

A Road Map for CSR Governance

Stage 1 For Boards Just Starting Out

1. Build CSR into the firm's mission and values.

Establish CSR mission, vision, values, principles, and policies in consideration of stakeholder priorities and international standards.

2. Communicate board's commitment.

Communicate the board's CSR commitment internally and to stakeholders.

3. Build CSR into risk management.

Include social and environmental considerations in risk and opportunity identification, management, and monitoring.

4. Integrate CSR into business strategy and provide oversight.

Integrate CSR into business strategy and corporate plans; set goals, objectives, and targets, and monitor performance against targets.

5. Mandate a committee with CSR responsibility.

Include a CSR mandate within a pre-existing committee, or establish a new committee with a clear mandate. (See box "Proposed CSR Committee Mandate.")

6. Report to stakeholders on CSR performance.

Review and approve third-party audited CSR report for distribution to shareholders and stakeholders; ensure CSR report complies with international CSR reporting standards.

Proposed CSR Committee Mandate

Policies: Review and recommend CSR policies (including codes of conduct) and management systems; monitor compliance with policies, commitments, and regulations.

Strategy: Review/recommend CSR strategies and plans; provide guidance to management on objectives and targets; provide oversight and guidance on CSR performance/progress.

Trends: Monitor and provide recommendations on public policy, consumer, stakeholder, corporate, and general public trends, issues, and developments that could impact the company.

Risk Management: Monitor and oversee CSR risk management plans; review effectiveness of issue identification and management.

Stakeholder Engagement: Review and monitor stakeholder relations; consider opportunities for direct stakeholder input into committee deliberations.

CSR Report: Determine overall scope of, provide input on, and recommend board adoption of board CSR report.

Incident Management: Review incidents and remedial actions and monitor crisis readiness and emergency plans.

CSR Assessment: Review and make recommendations on CSR impacts of major business decisions.

Stage 2 For Boards Ready to Take CSR to Next Level

7. Reward executives for CSR performance.

Incorporate non-financial/longterm objectives into executive compensation; ensure performance management systems reward CSR performance.

8. Recruit directors with CSR perspectives.

Explicitly include CSR in director recruitment, e.g., director diversity and experience and background in CSR issues/management.

9. Orient and train directors on CSR.

Include CSR in director orientation, ongoing training and education, and board evaluations; ensure board is provided with adequate CSR expertise and information to make informed decisions.

10. Provide mechanisms for stakeholder input.

Ensure mechanisms are developed for board consideration of unfiltered input from stakeholders.

11. Recruit CEOs with CSR competency.

When recruiting a new CEO, ensure candidates are assessed for CSR awareness and competency.

12. Consider CSR in major business decisions.

Include consideration of CSR in major acquisitions, business partnerships, mergers, and investments.

After a board has followed all these steps toward integrating CSR into its mandate, it will want to assess progress and impact. The board may then decide that it has achieved its integration objectives and that it no longer requires a stand-alone CSR committee. At that point, the board may prefer to integrate CSR perspectives into other committee mandates (audit, risk management, human resources, governance, etc.).

This 12-point road map can be a guidance framework for boards seeking to take social and environmental factors into account in their deliberations. Most of these elements are already in practice among leading CSR firms around the world that are looking to build long-term shareholder value. Boards that integrate these steps into their corporate governance program will be able to benefit from greater CSR oversight and strategy on material issues that affect the future of the company.