewhat optimistic for the future of sustainability, if not the present, and they expect it to occupy more of their professional time in the future as shown in figure 4, which shows the percentage of respondents who indicated that *no time* is spent on sustainability in the settings and timeframes listed. In the near term, the greatest proportion of respondents expect the adoption of sustainability practices to be neutral to the bottom line, and to have a slight positive bottom line impact in five to 10 years. Beyond simple compliance, the expected benefits most frequently cited of adopting sustainability practices are an improved ability to attract and retain employees (72%) and investors (71%). The most common obstacle to achieving sustainability goals is the lack of dedicated resources (55%), followed by the lack of focused accountability for sustainability, and the development of targets, measures and methods for sustainability goals, each cited by 46% of participants.

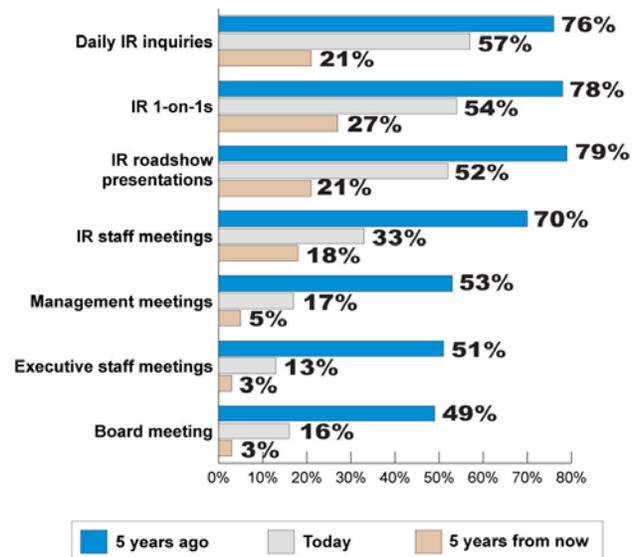
Respondent IR professionals who were interviewed after survey results were collected provided clarity and context to the sustainability question and their advice was pragmatic:

Figure 3: Sustainability uncertainties



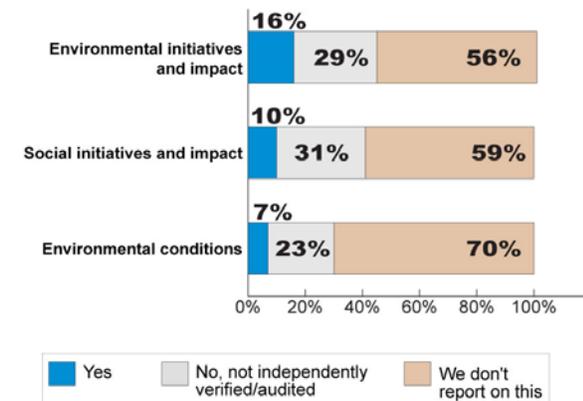
Source: NIRI

Figure 4: Time allotted to sustainability increasing



Source: NIRI

Figure 5: Is your sustainability reporting independently verified?



Source: NIRI

*Some numbers will not total to 100% due to rounding.

- If you receive questionnaires from socially responsible investment (SRI) funds, making even small iterative steps to providing information is better than not. The funds are generally getting better at enabling companies to update and maintain their data instead of requiring IROs to start from scratch each time.
- In making progress on sustainability, and indeed any corporate goal, accountability is critical. Someone in the organization who has credibility, the ear of management and a passion for the subject must be specifically tasked and measured against goals in order to keep the company progressing toward them.
- Recognizing that the definitions of CSR and sustainability are nebulous, organizations have both the burden and the opportunity to define what it means in their contexts. Doing so early ensures that your organization will be in a position to get out in front of benchmarks that many believe will inevitably become standardized and codified over time.
- CSR actually has the opportunity to thrive in this downturn insofar as it is in part about realizing greater efficiencies and savings. That is perhaps sustainability's low-hanging fruit and should be pursued. The challenge is to weave these efforts into the larger story without merely "greenwashing" the company (i.e. presenting efforts aimed solely at cost-containment as evidence of the organization's virtues).

Conclusion

Respondents to NIRI's first survey on sustainability practices and dispositions revealed that respondent members have a growing awareness of CSR but relative to other current realities, do not consider it a pressing issue. Consequently, respondent IROs generally disagreed that IR has played a leadership role in establishing sustainability strategy to date, with a majority of respondents disagreeing that sustainability occupies much of their thinking in their professional roles. Nevertheless, sustainability concerns are a growing reality as evidenced by the unprecedented profile of sustainability science and policy in the Obama administration. For those IROs in companies and industries most directly impacted and who wish to anticipate the need, there is a clear opportunity to do so. Sustainability's definition is broad and imprecise, but undoubtedly encompasses considerations of great consequence requiring companies to first establish what it means in their specific context and then, how best to respond.

Members may access the full survey results:

<http://www.niri.org/gateways/surveys/0903CSRResults.cfm>

A slide deck of these results is also available:

http://www.niri.org/mem_service_area/surveys/0903CSRResultsSlides.ppt

Other resources (via external links) include:

- A report by the Economist Intelligence Unit entitled "[Doing Good: Business and the Sustainability Challenge](#)"
- A white paper by Deloitte entitled "[The Responsible and Sustainable Board](#)"
- A report highlighting the investor's perspective from the non-profit Business for Social Responsibility, entitled "[Environmental, Social and Governance: Moving to Mainstream Investing?](#)"

NIRI values your feedback. Please send your research-related comments, questions or suggestions to: research@niri.org.

About the Survey

NIRI's first study of sustainability, this survey was a collaborative effort between NIRI member Tim Clark of The George Washington University School of Management and NIRI. A sample of 1,040 corporate NIRI members was invited to take the survey in November/December 2008. NIRI also posted a link to the survey directly from the niri.org homepage, alerted members to the survey in its *IR Weekly* newsletter and allowed members to promote the survey. A total of 123 corporate members responded to the survey. The median market cap for those who provided ticker symbols was \$2.5 billion. After the close of the survey, all participants who shared their contact information were invited to participate in one-on-one follow-up interviews, and additional members were solicited through NIRI's *IR Weekly* newsletter. NIRI appreciates the IROs who gave of their time to help establish industry norms on this important topic – such investments in your professional community provide widespread and lasting benefit.

NIRI Member Benefit Webinar

Join Tim Clark, Adjunct Faculty & Doctoral Candidate, The George Washington University, who will be one of the panelists for NIRI's Member Benefit Webinar on "CSR / Sustainability and the IRO" on Tuesday, March 10 at 4-5 p.m. ET. You can hear more about the results of the survey, and ask questions about the research. Joining Tim will be moderator Steven Eschbach, VP, IR, Integrys Energy Group, Inc., and panelist Mike Wallace, President, Wallace Partners. Registration is free for NIRI members, but please register in advance at: <http://www.niri.org/calendar/eventdetail.cfm?EventID=2304&ChapterID=99>.

About National Investor Relations Institute (NIRI)

Founded in 1969, NIRI (www.NIRI.org) is the professional association of corporate officers and investor relations consultants responsible for communications among corporate management, shareholders, securities analysts and other financial community constituents. The largest professional investor relations association in the world, NIRI's more than 4,000 members represent 2,000 publicly held companies and \$5.4 trillion in stock market capitalization.