



Petroleum Federation of India

Corporate Social Responsibility

Privileged and Confidential

September 1, 2005

Table of Contents

1 EXECUTIVE SUMMARY.....	3
2 CORPORATE SOCIAL RESPONSIBILITY – WHAT & WHY?	5
2.1 Introduction	5
2.2 Definition of Corporate Social Responsibility.....	5
2.3 Growing Adoptability of Corporate Social Responsibility.....	6
2.4 Corporate Social Responsibility and it's Reporting.....	8
2.5 The Rationale for CSR.....	8
3 CORPORATE SOCIAL RESPONSIBILITY – GLOBAL PERSPECTIVES.....	10
3.1 PwC CEO Surveys.....	10
3.2 Under-Secretary-General for Economic and Social Affairs, United Nations	10
3.3 Group Chief Executive Officer of The Nation Media Group, East & Central Africa	14
3.4 Managing Director and Chief Executive Officer of UAC of Nigeria PLC	14
3.5 CEO in Malaysia	15
3.6 Chairman and CEO, Xerox	15
3.7 Chairman and CEO, Novartis.....	15
3.8 Frank B. Sprow, Vice President, Safety, Health & Environment, ExxonMobil Corporation.....	16
4 CORPORATE SOCIAL RESPONSIBILITY BY INDIAN OIL & GAS COMPANIES	22
4.1 Meaning of CSR by Indian companies in general	22
4.2 CSR – Marketing petroleum products at a low cost	23
4.3 CSR by Private Indian Oil & Gas companies - Reliance Group of Industries	23
4.4 CSR by Private Indian Oil & Gas companies – Essar Group	29
5 CORPORATE SOCIAL RESPONSIBILITY BY INTERNATIONAL OIL & GAS COMPANIES	33
5.1 Introduction	33
5.2 ChevronTexaco – Corporate Social Responsibility initiatives.....	33
5.3 Shell – Corporate Social Responsibility initiatives.....	35
5.4 bp – Corporate Social Responsibility initiatives.....	38
5.5 ExxonMobil – Corporate Social Responsibility initiatives	41
5.6 Total – Corporate Social Responsibility initiatives.....	42
6 CORPORATE SOCIAL RESPONSIBILITY - CHALLENGES	44
6.1 Challenges in undertaking Corporate Social Responsibility	44

Appendices

Appendix 1: Glossary

1 Executive Summary

- 1.1.1 At the CEOs Conclave on "Private Sector in Oil Economy of India" organised by PetroFed on July 07, 2005, the Hon'ble Minister of Petroleum & Natural Gas and Panchayati Raj, Shri Mani Shankar Aiyar, requested PetroFed to put up a Report defining 'Corporate Social Responsibility' undertaken by petroleum marketing companies, in association with two or three players in the private sector which may be submitted by MoPNG to the committee on Corporate Social Responsibility (CSR) headed by Mr. Ratan Tata.
- 1.1.2 There is no universally accepted definition of CSR. However, there is a general agreement that in a global economy, business plays a far more important role beyond wealth and employment creation and that CSR is business' contribution to sustainable development. Consequently, corporate behavior must not only ensure fair returns to shareholders, but also include other stakeholders such as employees, customers, suppliers, community and environment. Thus corporates, whilst discharging their CSR, need to observe a "triple bottom line" (TBL) such that they advance economically as well as are environmentally and socially responsible.
- 1.1.3 Social commitments by International oil companies are focussing on projects that help people to help themselves and vary depending on the country and its socio-economic structure. In developing countries CSR tends to be drawn around alleviating poverty - in other words, around the notion of sustainable livelihoods. Often this relates to what are essentially development issues - the provision of drinking water, healthcare & nutritional concerns and literacy. In other places, especially in Europe and North America and some parts of Asia, CSR tends to be drawn around opportunity issues - the boost companies can offer in terms of jobs, skills training and education. But on the overall large oil companies' engagement in society is deepening and broadening.
- 1.1.4 During the year 2004, Chevron invested an estimated \$63.8 million in community initiatives and projects around the world. A large portion of these funds were invested in programs that build individual capacity, such as health and education. Shell expended \$106 million on social investment programs like supporting local suppliers and contractors, implemented specific guidelines on HIV/AIDS, Child labour etc. BP invested a total of \$87.66 million in community programs like education, building local suppliers, supporting local economies, supporting local development and community-based organizations around the world. During 2004, ExxonMobil affiliates and the ExxonMobil Foundation combined spent \$106 million in charitable contributions and community investment worldwide. ExxonMobil directed \$40 million of the funding to education, with other priority areas in health and environmental projects. These funds include investments through joint-venture arrangements, Production-Sharing Agreements, and contractual social-bonus arrangements. Total spent €81.9 million on 2,000 new and continuing local development initiatives in host countries in 2004. 18% of societal spending was dedicated to education.
- 1.1.5 In India, Reliance believes that Corporate Social Responsibility extends beyond the ambit of business and should focus on a broad portfolio of assets – human, physical, environmental and social. Reliance Group undertakes its social welfare and humanitarian initiatives through various organizations, including corporate and trusts such as the Dhirubhai Ambani Foundation and Reliance Rural Development Trust.

- Reliance encourages its employees to undertake philanthropic activities and be actively involved in community welfare projects.
- 1.1.6 The Essar group in India holds itself to the highest standards of safety, environmental protection and community development. They strive to support and enrich the communities in and around their plants. The Essar group and its associate companies spent Rs 7 crores in 2004-05. Employees too contribute during times of national calamity.
- 1.1.7 Thus CSR is about a company recognizing and responding to the needs of society and demonstrating this publicly. Among the challenges in having a smooth CSR are deciding on projects, geographical areas to concentrate on and have a structured manner of deciding and demonstrating the reasons for decisions, strong and focused leadership, operation and logistic issues, and getting credit for the company's achievements from its stakeholders.
- 1.1.8 Internationally and in India selling products at low cost, particularly below economic prices, to consumer is not considered as a part of CSR activities. Selling low cost products does not further business interest and in the long run may lead companies to become sick and/or lay off people which is not a socially responsible action. In addition, this approach leads to overlooking economic fundamentals and diverts scarce resources to unviable schemes that may end up in stimulating social chaos. Private Indian Oil & Gas companies are of the view that the nature of CSR should not be mandated by the government. It should be a voluntary initiative and be left to a company to decide how it would undertake CSR.
- 1.1.9 In view of the above, the representative private oil companies do not believe that subsidisation in prices of transport and domestic fuels is a part of corporate social responsibility. This in no way can be considered as their insensitivity towards CSR and to justify this the companies have elaborately explained the initiatives undertaken by them and they have also expressed their continued commitment to CSR, albeit in prevalent internationally followed forms rather than by bearing subsidies.
- 1.1.10 Further since CSR (specifically social investments) involves financial outflow, it can be said to be a 'fair weather' activity. Some companies which were actively involved in social investment in the traditional philanthropic concept of CSR, now do not have budgets because of their diving profitability.
- 1.1.11 The survey conducted in 2002 jointly by UNDP/BC/CII/PwC on Corporate Social Responsibility reveals that the three most common barriers/ concerns for adopting CSR are lack of linkage of CSR to financial success, increased demands from interested communities for increased funding and increased operating cost.

2 Corporate Social Responsibility – What & Why?

2.1 Introduction

- 2.1.1 Chief Executive Officers face unprecedented challenges. Concerns about war and global terrorism abound. Public trust has dwindled. The capital markets have contracted. Corporations are under increasing pressure to be more socially responsible. Simply stated, doing business is more challenging than ever.
- 2.1.2 During 2003, PricewaterhouseCoopers interviewed nearly 1,000 CEOs from 43 countries across the globe to get their thoughts on and insights into how to lead during these uncertain times. They shared their views on the prospects for growth of their companies and the economy as a whole, on how they are building public trust among all of their companies' stakeholders, and on how their companies are meeting the call of corporate social responsibility.
- 2.1.3 As a consequence of the increased importance of trust issues, more and more CEOs are coming to terms with their responsibilities as good corporate citizens and watchdogs of the environment. Seventy-nine percent of the CEOs who participated in the survey agreed that CSR — adding economic, environmental, and social value through core business functions — is vital to the profitability of their companies. In fact, 71 percent agreed that, when implementing a CSR programme, they would consider sacrificing short-term profitability in exchange for long-term shareholder value.

2.2 Definition of Corporate Social Responsibility

- 2.2.1 There is no universally accepted definition of Corporate Social Responsibility (CSR). However, there is a general agreement that in a global economy, business plays a far more important role beyond wealth and employment creation and that CSR is business' contribution to sustainable development. Consequently, corporate behaviour must not only ensure fair returns to shareholders, but also include other stakeholders such as employees, customers, suppliers, community and environment. Thus corporates, whilst discharging their CSR, need to observe a "triple bottom line" (TBL) such that they advance economically as well as are environmentally and socially responsible.
- 2.2.2 Hence, in essence, CSR is a holistic approach that when managed as a business strategy to enhance long term stakeholder value, provides mutual benefits to the business as well as society as a whole. The concept of corporate social responsibility has been around for a decade or more, but the words have always meant different things to different constituencies, whether companies, countries, or other kinds of organisations. CSR broadly may be considered to mean adding economic, environmental, and social value through a company's core business functions. Another way of saying it is, doing business with your grandchildren's interests at heart.
- 2.2.3 As per the World Bank Group's Corporate Social Responsibility Practice "Corporate Social Responsibility (CSR) is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development."

- 2.2.4 As per UNDP & CII, “most definitions of corporate social responsibility or corporate citizenship focus on a company's overall impact on the society and stakeholders. However, the concept of CSR has been evolving since the early seventies, and as yet there is no uniform definition accepted globally. Corresponding to different CSR concepts, a large number of codes/conventions/principles/standards have been evolved. Reasons of varying practices, approaches and attitudes on CSR and corporate citizenship in different economies are largely due to differences in social and economic systems in which companies are operating, differences in legal and regulatory frameworks, cultural practices, local societal and public needs and expectations. CSR in a developed country context would relate to issues of governance, business ethics, and human rights particularly as enshrined in UN Convention and on environment .In developing countries like India, CSR would also extend to processes in nation building and socio-economic development spheres such as regional development, rural development, employment, education, and healthcare services”.
- 2.2.5 In July 2001, the Commission of the European Communities presented a Green Paper “Promoting a European Framework for Corporate Social Responsibility”. The Green paper defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” as they are increasingly aware that responsible behaviour leads to sustainable business success. CSR is also about managing change at company level in a socially responsible manner. This happens when a company seeks to set the trade-offs between the requirements and the needs of the various stakeholders into a balance, which is acceptable to all parties. If companies succeed in managing change in a socially responsible manner, this will have a positive impact at the macro-economic level.
- 2.2.6 When it comes to corporate social responsibility, one size definitely does not fit all. While corporate social responsibility has become a near universal value, it manifests itself quite differently from region to region, country to country. A CEO in Africa, for example, perceives corporate social responsibility as a strong connection between corporate profitability and societal improvements, including infrastructure, education, and addressing the ravages of AIDS. Elsewhere, corporate social responsibility may be shorthand for, say, environmental responsibility, ethical economics, or charitable giving. Few would deny that corporate social responsibility is about “doing the right thing.” But who defines and determines what is right and what is not?
- 2.3 Growing Adoptability of Corporate Social Responsibility**
- 2.3.1 The worldwide debate about corporate social responsibility has acquired urgency in recent years within the business community — in international financial institutions (IFIs) such as the International Monetary Fund and the World Bank and in non-governmental organisations (NGOs) such as the World Economic Forum. The growing gap between rich and poor countries, the digital divide, the environmental responsibilities of industry, the social impact of corporate strategies and investments, and the crafting of a more stable global economic system are all matters of urgent concern for leaders of business and major multilateral organisations.
- 2.3.2 CEOs must dictate and proactively manage the corporate social responsibility agenda in a world that increasingly asks this of them. The question of corporate social responsibility has also moved toward the top of the agenda for an informal confederation of NGOs, which marshal both alternative policy proposals and a capacity to field street

demonstrations and protests. In several instances, demonstrations timed to coincide with high-level meetings have resulted in civic disorder, extensive property damage, injury, and death. The intellectual agenda of the so-called anti-globalisation movement (some within the movement now prefer the term "alternative globalisation") is not focused entirely on the conduct of corporations. There is intense concern, for example, with the nature and impact of IFI lending policies and with the regulation of global financial markets. But the issue of corporate social responsibility is nonetheless a key concern. NGO demands that companies and their leadership do the right thing will certainly increase in volume in the near term. CEOs bear a responsibility to their organisations — and all the varied stakeholders — to carefully audit their practices and proactively address and resolve potentially troublesome issues.

- 2.3.3 Corporations are not governments. The main function of an enterprise is to create value through producing goods and services that society demands, thereby generating profit for its owners and shareholders as well as welfare for society, particularly through an ongoing process of job creation. However, new social and market pressures are gradually leading to a change in the values and in the horizon of business activity. CSR calls upon us to harness the power of corporations to make the world a better place. Corporations cannot sit idly by while a loose confederation of non-governmental organisations (NGOs), financial institutions, and lawmakers define CSR for them. CSR may mean offering low-cost products to needy communities, adopting environmental standards worldwide, or simply instituting energy-efficient practices.
- 2.3.4 In essence, CSR is about a company recognising and responding to the needs of its key stakeholders, and demonstrating this publicly. This means focusing on its impact on the environment, its people, the marketplace, and the wider community. It is becoming increasingly clear that CSR, and the wider concept of sustainability, is not a management fad. In the 5th PricewaterhouseCoopers' Global CEO Survey in 2002, almost 70 percent of the respondents agreed that corporate social responsibility is vital to the profitability of any company.
- 2.3.5 There is today a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximising short-term profits, but instead through market-oriented yet responsible behaviour.
- 2.3.6 Companies are aware that they can contribute to sustainable development by managing their operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interests. In this context, an increasing number of firms have embraced a culture of CSR. Despite the wide spectrum of approaches to CSR, there is large consensus on its main features:
- CSR is behaviour by businesses over and above legal requirements, voluntarily adopted because businesses deem it to be in their long-term interest;
 - CSR is intrinsically linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations;
 - CSR is not an optional "add-on" to business core activities - but about the way in which businesses are managed.

2.4 Corporate Social Responsibility and it's Reporting

- 2.4.1 In any case, CSR policies need to be identified, reported, and verified if they are to mean anything. One major step in the direction of sustainability is the creation of the Global Reporting Initiative (GRI), begun in 1997 by the Coalition for Environmentally Responsible Economies in partnership with the United Nations Environment Programme. The GRI explicitly defines its mission as developing “reporting guidelines for voluntary use by organisations reporting on the economic, environmental, and social dimensions of their activities, products, and services.”
- 2.4.2 Companies are paying attention to CSR reporting. A global reporting survey conducted in 2004 by the Association of Chartered Certified Accountants and CorporateRegister.com found that the number of corporate social, environmental, and sustainability reports increased from fewer than 100 in 1993 to more than 1,500 in 2003. The adoption of the GRI guidelines demonstrates that if stakeholders demand CSR reporting, companies can and will deliver it.

2.5 The Rationale for CSR

- 2.5.1 The broad rationale for company's social responsibility arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society as well. Of course, the system of taxation in most countries does ensure that basic services provided by government such as a system of law and order, provision of infrastructure that includes assets such as roads, transportation facilities, the benefits received from the apparatus of society for respecting and enforcing property rights, etc. are paid for through taxation on economic goods and services produced and consumed. But there are other aspects of services provided by society that have now become even more important than traditional relationship between government and business. These go far beyond what was the case a few decades ago.
- 2.5.2 A business cannot succeed in a society which fails. This, therefore, clearly establishes the stake of a business organization in the good health and well being of a society of which it is a part. More importantly, in this age of widespread communication and growing emphasis on transparency, customers of any product or service are unlikely to feel satisfied in buying from a company that is seen to violate the expectations of ethical and socially responsible behaviour. Therefore, there is a growing degree companies that pay genuine attention to the principles of socially responsible behaviour are also favoured by the public and preferred for their goods and services. Part of the reason, according to most companies is that in addition to the ethics argument, there is an incontrovertible business case for acting responsibly. Responsible behaviour gives the company – and others – its so-called licence to operate, reducing, for example, the chances of disruption to operations by local communities. CSR also contributes to enhancing brand, generating greater customer loyalty and strengthening reputation. Shell, for instance, says contributing to sustainable development "is not only the right thing to do, it makes good business sense" by reducing operational and financial risks.
- 2.5.3 CSR has found recognition among enterprises, policy-makers and other stakeholders, as an important element of new and emerging forms of governance, which can help them to respond to the following fundamental changes:
- Globalisation has created new opportunities for enterprises, but it also has increased their organisational complexity and the increasing extension of business activities

abroad has led to new responsibilities on a global scale, particularly in developing countries.

- Considerations of image and reputation play an increasingly important role in the business competitive environment, as consumers and NGO's ask for more information about the conditions in which products and services are generated and the sustainability impact thereof, and tend to reward, with their behaviour, socially and environmentally responsible firms.
- Partly as a consequence of this, financial stakeholders ask for the disclosure of information going beyond traditional financial reporting so as to allow them to better identify the success and risk factors inherent in a company and its responsiveness to public opinion.
- As knowledge and innovation become increasingly important for competitiveness, enterprises have a higher interest in retaining highly skilled and competent personnel.

3 Corporate Social Responsibility – Global Perspectives

3.1 PwC CEO Surveys

3.1.1 Every year as a thought leadership initiative, PwC undertakes Global CEO survey on a critical concern to business leader in every industry. Our 5th & 6th Global CEO survey in 2002 & 2003 respectively were brought in conjunction with World Economic Forum addressing the concern of corporate social responsibility. We have reproduced below views of some of the CEOs on Corporate Social Responsibility.

3.2 Under-Secretary-General for Economic and Social Affairs, United Nations

Interview with Mr Nitin Desai, Under-Secretary-General for Economic and Social Affairs, United Nations. Reproduced from “Uncertain Times, Abundant Opportunities” – The 5th PwC Global CEO Survey, 2002

3.2.1 **What definition of sustainability or sustainable development do you use in your work?** - Rather than define sustainable development in terms of an end state, we consider it a process. Every decision is valued from the point of view of its economic impact, its social impact, and its environmental impact. So it's not a question of defining sustainable development as a set of parameters that have to be fulfilled, but more as a process of decision making. To us, it is not a matter of having a programme, a project, a policy whose primary goals are economic, and then asking yourself, "How do I take care of unwelcome social or environmental consequences?" And it's not a matter of having environmental policies that are sound but that have unwelcome social or economic consequences. The real challenge is to find ways to successfully address all three. An example I sometimes give is the problem of indoor air pollution. In some countries, people cook on open wood stoves, and this defeats them badly. They have to cut the forests down, the stoves are inefficient, and women who cook on open indoor fires often inhale the equivalent of two packs of cigarettes a day. Now if I had a programme to address this, I would want to address simultaneously the environmental problem of reforestation, the social problem of women's health, and the economic problem of meeting the energy needs of a population. This is integration, and this is what "sustainable" means. Think of it as a process.

3.2.2 **Can you give a few examples of programmes for which you are currently responsible that reflect this approach?** -What we are doing in the area of energy is focused on this type of integration. For example, we recently completed a major world energy assessment with the World Energy Council. Were you to look at the recommendations in that report, you would not describe them as primarily focused on meeting energy needs, or primarily focused on meeting the environmental consequences of energy use, or primarily focused on worrying about equity and access to energy. It asks questions about all three. We also do practical work at the country level — for instance, biomethanation in China. Basically, what we do there is to create value from waste generated in mostly urban areas. The waste produced in poor countries often has high organic content. You can use it to generate methane gas, which is a source of energy. This programme solves an environmental problem, which is waste disposal, and it solves a developmental problem, which is energy production.

- 3.2.3 **In such programmes, do the three strands you've spoken of tend to be split apart by interest groups that you necessarily have to engage with? Or is it generally possible to develop the three strands together?** -People will approach from different perspectives. The engineering company that offers bio-methanation technology sees things primarily from the economic perspective of finding markets for its technology. The municipality that buys the technology looks at the project in terms of better waste management. Citizen groups will probably be concerned about the environmental consequences of not treating the waste, and so on. However, citizen groups may place such high value on safe waste disposal that they may not take full account of the economic circumstances. Similarly, the technology company may focus so much on economics that it may not sufficiently value the environmental benefits. So people will come at it from different perspectives. But the change that I see over the past decade is that the corporate community increasingly realises that it needs to pursue not just the bottom line and shareholder satisfaction. It also has to worry about employees, about the opinions of clients, about the impact on the societies of which it is a part. Corporations today cannot command respect even among their own employees if they do not have a reputation for being environmentally and socially responsible. The tunnel-vision approaches of different parties are becoming easier to reconcile. Now there are differences of emphasis rather than tunnel vision.
- 3.2.4 **What is driving that change among corporations and corporate leaders?** -Corporations realise that their success depends on what happens in the marketplace — and on much else as well. It depends on the morale, commitment, and loyalty of the workforce. It depends on the loyalty of the customer base, and it depends on the public reputation you command. All of this contributes to the long-term success of a corporation. Corporate leaders recognise this, and they are becoming far more sensitive to the concerns of these other groups. A large corporation is simply a microcosm of society. If environmental awareness is growing in society, if a sense of social responsibility is growing in society, these things will be reflected in the workforce. These new norms will also have to be reflected in the corporation's thinking processes, and this is actually occurring. A corporation today would never dream of using prison labour because it knows that this is completely unacceptable to its own workforce and completely unacceptable to society. The same is true of child labour. Corporations recognize that their policies, their codes cannot be defined simply in terms of immediate success in the marketplace. Shareholder value is important. But in the longer run, they also have to worry about the workforce and the needs of society.
- 3.2.5 **You travel widely and speak with chief executives and government leaders in many parts of the world. Are there regional differences in the approach of CEOs to corporate social responsibility?-Are Asians different from North Americans? From Europeans? From South Americans?** -Certain differences exist. In my experience, Europeans have greater sensitivity to emission issues, while the focus in Latin America is on resource impact issues. I would say that social issues — the impact on the population of industrial pollution, questions about the welfare of minority groups, etc. — are probably somewhat stronger in Asia. However, there is a commonality, and one of its most powerful causes is that corporate managers are part of a community of corporate managers around the world. The powerful factor here is a sense that "This is how my peers expect me to behave — this is now the standard of behaviour." And that standard is changing. A decade or more ago, other managers admired the ruthless, entrepreneurial pursuer of profit. Today the admired person is the manager who successfully combines shareholder value with environmental and social responsibility.

The standard of behaviour is set really by the managers themselves, not by people outside.

- 3.2.6 **Are you campaigning for these values when you say this, or is this what you are actually seeing when you meet business leaders?**- I am not campaigning. This is really how the dynamic works. It has started. Let me give an example in the environmental area: I would argue that perhaps a little over a decade ago, corporate managers who showed a serious interest in reconciling the pursuit of shareholder value with environmental responsibility were a minority and may even have been considered somewhat eccentric. Even 10 years ago, those attitudes still stood out. What I think has happened since the Rio conference is that a small minority has become a large minority — still a minority, but a large one. Most corporations today show environmental consciousness because of the need to meet regulatory standards. I doubt that there is a major corporation today in any of the large economies that does not have an environmental department. But what has happened in the minority of corporations is that instead of being limited to the environmental department doing audits of waste and so on, the broader issue has entered the boardroom, and it is being written into corporate policy. It commands the attention of not only the environmental and engineering departments but also the marketing department, the finance department, and certainly the CEO. Why is this happening? It is happening partly because of the impact of the environmental conference at Rio, and it is happening because many successful corporations have espoused these concerns. Our goal at the next conference, in Johannesburg, is to push it over the top. What a large minority now accepts as a structure for corporate responsibility and accountability may soon be accepted as a global norm not through legislation but simply through peer pressure. I was travelling in India and visited a medium-size company whose CEO said that the company had recently become ISO 14000 compliant (as you may know, this is a demanding international standard for environmental management). I asked him why, because nothing in Indian legislation requires compliance with ISO 14000. His answer was very simple: If I want to be a global player in my business, I have to be there with the other global players in terms of standards. I also have to be compliant with these standards because that is what my clients abroad increasingly demand. So competitive pressure in this case is the key factor — not pressure from a regulatory body or any official source but simply the wish, and need, to ensure his standing with clients and business rivals.
- 3.2.7 **Our survey asked participating CEOs to rate the influence of various stakeholders on their companies' strategies for social responsibility. Shareholders, customers, and board members were reported to be highly influential. However, there was a surprise: NGOs, which one might have thought to be very influential, prove to be key influencers among only 1 percent of the surveyed CEOs.** - This virtually demonstrates what I'm saying: peer pressure matters enormously. I would say that the NGO impact is probably more profound on specific decisions rather than on corporate culture as such — and the big change I'm seeing is in corporate culture. It's not difficult to reconcile your survey finding with my own observation that NGOs are very important and effective when it comes to specific decisions NGOs are proving to be effective, for example, in the area of resource stewardship. There is a Marine Stewardship Council, an NGO, which says that if you are willing to subject your company's methods to examination, it is ready to certify, where appropriate, that your fishing practices are sustainable. And companies can derive commercial advantage from being able to assert that they are approved by the Marine Stewardship Council. There are similar things in other fields. This is an area where the NGO world and the corporate world are coming together. I expect this to evolve — in the area of corporate reporting, among others.

- 3.2.8 **Another survey question asked CEOs to evaluate their own companies' reputations for corporate social responsibility. Nearly half of the CEOs said that their companies "to a great extent" have good reputations in this regard, and another 40 percent replied that their companies "to some extent" fit this category.** What do you make of this? -CEOs are bound to have a somewhat more rosy perception of their own companies than the world outside does. You have to discount this. Their notions of what constitutes social responsibility must also vary. One CEO might think that if the company is making a profit, it is socially responsible because many thousands of people work for the company and benefit from its success. Another CEO might have another view: "Oh yes, profit is important, but I must also make sure that my corporation is able to do something concrete for the community whose resources it uses. I need to put something back into the community." A third CEO may reason, "My Corporation cannot survive if there is continuous strife in my country, so I have a certain responsibility to see how I can contribute to the resolution of that strife." As you can see, I'm not at all sure that every manager has the same conception of what it means to be socially responsible.
- 3.2.9 What is interesting is that very few are ready to say that they are not socially responsible. Now the challenge is to make sure that there is a certain commonality to what people mean by social and environmental responsibility.
- 3.2.10 That commonality can emerge only over time. And I would suspect that it will not be the same everywhere in the world. Take, for instance, what we were saying about the impact of the corporation in situations of strife. This isn't relevant to every country, but in some parts of the world it couldn't be more relevant, and it might be relevant somewhere else. I hope that what emerges on a regional basis is a certain shared understanding, a shared framework for what constitutes responsible behaviour.
- 3.2.11 **Can you tell us about a CEO whom you regard as a person of strong conviction and action in this realm of corporate social responsibility?** – There are so many that to name any one would do injustice to others. But I can say that I've encountered three types of motivations for injecting these issues into the mainstream of corporate policy. The first is the conviction that being socially and environmentally responsible does not necessarily mean that you have to sacrifice the bottom line. Such people believe that win/win solutions are available, particularly on the environmental side. Quite a few business leaders have come to the view that their companies can find these solutions when they look sufficiently sensibly and intelligently. For example, when governments insisted that chemicals should be recycled in paper manufacturing plants, the initial corporate reaction was that onerous costs were being forced on manufacturers. But they found in time that it wasn't such a bad idea at all, because the recovered chemicals often paid for the extra steps they had to take. There are other examples of this kind. So there is a group of business leaders who become environmentally responsible because they think they have win/win solutions. A second strand is slightly different: these are people whose horizon is much more long-term, people who say, "Look, I know that what I'm doing today is not part of the normal calculation of shareholder value, but I'm pretty sure it's going to become part of shareholder value 10 years from now, and I'd rather do it now." I once asked a German CEO why his company was investing in environmental practices that were not at all required — didn't this hurt his competitive standing? "No harm done," he replied, "because I know that my competitors will have to come to these standards five years from now, and we'll be ready with the technologies." So that is the second strand: people who are looking five to 10 years ahead and doing things now to position for the future they anticipate. Both of the approaches I have so far mentioned

can be justified from a standard business management perspective. But there is a third strand emerging: the notion that the health of the corporation depends on the health of the economy and society in which it operates. The reasoning goes roughly as follows: "If a significant part of the problems of society arises from environmental and social stresses, and if I am ready to sacrifice some profit in order to be able to address that environmental and social stress, I can make a great contribution. But the benefit of what I might do accrues to society at large — including my rivals. Therefore I cannot take these steps without a broad consensus that the steps are necessary and binding on all." To act on this third type of thinking, you need consensus. You cannot expect one corporation to be totally altruistic, because rivals will exploit its actions for their own benefit. You need a broad consensus: all players have to accept that this is their social responsibility. And this will come in time. CEOs and managers are not a breed apart; they are part of society.

3.3 **Group Chief Executive Officer of The Nation Media Group, East & Central Africa**

Mr. Kiboro, Group Chief Executive Officer of The Nation Media Group, East and Central Africa's largest publishing and broadcast media group. He is also chairman of the Federation of Kenya Employers, the East African Business Council, and the Media Owners Association - Reproduced from "Uncertain Times, Abundant Opportunities" – The 5th PwC Global CEO Survey, 2002

3.3.1 Alongside the changing ways in which the region's successful CEOs and companies manage their businesses, the criteria by which they achieve recognition may be changing. While corporate social responsibility is still a new concept, it has caught the attention of many regional corporations. Public perception is increasingly alert to the possible roles of such corporations as socio-economic structures collapse under failing public investments, mismanagement, and population pressure. The long-term benefit of participation in initiatives that directly affect corporations' own business activities is increasingly obvious. Large retail chains, for instance, see benefits in improving roads that enable improved access by consumers. Large companies see the benefit in the preventative health care of their staff, most notably with the AIDS scourge.

3.4 **Managing Director and Chief Executive Officer of UAC of Nigeria PLC**

Mr. Ajayi is Managing Director and Chief Executive Officer of UAC of Nigeria PLC, one of the oldest and largest conglomerates in Africa - Reproduced from "Uncertain Times, Abundant Opportunities" – The 5th PwC Global CEO Survey, 2002

3.4.1 Corporate social responsibility [CSR] is important to African companies, but there are constraints that make it less of a priority. You just need to look at the figures to know that companies that are fighting for survival can put few resources into CSR. Whereas CSR is part of the culture of developed world companies, African companies cannot just apportion part of their budgets to CSR. Companies that have tried have often seen their money end up in people's pockets. In developed countries, it is routine for governments to provide the basic needs such as education, health, and law and order. In Africa these are areas where companies are likely to use up their CSR budgets, as governments have failed to provide and maintain these services. In my view, education must be at the top of the CSR list, including building schools, buying schoolbooks, and assisting in teacher training. Other CSR priorities should be health security and the development of the judiciary. In the end, leadership is the key to a prosperous Africa. Leadership

permeates right through an organisation, a government, a family, a church; but good leadership is lacking in Africa. In the past 40 years, Nigeria and many other African countries have had leaders who have not put people at the centre of their interest. Africa is a wealthy continent, but its resources have been exploited for personal gain, and billions of dollars have gotten stacked all over the world instead of being reinvested in the countries of origin.

3.5 **CEO in Malaysia**

CEO in Malaysia - Reproduced from “Leadership, Responsibility, and Growth in Uncertain Times” – The 6th PwC Global CEO Survey, 2003

- 3.5.1 People in the world are better educated now. Corporations should be more socially responsible toward their employees and the public. Many companies in the US and the EU have already adopted higher levels of social standards. Companies in developing countries should follow this lead and voluntarily provide better care toward society and their employees. Responsible companies should not only ensure that their social standards be high; they should also enforce such high social standards onto their suppliers

3.6 **Chairman and CEO, Xerox**

Ms. Anne M. Mulcahy, Chairman and CEO, Xerox - Reprinted from “Leadership, Responsibility, and Growth in Uncertain Times” – The 6th PwC Global CEO Survey, 2003

- 3.6.1 As the leader of a company that has had financial difficulties, how did you maintain your commitment to corporate social responsibility? - That's been a huge part of Xerox's heritage, a part of our past, and it will be a strong part of our future. This has always been a company that's very community oriented, with a real devotion to teamwork, diversity, and business ethics. Our environmental record is second to none. Even during times when this company was losing money, our foundation continued to play a huge role in education and other social causes. We still made a million-dollar contribution after 9/11. Our people wrote back and said that's why they feel good about Xerox. This is a company that does look outside itself and has a reach that's powerful from a social perspective. I think it's hugely important, and it's actually going to get more important as we move forward in terms of the role companies play in the world. And now that we have returned to profitability, we continue to take that role very seriously.

3.7 **Chairman and CEO, Novartis**

Dr Daniel Vasella, Chairman and CEO, Novartis - Reproduced from “Leadership, Responsibility, and Growth in Uncertain Times” – The 6th PwC Global CEO Survey, 2003

- 3.7.1 **Let's consider the theme of corporate social responsibility. What is your proper role?** -Let me say first that the proper role of every human being is to care about other human beings. And to care about the have-nots, if one is among the haves, is a moral duty. Personally, I prefer voluntarily giving to being forced to give, and I don't think it's fundamentally different for companies. In order to give, however, you have to make money. So the first responsibility of companies is to be successful and fulfil their business purpose. Companies should make a contribution where they can, but to what

degree—that is open to debate and is a difficult question to answer. Second, I think businesses can only be a support and an adjunct—they cannot replace governments. The welfare of the people in a country is and remains the responsibility of the government and not of private industry. This is why we pay our taxes. So, any additional donation is and must remain a voluntary step, which companies should make if they can afford it.

3.7.2 **But is corporate social responsibility more than good public relations?** -It expresses human values, and it provides an image of caring which I don't think is negative in any way. When I shared our corporate citizenship programmes with our shareholders, I never received any objections. I expected that some people would say, "This is my money. Why do you distribute some of it? I think you should just distribute it to us, and we will make the judgement call how we want to spend it." But that was not the case. And, in fact, we can support programmes that individuals could not easily provide, like our leprosy or malaria programmes for developing countries.

3.7.3 **What can you do in a leadership role, both in the matter of assuming corporate responsibility and in terms of public perception?** - We have to explain, communicate, and, if necessary, fight for maintaining a business model that has delivered great medicines for people. This means that we have to defend intellectual property rights and the possibility to do research. If one undermines patents, you undermine the ability to provide long-term progress, as money is only invested if there is a likelihood of making a profit one day. To weaken intellectual property is unacceptable from an ethical point of view and from a business point of view. Additionally, we need to show that we are humans and we care about people, not just by producing great products but by also showing sensitivity to those who can't afford them. We can make a contribution and still remain profitable and competitive, which is vital for any company.

3.8 **Frank B. Sprow, Vice President, Safety, Health & Environment, ExxonMobil Corporation**

Frank B. Sprow, Vice President, Safety, Health & Environment, ExxonMobil Corporation at Conference in London in 2002

3.8.1 This portion of the conference has been labelled as "Business in a fragile world. I'm not sure if the world we live in can be characterized as "fragile," -- it's actually proven itself to be quite robust -- but it certainly is changing rapidly. Those of us who are tasked with helping to manage a large commercial enterprise must constantly ask ourselves whether our operations and plans are robust enough to withstand significant changes in the business climate. The changes arise from a variety of developments, some commercial, some social, some from governments. The strategies for dealing with these changes are not, of course, the same. I would like to focus my comments on the pressures that arise from the social environment that companies face, particularly companies such as mine, and how we approach them.

3.8.2 ExxonMobil operates around the world in about 200 countries. To point out that this is a diverse arena is to underestimate the case by quite a bit. Our business in Europe is a major part of our worldwide involvement. Not only do we refine and sell a great deal in this region, we are also the area's largest producer of oil and gas. What this means for ExxonMobil is that the views of Europeans on social responsibility issues are highly relevant to our activities. While we may not agree on every subject, I think we are in

- complete agreement that a company should be aware of its role in society, seek out the views of others on our activities and responsibilities, and act with this awareness in mind.
- 3.8.3 We have been a truly global company since the 19th century. We have been and hope to remain successful because we respect the many cultures and traditions of the countries in which we operate. We do this with the recognition that we are an invited guest of the host governments and their people. We have to satisfy governments throughout the world that we respect the interests of their countries. We have to satisfy the people who are our customers and neighbours that they benefit by our presence. We have to operate in a manner that protects our employees and the public health, and we must be ethical and honest in all of our endeavours. And we have to do this profitably, because a key obligation is to the people who invest in our company. The issues with which we must grapple range from the local -- health clinics, road rights of ways, village water needs -- to the global: species preservation and climate change. In its entirety, this is a tall order. Rather than try to cover all the ground involved, I'd like to focus my remarks on how we approach our relationship with the countries and communities in which we operate. This array of issues has increasingly become characterized as "**corporate social responsibility.**"
- 3.8.4 It is important to remind ourselves that neither community relations nor broader social concerns are the sole responsibility of corporations. This seems to be an obvious point, but it is also one that is periodically forgotten or ignored. We need to always keep in mind, and to remind others, that the primary job of a company is to make money for its owners, in a legal and ethical way, while providing valued products and services to the public. Usually, these products and services will make lives better, more comfortable, and more fulfilling. These are real social benefits. They are not imaginary or trivial. Furthermore, if we are not successful in satisfying the public need for useful products, and if we are unable to make money, we will not be able to assume a role in addressing other public needs.
- 3.8.5 And finally, a private company is not the primary actor with respect to social improvement -- governments are. It is a mistake for business to assume or to assert responsibility for something that governments are responsible to provide. But companies do remain highly relevant to the social scene, and because we can be a positive contributor to the societies within which we operate, we retain an obligation to conduct ourselves in a manner that is consistent with the interests of the larger society.
- 3.8.6 Let me cover some of the more important aspects of responsible corporate involvement in society. It goes without saying that where we operate we comply with all the laws and customs relevant to our business. This is basic. It is fundamental, and recent events in the U.S. illustrate the importance of these values. Of course, most countries and societies do and should expect more than simple compliance with the laws. They expect careful environmental operations, attention to safety and health, and respect for human rights and cultural integrity. They want to see a willingness to contribute to sustained economic and social development. It is in this setting that governments and the public judge our performance. One way we contribute to social change -- positive social change -- is through the manner in which we conduct our business.
- 3.8.7 Central to this is operating in an ethical way. As a company, ExxonMobil insists on honesty and rejects all forms of bribery and corruption. This is not a negotiable policy. We emphasize that each employee is expected to follow only the highest course. We hope our behaviour helps set an example for others -- both public and private. We

believe it does. The standards of business conduct that we have established for ourselves also emphasize the importance of recognizing basic human rights and treating people with dignity. We condemn all human rights violations, including ones in places beset by local insurgencies and armed conflict. But it is not simply by example and practice that the contribution of a company such as mine is beneficial.

- 3.8.8 The many ways that a country can benefit from our presence include the economic impact that we can have. This economic contribution is perhaps the most obvious, but it is worth explicit mention. After all, our investments lead to more employment, greater tax revenues, additional economic development, and a new avenue of opportunity for the people of a country.
- 3.8.9 Let me discuss in more detail some of the ways we can have a positive impact on individual opportunity and individual well being. In conducting our business in any country, we require highly trained people. Aspects of the oil and gas industry can be quite complex, and a skilled workforce is a necessity. We are usually among the highest paying employers in the countries where we operate. While we typically need a broad range of employee capabilities, we put a premium on advanced skills. We develop many of the skills we need through a strong commitment to training, but we also build people's base skills through wide charitable support of education. One of the areas of employee behaviour that we find important is attention to safety. Because our industry deals with explosive and otherwise dangerous products -- in production, manufacturing and transportation -- we have to be very alert to safety issues. In some countries we have very complicated production operations. Elsewhere, we operate sophisticated refining and chemical plants. Teaching employees how to recognize risks and then to take steps to reduce them is an important element in their training. It is also one, by the way, that transfers to all aspects of their private lives.
- 3.8.10 We have been pleased at the progress that has been made, and our current safety performance leads our industry. But my focus on safety is not about bragging rights; it is about reducing human injuries and human tragedy. Because we operate in so many developing countries where health care is not readily available, we provide health services to our employees and their families. We often make significant contributions to community health needs, including projects such as improving basic water, electricity and sanitation services. Along these lines, we have been, with others, strong advocates for strategic health management programs. Some of these initiatives involve improving health infrastructure, while others are directed at reducing the prevalence of diseases such as malaria. For example, we are sponsors of the Harvard Malaria Initiative, directed toward research to discover new antimalarial drugs, and the Medicine for Malaria Venture, designed to accelerate the development and distribution of current drugs. Of course, health care is not the only interest of the people in the many countries in which we operate.
- 3.8.11 Another, and important one, is the environment. A primary obligation we have with respect to the environment is to mitigate the impact of our own operations by limiting any disruption of the natural environment. This has been a major aspect of our pipeline construction operations in Chad and Cameroon, of our drilling activities in Papua New Guinea, and of our exploration efforts off the east coast of Sakhalin Island in Siberia. It is always something that we address, wherever we have business. Let me tell you how we addressed environmental protection during construction of the Chad-Cameroon pipeline, which extends from the coast of Cameroon 1,000 kilometres to the oilfields in Chad. While there is no way to build a pipeline without some effect on the natural environment,

with the Chad and Cameroon pipeline we took special care to avoid particularly sensitive areas. We also reduced the width of the pipeline right-of-way to minimize the plant and animal life affected by the construction. And during construction, when crops or homes were affected, we compensated landowners and homeowners for any property that was involved. These examples also raise another important feature of the sort of corporate citizenship I'm talking about. That feature is extensive consultation with the local governments and citizens that are most closely affected by a new project. With the Chad-Cameroon pipeline project, to gain local support for the project, we sought the views of the people in nearly 300 villages, holding an average of three meetings with each village. We also engaged the governments of Chad and Cameroon, with the World Bank, in structuring the project to ensure that the vast majority of the government royalties from production would flow back into social investments that benefit the people in these countries.

- 3.8.12 Nor was this all. The people in the area are now able to benefit from more extensive health screening, a greater availability of mosquito netting, and additional polio vaccine supplies. And, with more than 8,000 local people employed on pipeline construction, there has been a further transfer of benefits to the area communities. In a place such as Chad, where annual per capita income hovers near 150 pounds, the ability to have a job and to receive health care benefits can make a big difference in people's lives. To take another example, while those of us in developed areas don't have these concerns, serious health issues arise from the burning of wood and dung in homes, and even moving to kerosene makes a contribution to better health. In Chad and Cameroon, kerosene fuel is now within the reach of many more people. Overall, we think that this project has the potential to make a positive and significant improvement in the lives of the people of Chad and Cameroon. We find encouraging agreement with this perspective from many people and groups in the Non-Governmental Organization, or NGO, world. NGO's such as UNICEF and Africare have been willing and helpful partners. They have track records of expertise and accomplishment in the areas where we work. We are grateful for their help.
- 3.8.13 Of course, not all NGO's see the world the same way we do, and don't believe tradeoffs can be appropriate to balance economic and other needs with environmental or social goals. Some are single-issue focused and their membership can be made up of uncompromising activists. But the attitude of critical groups does not deter us from seeking the benefits of a project such as the one in Chad and Cameroon. The local population certainly believes strongly in the value of this development. We have worked hard to establish the framework for a successful project in Chad. But not every place has the legal or social framework necessary to build successful projects, and this is another area where corporate social activity is useful. Where local laws and rules may not be developed, or are inadequate, our corporate policy requires that we apply responsible standards, while also working with governments and industry groups to foster the development of effective laws and regulations. The goal is sensible laws and rules, based on sound science and considering risks, costs, and benefits.
- 3.8.14 I sometimes think this is one of the more ignored aspects of the impact a business can have on the social fabric of a country. Consider for a moment. In many of the areas in which we operate, the legal regimes are often undeveloped or even discouraging to development. Because, as a private company, we have so much of our shareholders' money at risk, the quality of a country's legal arrangements is central to our being willing and able to proceed with new investments. This is sometimes a difficult lesson for governments to accept. Particularly in portions of the former Soviet Union and in some

countries in Africa and Latin America we have found it a challenge to be understood on this point. Fortunately, their appreciation of the legal and economic framework needed by private companies has been growing. Of course, an improved legal regime reflects, at heart, a better appreciation for the role of defined law and organized dispute resolution procedures. Once a country begins to move along this path, I would argue that there has been a tangible improvement in the social framework of that country. This may be a subtle, and indirect, avenue by which corporate involvement adds to social welfare, but it is real. And it is as much a part of corporate citizenship as any other activity.

- 3.8.15 But I would like to turn, finally, to one area of corporate citizenship that has been of salient attention for some time, both for my company and others. That is the issue of the environment, and in particular the matter of climate change. No one disputes that a responsible company should conduct its operations in such a way that any long-term effects on the environment are minimized or avoided. After all, people who work in businesses live on this planet too. We have children and grandchildren for whom we want clean air and water. And one positive trend is a growing awareness, at least in the industrialized world that by most measures the environment has been improving. And as for the developing world, plentiful and affordable energy is central to economic development, and development enables and underpins environmental improvement.
- 3.8.16 We can see the evidence of environmental awareness in our daily lives, and the improvements are unmistakable when we look at most environmental indicators in the developed world. Air quality, water quality, forest cover -- all these show recovery and improvements across wide areas of Europe, North America, and Japan. Landfills that contain dangerous wastes have been subject to a number of years of attention and improvement. We also have a great deal of evidence that industrialized countries are determined to continue to improve their environmental conditions, and have been so determined for many years. After all, clean air regulations are more than three decades old in many countries, and the fruits of heightened attention to the environment show. This is not to say that all environmental issues have receded. But we have shown the ability, with continued increases in knowledge and national wealth, to address many of the environmental problems that have been identified. Perhaps the most publicized issue today concerns climate change, and this has taken on a prominent role in whether a country is considered responsible and a company a good corporate citizen.
- 3.8.17 ExxonMobil's view is straightforward. We recognize that the risk associated with climate change, and its impacts on society and various ecosystems, may prove to be significant. We do not think this subject has become a settled scientific certainty, however, and that is why our views are in some quarters considered controversial. Be that as it may, we believe that the risk of adverse effect is large enough to take strong, concerted actions to reduce the risks. Accordingly, we are engaged in two primary avenues to address this risk. First, we carry out and support research to reduce greenhouse gas emissions and to limit their impact. We are also seeking means to support major efforts to work in concert with others in industry and academia to drive toward technological breakthroughs that would substantially reduce the risk of adverse climate changes -- including very high efficiency systems and means to capture and sequester CO₂. In our own operations we are devoting substantial investments to energy conservation. The most salient of these is cogeneration of heat and electricity at major refineries and chemical plants, a step that saves considerable energy and emissions. In fact, more than 40 percent of our refinery power generation is now met through cogeneration, a level that reduces our carbon emissions from what they would otherwise have been by seven million tons a year.

- 3.8.18 We have also entered into a joint effort with other companies through the auspices of the International Petroleum Industry Environmental Conservation Association, or IPIECA, as well as other groups to develop common and accepted industry standards for measuring carbon emissions. We promote mandatory reporting of these emissions. And we have had ongoing partnerships with several leading automobile companies to develop new transportation options, including cars, such as hybrids, that use conventional fuels more efficiently. We are also engaged in technology research on cars that may some day use hydrogen fuel. These new vehicle alternatives present many challenges, but progress is being made. The approach we have chosen is one based on advancing scientific understanding of climate, while undertaking sensible investments in energy efficiency and new technological possibilities. This is far from being a stance that is indifferent to climate issues or uninterested in carbon-reducing technology. Our attitude is simply that political judgments should be aligned with good science and better technological options.
- 3.8.19 I've attempted to describe today the many elements and aspects of corporate responsibility and citizenship. This is a subject that tends to dominate the debate about the proper role of companies. Yet I think the results are rather convincing. Companies must take first things first and ensure they remain profitable. But they must approach this essential task in a manner that is in balance with the many other aspects of their social role, and consult with others regarding this balance. This is a complex task that takes into consideration the interests and needs of consumers, employees and governments.
- 3.8.20 In other words, we must also operate with attention to the larger society around us. It is this larger arena that helps make us profitable, and that allows us to operate with the flexibility needed if we are to contribute to economic and social progress. This dual focus on succeeding for the shareholders while helping address and improve social conditions is at the essential centre of being a responsible corporation. And it is with this dual focus that we as a company are determined to proceed.

4

Corporate Social Responsibility by Indian Oil & Gas Companies

4.1 Meaning of CSR by Indian companies in general

- 4.1.1 Several models have been advanced that attempt to describe how companies relate to the society. What responsibilities companies are willing to assume, and what are the societal expectations from them? The principal underlying tenets driving the debate are globally uniform but assume local flavour, based on local socio-economic and cultural context. In the contemporary era of global integration, the local flavour in the debate is increasingly subsumed by the global debate. India has had a strong tradition of philanthropy. Many feel it is now time to move forward and explore new ways of doing business so that all stakeholders are able to participate, differences are valued, policies are inclusive, and the impact on society is more positive. However, it is difficult to agree on a universal definition of Corporate Social Responsibility, and there are no indicators of measurement either to help evaluate such initiatives.
- 4.1.2 Corporate Social Responsibility- Survey 2002 was conducted jointly by UNDP/BC/CII/PwC to identify perspectives of Indian companies and CSR activities undertaken by them. Some of the significant findings were:
- It is encouraging to see that many are beginning to make a shift from a tunnel vision on Corporate Social Responsibility to an integrated model that mainstreams through business vision and processes.
 - Social Responsibility is not the exclusive domain of government and 'passive philanthropy' alone no longer constitutes Corporate Social Responsibility (CSR).
 - Majority of the respondents have ranked ethical conduct including compliance & transparency of business and nation building amongst the definitions closest to their perception of CSR.
 - The respondents consider business ethics, compliance with regulatory requirements and consistency in value delivery as three of the most important factors that impact social reputation of a corporation.
 - Companies claim that a desire to be a good corporate citizen and improved brand image drive CSR, contrary to articulated perceptions much less importance to regulatory compliance has been attributed.
 - Most of the companies surveyed include social responsibility in the corporate strategy, and its conceptualisation and deployment in most cases is at the highest level in the organisation. The top four influence on CSR Strategy are: the management (as per 98% of respondents), Board and employees (over 80% of respondents), shareholders (61% of respondents) and local communities (67% of respondents)
 - CSR is perceived as a mechanism to proactively approach and address the significant regulatory requirements. Accordingly in pursuit of CSR, systems, policies/guidelines are delineated for concerns such as health, safety and

environment. 42% of the respondents have instituted certified management systems for deployment of CSR.

- Over 55% of the companies surveyed felt that greatest enabling policy/ regulatory matter was provision of tax/ duties/ customs benefits.
- 38% of the respondents earmark resources for CSR a priority.
- Absence of a clear linkage between CSR and financial success is identified as the principal barrier to CSR. Lack of mechanisms to measure, monitor, evaluate and report impact of CSR initiatives is also seen as a major barrier.
- CSR is of interest to lenders and retail investors as per only about 20% of respondents, while 39% of respondents believe that institutional investors factor in CSR while making their assessments of companies.
- Many companies see a great future for earning profits through ethical conduct of business, complying with regulatory requirements, with a greater emphasis on protection of environment, and employee health and safety.

4.2 CSR – Marketing petroleum products at a low cost

4.2.1 Internationally and in India selling products at low cost to consumer is not considered as a part of CSR activities. Selling low cost products do not further business interest and in the long run may lead companies becoming sick and might have to lay off people which is not a socially responsible behaviour. Private Indian Oil & Gas companies are of the view that the nature of CSR should not be mandated by the government but rather should be a voluntary initiative. It should be left to a company to decide how it would undertake CSR. CSR should be considered as a group concept, since the responsibility is better viewed in a wider spectrum

4.2.2 However, in case the government would like to provide guiding posts on which areas it feels should be given priority, companies would give due consideration to such guidelines. e.g. Government of India (GoI) may provide guidelines/directions through associations like Ratan Tata Committee which would help large private sector companies to focus on CSR as is being viewed by the industry and also follow the benchmarks set say for example how much percentage of profit may be committed to CSR activities. Such an approach would help in gaining consensus among the active participants, as long as the participants choose the area that suits them best in their judgement.

Bottom line Profits are necessary for CSR

4.2.3 Since CSR involves financial outflow, it can be said to be a ‘fair weather’ activity. Some companies which were actively involved in social investment in the traditional philanthropic concept of CSR now do not have budgets because of their diving profitability. Companies in the Modi group are a ready reference in this regard.

4.3 CSR by Private Indian Oil & Gas companies - Reliance Group of Industries

4.3.1 Reliance Group undertakes its social welfare and humanitarian initiatives through various organizations, including corporate and trusts such as the Dhirubhai Ambani Foundation

(DAF) and Reliance Rural Development Trust. Reliance encourages its employees to undertake philanthropic activities and be actively involved in community welfare projects.

- 4.3.2 Reliance's community development programs are designed to meet the responsibilities of a good corporate citizen, and to support the development of people in the neighbouring communities. From providing prompt relief at times of natural crisis such as earthquake or drought, to building community halls and running balwadis and mahila mandals, Reliance touches every part of social life.
- 4.3.3 The Dhirubhai Ambani Foundation undertakes community welfare and development projects especially in healthcare and education. As part of its education initiative, Reliance runs schools at its manufacturing locations providing quality education to children living in nearby areas. DAF has for the past seven years presented merit awards and scholarships to district level meritorious students at the annual SSC and HSC examination from a total of 62 districts of Maharashtra, Gujarat, Goa and the Union Territories of Daman, Diu, and Dadra Nagar Haveli.
- 4.3.4 The Dhirubhai Ambani Institute of Information and Communication Technology (DA-IICT) in Gandhinagar and Dhirubhai Ambani International School (DAIS) in Mumbai have been established. In association with the Municipal Corporation of Greater Mumbai, Reliance launched the Secondary Schools Computerisation Project to facilitate computer education for all 50 municipal secondary schools of Mumbai, which runs successfully.
- 4.3.5 As part of healthcare initiatives, DAF has joined the management of Sir Hurkisondas Nurottumdas Hospital in Mumbai. It also runs the Dhirubhai Ambani Hospital at Lohivali, Raigad and the Jamnagar Community Health Centre providing state-of-the-art medical facilities and supporting community-oriented programs.
- 4.3.6 Reliance believes that organizational growth objectives need to be fused with the overall developmental imperatives of the society and the community at large, for ensuring sustainable all-round growth. To make a difference for the betterment of the society and development of its people is at the heart of all Reliance's community initiatives, environment and energy conservation.



Corporate Social Responsibility Policy

Reliance believes that Corporate Social Responsibility extends beyond the ambit of business and should focus on a broad portfolio of assets – human, physical, environmental and social.

Consistent with this philosophy, Reliance is committed to:

- Create economic opportunities for millions of people, through its business initiatives.
- Utilize energy resources in a responsible and efficient manner.
- Address environmental management aspects in a holistic manner.
- Create and sustain diversity at the workplace.
- Encourage employees to volunteer and spend time for community activities.
- Encourage suppliers and contractors to conduct their operations in a socially and environmentally responsible manner.
- Deal with all stakeholders (employees, customers, environment, shareholders, lenders and other investors, suppliers, local communities and the Government) in an ethical manner.
- Support the development of professional resources, through educational initiatives.
- Bring the benefit of modern medical care to the needy, through health care initiatives.
- Leverage financial, physical and organizational resources of Reliance for rescue and rehabilitation work during natural and man-made disasters.

A handwritten signature in black ink, appearing to read "Mukesh D. Ambani".

Mukesh D. Ambani
2005

Reliance at Jamnagar and surroundings

- 4.3.7 Reliance has been actively participating in community welfare activities right from inception. In recent years, the activities continued through the construction of the Refinery at Jamnagar. Many of the workers belonged to surrounding villages and towns. The implementation of community activities has been an integral part of the day to day work at Jamnagar.
- 4.3.8 Reliance, with its state of the art sea water desalination plant at Jamnagar; supplied millions of gallons of drinking water during crisis to the surrounding villages, Jamnagar city and Jam Khambhalia town etc. The supply of drinking water and related services were rendered on a major scale during drought days in the year 2000, 2001, 2002 and 2003.
- 4.3.9 Reliance, with its civil construction resources, laid 23 kilometre long drinking water pipeline on behalf of GWSSB and Jamnagar Municipal Corporation in a span of 27 days

- to fetch water from the Aji dam on the outskirt of Rajkot district to Und-II reservoir near Jamnagar.
- 4.3.10 Temples in ten villages surrounding Reliance refinery have been built as per the choice of the villagers.
- 4.3.11 Reliance maintains eight cowsheds since 1996 wherein 1115 cows are provided fodder, to mitigate the hardship of the rural poor.
- 4.3.12 Reliance has constructed community halls in five villages, primary school buildings in several villages and maintains several school buildings in nearby villages.
- 4.3.13 A public health centre at village Moti Khavdi is constructed and run 24 hours by the company for villagers. Reliance supplies medicine to the sick and needy. The village medical centre is also supported by a mobile medical van which visits surrounding villages twice a week and provides free diagnostic services and medicines etc. The Moti Khavdi medical centre is equipped with doctors, nurses and a laboratory technician. An ambulance is in support which caters to emergency needs and hospitalization of highway accident victims.
- 4.3.14 Role of the workers, employees and the Reliance management at large in mitigating natural calamities is timely, exemplary and true to the spirit of discharging social obligations inherited by all of us at Reliance from our founder chairman Shri Dhirubhai Ambani.
- 4.3.15 During the construction of Jamnagar Complex, a devastating cyclone on the western coast of Gujarat that hit on 9th June 1998 and took its toll. Reliance, at once geared up for the relief and rescue work in Jamnagar city and 11 villages/towns of the district which was continued for ten days, day in and day out. The priorities were: medical assistance, during and after the crisis; drinking water; and food.
- 4.3.16 Round the clock medical and ambulance services, with the help of 36 doctors and 43 para-medical staff, could save precious lives. Seriously injured were treated. Reliance's control room was open round the clock.
- 4.3.17 100 water tankers were mobilized in 24 hours. These carried water from the refinery to the villages affected. Chlorinated and potable water was supplied.
- 4.3.18 Twelve trucks of wheat, two trucks of rice, four truck-load of bread-packets, two trucks of mung, seven and half tons of milk, 20 tons of edible oil, potatoes, vegetables etc was mobilized and distributed. Food packets were also distributed
- 4.3.19 As normalcy returned, lack of electricity had to be dealt with.
- 4.3.20 Generators to Jamnagar Municipal Corporation and Khambhalia Nagar Palika were provided for water distribution. Diesel generating sets of 1.1 mw combined capacity were provided to civic and district administration as well as government hospitals. 160 technicians from the company were assigned to the State Electricity Board for restoring power supply.

- 4.3.21 Similarly, in the wake of earthquake in Kutch, in 2001, Reliance team was one of the first to reach the affected areas with a huge contingent of engineering equipment (259 nos) and dedicated workers and officials (400 nos).
- 4.3.22 Rubble was removed from Anjar's narrow lanes/by-lanes. Approximately one lakh ton of rubble was removed. Lockers and precious records etc of three banks were transferred to safer places.
- 4.3.23 200 damaged buildings were either totally or partially erased to save others from danger of falling etc. 1237 injured patients were treated and 42 seriously injured were flown to Mumbai for advance treatment at Reliance's hospital. 22308 nos of blankets, 15767 nos of plastic sheets, 1961 nos of tents, 1139 nos of tin-sheets, 33045 nos of raw food-packets, 24 tons of rice, four tons of pulses, seven tons of sugar and 405 tins of edible oil were distributed.
- 4.3.24 Reliance constructed 18 sheds in GIDC for traditional Kutchi bandhani-sari artisans in Anjar-GIDC. Earthquake proof accommodation, from pre-fabricated plastic was erected, both as houses and offices. The Chairman was personally guiding the efforts. Cash contribution was also made to the then Prime Minister for the relief fund.
- 4.3.25 Reliance has been focussing on sustaining development of Dwarka. Maha Prabhujis baithak is totally renovated. The Gomatighat at the rear of Jagat Mandir is re-done to facilitate the pilgrims.
- 4.3.26 A closed circuit TV based security system is installed to guard the monument and keep vigil on the movement of people etc during crowded festivals. A guest house 'Dhiraj Dham' is being constructed for pilgrims.
- 4.3.27 The community work done in the form of sponsorships and supports, donations and assistance are numerous. Reliance through the Dhirubhai Ambani Foundation, Reliance Rural Development Trust etc, continues to contribute to the well-being of public.

Taking HSD to the villages of Gujarat – a innovative fuel retailing format for rural areas

- 4.3.28 Reliance in its various businesses has always been conscious of reaching and servicing every segment of consumer in society. Hence when it decided to retail petroleum products in the country it also decided to focus on not only the Highway and city consumers but also develop retailing formats that would particularly meet the fuel needs of farmers in the rural areas of the country.
- 4.3.29 Farmers in most villages of the country have to travel long distances to the nearest petrol pump to purchase HSD for running their tractors, pump sets and other agricultural equipments. Very often there is shortage of fuel during the critical peak season period resulting in considerable hardship to the farmer. To over come these problems, farmers all over the country resort to transporting fuel in second-hand barrels from a far away Retail Outlet to their village and storing it for the entire season. This practice is costly to the farmer and is unsafe. In times of shortage, unscrupulous elements also resort to illegal means of black marketing and adulteration of fuel resulting in the farmer having to pay usuriously high prices. Ready availability, quality and quantity of fuel at the village are the critical needs of the farmer community.

- 4.3.30 During surveys in rural markets, these problems of farmers in remote interior villages were constantly highlighted. To address this effectively, Reliance developed a new and innovative solution. Conventional format of supply from Retail Outlets is costly, since the volumes were low. A fresh approach to rural markets was needed. The solution had to have the following characteristics:
- keep investment costs low and also working capital costs to the minimum.
 - faster replenishment cycles as smaller volumes cannot be replenished from distant storage terminals. The supply point had to be within a distance whereby frequent replenishment too is possible.
 - factor seasonal swings in demand
 - not compromise on the core promise of Q&Q. Quality & Quantity are especially relevant in remote rural markets as adulteration is rampant in these areas. All the available systems for ensuring Q&Q at regular retail outlets are highly technology enabled, with investments are high as Rs 25 lakhs per outlet. This was not possible at these low cost remote rural outlets.
- 4.3.31 Keeping the above in mind a model was developed. Storage and supply systems, in the form of specially designed barrels, to ensure quality were developed. Highway outlets were leveraged to act as supply points so that the replenishment of stocks could be speedily effected. Q&Q concerns were adequately addressed through special valves fitted on the specially designed barrels and dispensers.
- 4.3.32 Reliance has launched these outlets in villages in Gujarat. Over 100 villages have benefited from this initiative. Today consumers in these villages have access to Q&Q assured fuel, at their doorsteps.
- 4.3.33 200 more villages have been identified for implementation in Western India. Reliance wishes to extend this concept to as many villages as possible in all major agricultural states of the country.
- 4.3.34 Dealers have been identified from the village itself and they own these outlets. This has been made possible, as these outlets have been designed at investment levels affordable to the villagers. This has also provided a profitable business opportunity to local entrepreneurs.
- 4.3.35 The reaction of the villagers has been very positive and the outlets well received. Farmers in these villages have stopped travelling to the Highway outlets for their fuel requirements. Convenience of getting fuel in the village has benefited farmers who need not store HSD but purchase as per their need.
- 4.3.36 In addition, all this has been done in conformance to all statutory requirements of the Department of Explosives and Legal Metrology, providing a safe and organized method of retailing HSD in the village.
- 4.3.37 This model for rural markets is a first of its kind in the industry and Reliance is proud to have pioneered this unique initiative. In so many years of petroleum retailing in the country, never was a format devised specific to the needs of rural markets alone.

4.3.38 As a responsible Corporate citizen, Reliance has launched various initiatives benefiting different segments of society. In keeping with this intent, this attempt to provide quality fuel to the villages of India is one more effort in that direction.

4.4 CSR by Private Indian Oil & Gas companies – Essar Group

4.4.1 The Essar Group strives to enrich and support the communities in and around its plants. The Group has transformed Hazira and its neighboring area by planting thousands of trees and laying pipelines that reach over 7 lakh cubic metres of water per day to the people of Surat. Self-supporting schemes for women, schools, roads, and playgrounds and out-reach programmes have established Essar as a committed corporate citizen of Gujarat.

4.4.2 Essar's operations in steel, power, oil and gas, shipping, telecom, constructions have generated direct employment for over 4000 people and indirect employment opportunities for thousands of people in Gujarat. In association with Hutch, Essar's telecom services bring satisfied smiles to over a million mobile consumers in Gujarat.

4.4.3 During the trauma of 2001 earthquake and the draught of 2000 in Gujarat, Essar responded with material, doctors, supplies of critical life saving drugs, drinking water and long-term rehabilitation programmes. Essar also supplied material and assistance to Gujarat Electricity Board for recommissioning a number of distribution stations in Bhuj after the devastating earthquake.

4.4.4 Essar creates enduring value through its strong, vibrant and caring culture. Essar supports Hazira and surrounding villages through:

Taking care of the basic amenities:

- water pipeline carry 0.7 Million Cubic Metres of drinking water everyday to the villages near Hazira
- Providing direct and indirect employment to semi-skilled and un-skilled population

Social commitment:

- Motivational rewards for teachers: for the teachers who deliver 100% results in SSC in individual subjects
- Scholarship for meritorious students: To all students excelling in SSC, HSC and Under Graduate studies
- Recreational programmes for children: For children aged 9-12 at Ankur Bal Kendra, Hazira, once a week
- Subsidised medical care: Essar Hospital at Nand Niketan gives medical facilities at subsidised rates to the local population
- Education facilities: Subsidised education at Nand Vidya Niketan for children of nearby community

Infrastructure development:

- Building of Overhead tank for storage of water at Matafalia village
- Undertaking all the repair activities pertaining to water pipeline, community well etc.
- Building overhead tank for water storage at Matafalia village
- Electrifying the 7 Km stretch of road from L&T to Mandali Gate
- building and laying of approach road to the village crematorium
- Donation of Ambulance to the Arogya Samiti of Hazira Village

4.4.5 The following Community Development Programmes have been conducted during the year 2004 & 2005, in the surrounding villages of our Refinery Site at Vadinar, Jamnagar City and other places in Gujarat.

Community Programs at Essar Oil, Vadinar and Jamnagar, Gujarat

- An eye diagnosis and surgery camp was organized on 26th September, 2004, jointly by District Blindness Eradication Committee, Shivanand Mission, Virnagar and EOL at Vadinar for the benefit of the people of surrounding villages. A total of 237 patients were examined from 11 villages and out of these 27 cases were taken for surgery to Virnagar Eye Hospital free of cost.
- Deodhar Trophy Cricket Match between West Zone and Central Zone was sponsored by the Company. The Company incurred sponsorship, hospitality and other expenses related to the match (over Rs. 1,00,000). The One Day match was organized by Jamnagar District Association in coordination with the Board of Control for Cricket during the month of February, 2005, at the historical Ajitsinhji Cricket Ground in Jamnagar.
- Under our Community Lunch Programmes in the surrounding 6 villages Essar Oil organized lunches in two Villages viz. Jankhar village (on the occasion of Pran Pratistha Mahostava of Lord Shiva Temple on 12th February, 2005 and in Kathi Devaria village on the occasion of Pran Pratistha Mahostava of Deities Shri Ashapura, Gatal and Momai Mataji's Temple on 11th May, 2005. The cost towards the Community Lunch per village was Rs. 75,000/- (Total Rs. 1.5 Lakh).
- We have provided three Colour Television Sets for village community use in three surrounding village Panchayat Offices at Mithoi, Kathi Devaria and Sodha Targhadi at a cost of Rs. 40,000/- during the month of March, 2005.
- 24th Senior Gujarat State Body Building Chaimpionship-2005, organized by Kutch District Body Building Association, Gandhidham held on 12th February, 2005 was sponsored by the Company to the extent of Rs. 50,000/-.
- Contributed an amount of Rs. 30,000/- towards Flamingo Golf Course Construction at Army Head Quarters, Bhuj during the month of June, 2004.
- During Navratri Festival 2004, we contributed towards expenditure of gifts to girls playing in 11 Garbis of 7 villages of surrounding Vadinar Site (Jankhar, Vadinar,

Bharana, Kajurda, Timbdi, Sodha-Targhdi and Kathi Devaria). Our contribution was to the extent of Rs. 55,000/- (Rs. 5,000/- for each Garbi Mandal).

- Sponsored “Gunjan Navratri Mahotsava” in November, 2004 to the tune of Rs. 20,000/- . The function was organized by the JAYCEES, Jamnagar.
- Sponsored “Golden Jubilee Celebration” of M. P. Shah Medical College, Jamnagar (Guru Govind Singh Govt. Hospital) to the extent of Rs. 25,000/-, during November, 2004.
- Provided Drinking Water Pipeline to the Jankhar Village at an expenditure of Rs. 35,000/-.
- Contributed Rs. 5.00 lakhs towards Forest Department’s scheme of Gujarat’s Nakshtra Van, a project to promote Herbal Tree plantation development Programme at State capital, Gandhinagar.
- We have contributed to the extent of Rs. 4.00 lakhs, jointly with KPT and IOCL towards expansion of Road linking Jhankhar Patia to Vadinar which will be useful to around 5 – 6 village of the vicinity.
- We have provided infrastructure facility in Modpur village i.e. providing a pumping system in open well for drinking water, Platform surrounding trees at Gaushala and road, and Water supply and bath arrangement at Cremation Area at an approx cost of Rs. 1.38 lakhs.
- Over and above, we help village community by providing fodder for their cattle in drought situation, drinking water tankers, employment/business (contracts etc.) to those villages who have lost their land.

4.4.6 Essar has also donated Rs.6 crore for Tsunami victims and Rs.10 lakhs to Akanksha (at the Mumbai Marathon).

Response to questionnaire on CSR by Essar

- 4.4.7 **On a scale of 1-10 (10 being the highest), how would you rate the importance of CSR to your company's corporate HQ? - 5**
- 4.4.8 **On a scale of 1-10, how would you rate the importance of CSR to your company's India business unit? - 5**
- 4.4.9 **Who sets CSR priorities for your company in India? - Corporate HQ 70% and India business unit – 30 %.**
- 4.4.10 **Please briefly describe the process by which your company's CSR priorities are established.** – The Directors and the senior management deliberate on the policy and plant managers set priorities, budgets and implementation plans.
- 4.4.11 **Please briefly describe your company's CSR philosophy** – The Essar group holds itself to the highest standards of safety, environmental protection and community development. We strive to support and enrich the communities in and around our plants.
- 4.4.12 **Does the company produce an annual sustainable/CSR report? - No**

- 4.4.13 **Does the company have a formal CSR code/ policy in place?** – We are in process of formulating a policy.
- 4.4.14 **Contributing by PSU by way of subsidies is perceived by MoPNG as CSR initiatives. Does your company propose to contribute by way of subsidies or by any other manner?** - No
- 4.4.15 **How much did your company spend on CSR activities in past on yearly basis?** – The Essar group and its associate companies spent Rs 7 crores in 2004-05. Employees too contribute during times of national calamity.
- 4.4.16 **What are the priorities of initiatives within CSR your company commits funds to? Name the initiatives in priority in descending order.**
- National Calamities
 - CSR initiatives in and around our Plants at Hazira and Vadinar
 - Working with NGOs for specific causes
 - Working with Government/Quasi Government agencies like Coast Guard for city and beach clean up campaigns
- 4.4.17 **What constraints, if any, has your company encountered in the course of designing and implementing its various CSR activities?** We have not encountered any major constraints.
- 4.4.18 **What is your company's plan for future CSR investment?** We are evolving a policy for CSR investments, which will be based on needs and a share of our profits.
- 4.4.19 **Are there any CSR investments your company has made that have not had the impact or effectiveness that was initially envisioned?** We are not aware on fund utilization when we contribute to Relief Funds set up by Government / Quasi Government agencies.

5 Corporate Social Responsibility by International Oil & Gas Companies

5.1 Introduction

- 5.1.1 Companies are focussing on projects that help people to help themselves. There's little merit in initiating projects which encourage dependence or are divisive - creating haves, and have-nots or are based on the quick-fix mentality or doing things which essentially make headquarters of the company feel good but have few local benefits. Resource-based companies need to analyze carefully how they can create an enduring benefit to the communities in which they operate.
- 5.1.2 Boundaries of CSR may vary depending on the country and its socio-economic structure. In developing countries CSR tends to be drawn around alleviating poverty - in other words, around the notion of sustainable livelihoods. Often this relates to what are essentially development issues - the provision of energy or drinking water or health provision or literacy or nutritional concerns. In other places, especially in Europe and North America and some parts of Asia, CSR tends to be drawn around opportunity issues - the boost companies can offer in terms of jobs, skills training and education.
- 5.1.3 Large oil companies' engagement in society is deepening and broadening. Everything from sponsoring communities in Trinidad to comforting flood victims in Venezuela, building schools in Turkey and China, heightening AIDS awareness in South Africa, and encouraging reforestation in Scotland.
- 5.1.4 The below paragraphs point out that within our scope of CSR, the preferred areas for community development of the oil companies are projects on health, education, institution-building, and promotion of viable small enterprises. Yet other social commitments undertaken by oil companies include sponsoring housing, job training and launching banks to make micro-loans to small businesses and low-income households.

5.2 ChevronTexaco – Corporate Social Responsibility initiatives

Extracts from Chevron 2004 Corporate Responsibility Report

- 5.2.1 For the year 2004, the company invested an estimated \$63.8 million in community initiatives and projects around the world. A large portion of these funds were invested in programs that build individual capacity, such as health and education. Some of the Chevron's community investments are listed in paragraphs below.
- 5.2.2 A pledge of more than \$12 million to the victims of the December 2004 tsunami. As part of that pledge, Chevron also is developing a longer-term program aimed at restoring and strengthening the devastated communities.
- 5.2.3 A nearly \$9 million initiative primarily in the United States aimed at building long-term human capacity through education, literacy and job training in New Orleans, Louisiana; Washington, D.C.; Houston, Texas; four locations in Mississippi; and in California, the San Francisco Bay Area, Los Angeles and Bakersfield.
- 5.2.4 Continued expansion of the Angola Partnership Initiative, a \$50 million public-private partnership launched by Chevron in 2002 to build human and institutional capacity in

- Angola. Chevron pledged \$25 million to this five-year effort. Funding from Chevron helped open Angola's first micro-credit bank, NovoBanco, in 2004 to provide financing to small business enterprises.
- 5.2.5 An alliance between Chevron and the Discovery Channel Global Education Partnership funded 19 learning centres in Cabinda, Bengo and Huambo, Angola. Chevron also is providing \$1.2 million in new funding to the partnership to expand the program in Angola, South Africa and Venezuela.
- 5.2.6 The company's investments in the education arena are focused on school- and work-based career and technical programs, fundamental learning competencies like reading, science and math, and training and professional development for educators. These initiatives are often done in partnership with governments, local communities, nongovernmental organizations and multilateral institutions. Examples of programs supported by Chevron and its subsidiaries include:
- 5.2.7 Caltex Pacific Indonesia, a Chevron company, contributes \$12 million annually to community development and infrastructure projects, such as: the sponsorship of the first academically elite polytechnic university, Polytechnic Caltex Riau, the construction of 75 schools and, scholarship programs to more than 36,000 students since 1998. On March 31, 2005, the first 99 students graduated from the Polytechnic Caltex Riau.
- 5.2.8 A \$9 million initiative primarily in the United States aimed at building long-term human capacity through education, literacy and job training. The breadth of these programs impact children, teenagers and adults in New Orleans, Louisiana; Washington, D.C.; Houston, Texas; four locations in Mississippi; and in California, the San Francisco Bay Area, Los Angeles and Bakersfield.
- 5.2.9 In Venezuela's capital of Caracas, Chevron funded the first training and education centre for street children. The goal is to help the children build skills to become self-sufficient while they attain the basic education they need to attend regular schools.
- 5.2.10 An alliance between Chevron and the Discovery Channel Global Education Partnership funded 19 learning centres in Cabinda, Bengo and Huambo, Angola. Chevron also is continuing to provide \$1.2 million in new funding to Discovery Channel Global Education Partnership to expand the program in Angola, South Africa and introduce the program in Venezuela.
- 5.2.11 The Chevron Management Institute is an intensive four-day program designed to enhance the ability of non-profit executives to lead and manage organizations that provide important community services. Chevron believes in building stronger non-profit organizations and NGOs around the world, the programs and services to local communities will grow.
- 5.2.12 Chevron's comprehensive HIV/AIDS programs in South Africa, Nigeria and Angola have been underway for more than a decade. Those programs include education, voluntary testing, counselling, and treatment for employees and their families, as well as a variety of education and awareness programs for the broader community. In 2004, Chevron adopted a global HIV/AIDS policy that builds on those regional policies and programs to provide a consistent corporate-wide approach. Additionally, at the end of 2003, Chevron was one of nine global companies to announce that, in partnership with the Global Fund to Fight AIDS, tuberculosis and malaria, we would use our facilities, employees and

other infrastructure in Angola to help expand workplace HIV/AIDS prevention and treatment programs in the communities where Chevron operate.

5.3 **Shell – Corporate Social Responsibility initiatives**

Extracts from The Shell Report 2004 – Meeting the Energy Challenge – our progress in contributing to sustainable development

- 5.3.1 **Sustainable development governance** - Making sustainable development part of how Shell work remained the responsibility of operational staff and project teams, supported by environmental, health, safety and social performance resources in businesses. Shell have in place a range of Group policies and standards dealing with the environmental and social dimensions of sustainable development. A Social Responsibility Committee continued to review the policies and conduct of the Group with respect to the Shell General Business Principles (including commitment to contribute to sustainable development), Health, Safety and Environment Commitment and Policy and major issues of public concern on behalf of the Boards. This included advising on the relevance and balance of The Shell Report. In 2004, the Committee, composed of six Non-executive Directors, was chaired by Dr Eileen Buttelle, an environmental scientist.
- 5.3.2 Shell's social performance is about how well Shell provide benefits for the communities and societies where Shell operate and reduce disruptive social impacts. In 2004, Shell's businesses continued implementing processes to manage social performance. These include social performance reviews to identify key stakeholders and assess responses to main social impacts, and social performance plans to determine the steps needed to improve.
- 5.3.3 **Total spending** - For the year 2004, Shell expended \$106 million on social investment programs, up from \$102 million in 2003.
- 5.3.4 **Local spend and supply chain** - Supporting local suppliers and contractors is one of the most effective ways for Shell to support development and generate local benefits. Shell companies actively promoted the use of local suppliers and contractors in nearly 90% of the developing countries where they operate. The company has spent an estimated \$6.3 billion on goods and services from locally-owned companies in the developing world in 2004, up from \$5.2 billion in 2003. This accounted for almost half Shell's total spend in those countries.
- 5.3.5 **HIV/AIDS** - The company implemented specific guidelines on HIV/AIDS in five pilot countries – Gabon, the Ivory Coast, Kenya, Nigeria and South Africa. The guidelines call for the shell companies to provide counselling and to supply free anti-retroviral drugs for infected employees and their dependants.
- 5.3.6 **Child labour** - Shell companies have procedures to prevent the use of child labour in their operations in 83% of the countries where they operate, a rise from 78% in 2003. Screening of their value chain partners has also increased. Shell companies in 61% of countries now check that those contractors have procedures in place, up from 57% in 2003, and 53% check on suppliers, up from 50%.
- 5.3.7 **Taxes and Royalties** - Taxes and royalties represent Shell's biggest economic contribution to the societies where Shell operate. In 2004, Shell collected more than \$72 billion in sales taxes and excise duties and paid over \$15 billion in corporate taxes and

\$2 billion in royalties to the governments of the countries where Shell operated. Oil revenues can transform countries by promoting economic growth and funding social services. However, managed badly, they can stimulate corruption and conflict. This is why Shell continue strong support for initiatives that make public oil and natural gas revenues paid and received.

CSR by Shell in India (www.Shell.com)

- 5.3.8 Sustainable Development is about balance and integration and applies to every choice that we make. Specifically, a commitment to embed Sustainable Development into our business processes enjoins Shell companies to take economic, environmental and social considerations into account in all our work. This means that Shell companies in India make systematic efforts to identify and engage with stakeholders, undertake activities transparently and in consultation with stakeholders, develop plans that address stakeholders' concerns and report and verify actions taken. The Shell companies in India makes social investments as a part of their commitment to Sustainable Development.
- 5.3.9 **Shell Helen Keller Awards** - The NCPEDP-Shell Helen Keller Awards acknowledge exemplary contribution by role models in expanding the space for people with disabilities in society. In particular, the awards recognize contributions for making workplaces accessible and for encouraging employment for differently-abled persons. A Selection Committee constituted for the purpose decides the winners by means of a completely transparent and rigorous process. The Selection Committee comprises representatives from the National Centre for Promotion of Employment for Disabled People (NCPEDP), Shell India and NGOs associated with the differently abled.
- 5.3.10 The Post Graduate Scholarship Scheme - For the last five years , Shell India has sponsored the post graduate studies of 10 differently-abled persons every year. This year, Shell India is sponsoring 20 students. This programme aims at developing a pool of talented and trained students, who will in turn inspire many others to take up the challenge of higher education and employment. Many of the scholars have done very well in their studies, moved on in their lives and are now offering their help to others who are in need.
- 5.3.11 Shell in association with the Anchal Research and Rehabilitation Centre, aims to provide a total package of developmental services to the differently-abled. The focus is on the mentally-challenged of East Delhi. The services include the institutional services as well as community-based rehabilitation of the target groups according to the needs of the situation. These services cover special schooling, medical and therapeutic services, vocational training and counselling.
- 5.3.12 The National Centre for Promotion of Employment for Disabled People's relationship with Shell India dates back to 1998. It started with the sponsorship of just a few scholarships, but has now matured over the years to a full-blown partnership between the two organizations. Shell India does not merely fund NCPEDP. It understands us, believes in us and therefore works with us. We are two close allies, working together for the empowerment of disabled people. The Indian disability sector needs many more corporates like Shell to come forward." -Javed Abidi, Executive Director, NCPEDP.
- 5.3.13 A comprehensive programme for sustainable interventions for human and natural resource development is being implemented in Hazira, with the involvement of local people.

- 5.3.14 **Pulse Polio Programme** - The Pulse Polio Programme, on a national level aims at making India a polio-free country. In Hazira, Shell worked in association with local authorities to vaccinate children between the ages of 1-5 years. Earlier this year, we were able to cover areas that were otherwise missed in the campaign, such as the 'bastis' of migrant labourers. In an intensive effort to eradicate polio from the region, Shell partnered the local health functionaries to mark out an aggressive health-action plan for the region. These efforts were backed by a door-to-door campaign promoting the cause and increasing awareness, making the programme a huge success.
- 5.3.15 **Medical Camp for Disabled** - Disabled Welfare Trust, Surat, and Gram Arogya Samiti, Hazira along with Shell, organized a Medical Camp on May 25, where in addition to the award of certificates and I-Cards, personal action plans (which will include medical and other requirements) were prepared. 142 persons attended the camp. Seven government surgeons and five private specialists participated, along with the Social Services department.
- 5.3.16 **Renovation of Dispensary** - One of the main needs of the Hazira communities has been proper medical facilities. After much mutual consultation it became apparent that the upgradation of the local dispensary and provision of doctor's services alone could meet the communities' needs. While work began on equipping and operationalizing the dispensary-cum-clinic, side by side the training of community health workers was also started. The renovated Dispensary was inaugurated in Hazira on April 9, 2003. The Dispensary is being operated by the Gram Arogya Samiti. Two village gram-sakhis have been selected as nurses in the dispensary, as well as to provide administrative support. The average daily number of patients has grown from 30 to 80 in four months.
- 5.3.17 **Capacity Building Programme** - 18 local diploma engineers sponsored by Shell Hazira Gas Private Limited under its 'Education, Health and Capacity Building' programme for local community have successfully completed the one-year post diploma course in Foremanship at Government of India's Foreman Training Institute (FTI), in Bangalore. At a valediction programme organized at the Institute, Director Mr. H.A Keshava Murthy awarded the Foremanship certificates to the scholars in the presence of representatives of Shell Hazira Project Companies.
- 5.3.18 As part of Shell Hazira's capacity building programme, the 18 Diploma Engineers (Electrical & Mechanical) were selected last year from 43 applicants by a written test & interview, supervised by senior representatives of FTI.
- 5.3.19 Shell Hazira's education development initiative includes setting up of activity centers and libraries in all villages, organizing workshops and training programmes for teachers and students and also support programmes for institutions like PTA and MTA.
- 5.3.20 As part of Shell's Sustainable Development Programme, these initiatives are not only confined to the potential and current employees, but aim at upgrading the skills and aptitude of the larger pool of community members, and enhance their capabilities. Ongoing activities include supporting a dispensary in Hazira, Pulse polio programme, waste disposal programmes in Hazira and Mora, and renovation of ponds in surrounding villages.
- 5.3.21 Nagarik Suvidha Kendra was dedicated to the citizens of Surat district by Chief Minister, Shri Narendra Modi on the eve of Gujarat Gaurav Divas. Supported by Shell Hazira Group of Companies, the Kendra focuses on e-governance and provide easy and

- effective interaction with the government. The Kendra has been developed over an area of 16352 sq feet of land, donated by the government. The project received Rs. 40 lakhs as construction support from Shell Hazira Group of Companies.
- 5.3.22 Shell Hazira LNG Project companies have supported the Hazira Gram Panchayat in installation of Solar Streetlights in Hazira Village. The streetlights have been located at 20 key locations identified by the community, which include major road crossings, the bus stop, the crematorium, and common meeting spaces like the temple etc. The installations have zero operating costs. Although the installations are maintenance free, a group of local youth have also been trained on emergency maintenance of the installations. The total cost of Installations is Rs. 5 lakhs and the installations have been procured from Shell Solar, a sister company of Shell Group.
- 5.3.23 The social investment programme in Hazira is an ongoing and comprehensive programme, daily venturing into new territories and exploring new possibilities. We will keep you updated on these activities. Shell seeks to work with civic bodies and NGOs to facilitate possible solutions to civic concerns.
- 5.3.24 In one effort, Shell, in association with the Institute of Road Traffic Education (IRTE) and Delhi Police, organised the Student Traffic Volunteer Scheme. This helped the young people to first learn about proper and safe driving and then, in turn educate the motorists about the same. The programme was a huge success in Delhi and elsewhere since people respected the views of the youngsters and their effort in making the city streets safe for everyone.
- 5.3.25 In another programme, Shell supports the efforts of the Mumbai community to make their city clean and green. Shell has regularly sponsored many successful environment-awareness activities of 'I Love Mumbai'
- 5.3.26 The Shell Centenary Scholarships are a means by which Shell reaches out to deserving students across the country. Established in the Shell Centenary year Shell sponsors about 86 Scholarships every year, under the Shell Centenary /Chevening Scholarships scheme, for students from the developing countries, to study in the UK & Netherlands for a Masters Degree. The Shell Transport and Trading Plc, UK funds the scholarship, with an endowment of 10 million pounds.
- 5.3.27 The one-year award encourages students to pursue higher studies in Environmental Studies, Engineering, Technology, Arts, Humanities, Law, Life Sciences, Clinical Sciences, Social Science, History, Economics and Management. Shell India has sent 31 Scholars during 1998-2004 on this prestigious scholarship. The value so created is capital of a different kind, but which may indeed be the longest-lasting contribution to the community.
- 5.3.28 Among the law-makers, technocrats and academics of the future, there will be a sprinkling of distinguished persons in whose personal and professional development Shell will have played a valuable role. Through them, Shell also hopes to be able to influence the development of civil society and its institutions.
- 5.4 **bp – Corporate Social Responsibility initiatives**
- Extracts from BP Sustainability Report 2004**

5.4.1 In 2004, BP invested a total of \$87.66 million in community programs and community-based organizations around the world, up by 18% as compared to similar expenditure in 2003. Out of the total of \$87.66 million, 73.6 million was invested in community development and education programs, with arts and culture and environmental projects accounting for nearly \$11 million. Over time the trend of BP's investment is to increase emphasis of investments in education, enterprise development and access to energy.

BP's initiatives in Education for the year 2004

5.4.2 In Gujarat, India, 2004 was the first full year of operation for a school in the village of Bandiya, built with BP funding along with 141 homes after the earthquake that struck the area in 2001.

5.4.3 BP Pakistan has financed 2 school construction projects, while in Georgia, Azerbaijan and Turkey BP businesses are involved in projects to renovate school sites, provide computer and teacher training resources, and involve local people in running their schools.

5.4.4 BP Trinidad and Tobago has converted a sports club into an education and community centre to serve the community of Mayaro. The centre also houses a BP backed programme to support local businesses.

5.4.5 BP Algeria has helped to fund three English language resource centres. In Egypt, BP's educational activities range from adult literacy classes to the funding of short courses for university presidents at Harvard's Institute for educational management. The business has also co-funded 21 scholarships for Egyptian graduates to pursue post-graduate studies at the University of Cambridge in the UK, and plan to support a further 50 over the next five years under the BP Cambridge Scholarship scheme.

5.4.6 BP supports the development of experts in many different fields through its graduate recruitment, internship programs and partnerships with schools. All these programs are led by the local countries who have a business need. From a community investment angle, BP tries to support minorities in developed countries, and students in developing countries.

5.4.7 As well as directly supporting development, BP has also backed moves to help people understand it better. In 2004, \$3.2 million was pledged to a university centre dedicated to improving understanding of China's rapid economic growth and increasing significance in the world. The Centre for China in the World Economy (CCWE) at Tsinghua University's School of Economics and Management (TSEM), aims to become an internationally recognized centre of research and training for governments, companies and other bodies.

5.4.8 BP's also took initiatives in community development in form of supporting local suppliers, supporting local economies and supporting regional development. Further BP also encouraged local enterprise: create jobs; use local suppliers; share business skills; support training; and promote investment

Supporting local suppliers

5.4.9 BP Azerbaijan backs a business enterprise centre that helps local companies develop their business to support the oil and gas industry. In 2004 the centre provided over 130

training courses, seminars and workshops for 3,000 people from local companies, covering topics that included health and safety, ethics for audit and accounting. The centre also handles contracts with local businesses.

- 5.4.10 In Trinidad and Tobago, bp's strategy for enterprise is to build local expertise in facility construction, fabrication and project support, and to strengthen industry training programmes. BP Trinidad and Tobago has used some local companies and spent significant amounts with them in the construction of the Bombax gas pipeline. For example, local company Damus Limited fabricated the huge pipeline manifold which at 400 tonnes was the largest production module bpTT had ever built in-country. Business Unit Leader and CEO Robert Riley said: 'this project strengthened our belief that we could raise the bar on local content and transform Trinidad and Tobago into a world-class upstream oil and gas province.'
- 5.4.11 BP South Africa has developed a 'Black Economic Empowerment' strategy to promote business opportunities among the black community. It aims to allocate 30% of the \$300 million it has spent on non-hydrocarbon good and services with BEE companies by 2005. By mid- 2004, 29% of purchases came from suppliers mainly owned or financed by black people, compared with 12% in 2001. As of December 2004, 219 companies were registered as suppliers under the empowerment strategy.

Supporting local economies

- 5.4.12 BP businesses in Azerbaijan and Georgia have provided loans to help small businesses (including clothes sellers, fruiters, hairdressers and taxi drivers) expand their businesses. BP Trinidad and Tobago has put its trust in local people in the impoverished Mayaro region, by lending money to small businesses who might not gain credit from conventional lenders through the Mayaro Initiative for Private Enterprise Development (MIPED), a body set up by BP with an initial investment of \$1.2m.
- 5.4.13 In Azerbaijan, Georgia and Turkey, BP businesses have helped people in rural communities learn new skills by working alongside international organisations. Sharing expertise this way is an important part of the Community Investment Programmes (CIPs) being implemented in all three countries. These cover things like irrigation, repairs to school buildings, the provision of drinking water and improvements in community health and agriculture. Around \$25 million is planned to be spent during construction by BTC Co. and SCP Co. and some 450 communities should benefit.
- 5.4.14 In South Western Georgia, two demonstration farms have been set up near the village of Kvemo Kharaba. Farmers have received agricultural training from the NGO CARE. As a result, yields on both farms have increased significantly, and farmers from other villages now come to Kvemo Kharaba for advice.
- 5.4.15 In Azerbaijan, the International Medical Corps (IMC) has helped the people of Topal Hasanli improve community health services. Local health representatives were elected, trained and encouraged to make a successful funding proposal to IMC for a new health clinic, which opened late in 2004.
- 5.4.16 BP Algeria has supported a programme to create employment for local people in the handicrafts industry. In partnership with the UK's Department for International Development we've helped set up Illizi Home Limited, a business that takes the work of Algerian businesses and Artisans into the international retail market.

Supporting local development

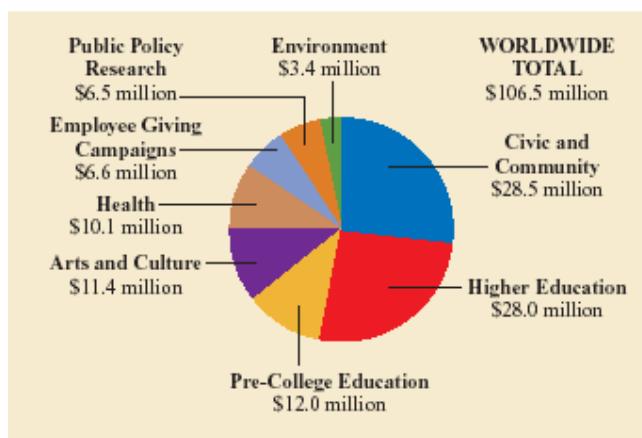
- 5.4.17 In Azerbaijan, Georgia and Turkey, BP Businesses are playing a leading role in a long-term Regional Development Initiative (RDI). Their aim, along with other participating organizations, is to contribute to the social and economic development of these countries in a way that ensures oil and gas production leaves them a lasting positive legacy.
- 5.4.18 In Indonesia, a diversified growth strategy in Tangguh project may prove to be a catalyst for development across Papua. In 2004, 101 villagers at Tangguh moved into new homes as part of an agreed resettlement programme after the village of Tanah Merah was identified as the only technically and environmentally viable site for an LNG plant. International standards dictate that resettlement projects should restore the livelihoods and income of local communities. The Tangguh resettlement, carried out by a dedicated team with advice from an international panel of experts, will surpass the community's pre-resettlement standards of living in real terms and meeting the World Bank standards for resettlement. New homes and public facilities at Tanah Merah are built of high quality timber with direct access to solar powered electricity. The programme aims to help the villagers develop their livelihoods as well as gaining new homes and the physical moves have taken place. Work is being done to stimulate local enterprise.

5.5 ExxonMobil – Corporate Social Responsibility initiatives

Extracts from ExxonMobil Sustainability Report 2004

- 5.5.1 During 2004, ExxonMobil affiliates and the ExxonMobil Foundation combined to provide \$106 million in charitable contributions and community investment worldwide. We directed \$40 million of the funding to education, with other priority areas in health and environmental projects. These funds include investments through joint-venture arrangements, Production-Sharing Agreements, and contractual social-bonus arrangements.
- 5.5.2 Contributions are considered to be voluntary donations of cash or goods and services made to organizations for social investment, in compliance with ethics policies and all applicable domestic and international laws and regulations. Recipient organizations include registered charities, nongovernmental organizations, and nonprofit educational, health-related, and cultural organizations. Government agencies providing similar services may also qualify for ExxonMobil contributions. Supported projects vary from location to location, but our corporate focus areas are education, health, and the environment. Affiliates may also support programs to meet other urgent human needs in their communities.

EXXONMOBIL 2004 CONTRIBUTIONS
(U.S. dollars)



5.6 Total – Corporate Social Responsibility initiatives

- 5.6.1 **Extracts from Total Sustainability Report 2004**
- 5.6.2 Total identified local development initiatives by all businesses in host countries. A total of €81.9 million was spent on 2,000 new and continuing initiatives, compared with €77.1 million in 2003. Of the total, 82% (€66.8 million) was spent in non-OECD countries, up from the previous year, when non-OECD societal spending accounted for 75% of the total. Most of this expenditure was committed by Exploration & Production and Refining & Marketing.
- 5.6.3 When Total contribute to socioeconomic projects, they prefer to act as a partner. They believe that local communities, institutions and associations should select the projects and manage their deployment, because when communities feel that they really own the projects that help them to implement, the projects will last, thereby reducing dependence on our presence. This is why societal strategy is based on forming partnerships with local institutions and representatives of local civil society, which often take the form of non-profit organizations. Local agencies of international organizations such as the United Nations Development Program (UNDP) also play an important role. In 2004, there were around 400 such partnerships with local associations. In the Exploration & Production business, a number of partnerships with the UNDP are being set up in at least three countries—Syria, Venezuela and Indonesia. The next step in the process will be delegating project management responsibilities to local communities and their representatives.
- 5.6.4 **Southeast Asia: Solidarity in the Wake of the Tsunami** - Total has around 4,000 employees in the countries affected by the tsunami that struck South Asia on December 26, 2004— 780 in India, 229 in Myanmar, 167 in Thailand, 1,842 in Indonesia, 39 in Bangladesh and 1,007 in Malaysia. None of our employees was killed or injured in the disaster. On December 27, the Group set up a crisis team in Paris to consolidate information provided by the subsidiaries and to coordinate Group and local support.

- 5.6.5 A total of around \$3 million in emergency aid was allocated to leading international organizations and, via regional subsidiaries, to local NGOs. In a number of countries, Total subsidiaries wanted to consolidate the donations from their employees, while in others, such as China, the United States and the Netherlands, subsidiaries proposed that employee donations be matched. Total Indonesia provided significant emergency aid and is also helping to rehabilitate the devastated areas, in particular by supporting programs to build new homes. In India, we are partnering with a local loan initiative for craftsmen in the Cuddalore region, to enable them to replace their equipment. Other employee initiatives are also being developed, independent of corporate initiatives.
- 5.6.6 **Scholarships: 30 Students Arrive in France in September 2004** - As part of postgraduate scholarship program, around 30 students from China, Colombia, Indonesia, Iran, Nigeria, Qatar, Russia and the United Arab Emirates came to study in France in September 2004. Created in 2003, the program helps to provide educational support in host countries and to forge lasting ties with future local leaders by enhancing their awareness of French and European culture. These young graduates study engineering, economics or social sciences at leading French universities, earning a master's degree, an M.B.A. or a Ph.D. They are destined for senior positions in government, business or industry in their home countries.
- 5.6.7 The scholarship program currently covers 12 countries, in the Middle East (Iran, Qatar and the United Arab Emirates), where this policy is long-standing, Asia (China, Indonesia and Russia), Africa (Algeria, Angola, Libya and Nigeria) and South America (Bolivia and Colombia). Participants are selected in close partnership with the host country's leading institutes of higher education, such as Sharif University of Technology and Amirkabir University of Technology in Iran; Gubkin University of Oil and Gas in Russia; Tsinghua University in Beijing and Tongji and Fudan Universities in Shanghai in China; the Bandung Institute of Technology in Indonesia; and University of Port Harcourt in Nigeria. The program is being gradually extended to other countries, starting with Argentina, Venezuela and South Africa in 2005, with a target of two to ten scholarships per year per country.

6 Corporate Social Responsibility - Challenges

6.1 Challenges in undertaking Corporate Social Responsibility

- 6.1.1 CSR is about a company recognizing and responding to the needs of society and demonstrating this publicly. Among the challenges in having a smooth CSR are deciding on projects and geographical areas to concentrate on and have a structured manner of deciding and demonstrating the reasons for decisions.
- 6.1.2 The second challenge is deciding who is responsible for CSR. Many companies are appointing CSR Managers, and forming Board level "CSR Committees" to tackle the issue. In companies with no specialist function, it can be seen "ownership" of CSR resting with Public Relations, Investor Relations, Community Affairs, Environment Health and Safety, the Company Secretary and the office of the Chairman. The finance and audit community is becoming increasingly involved, often bringing a new level of rigour to traditionally "soft" areas of company performance.
- 6.1.3 The companies at the forefront of CSR have strong and focused leadership. In these cases the CEO, CFO or Chairman is almost evangelical about CSR, and the organisation jumps to their tune. Often these companies have faced a challenge to their reputation such as a high profile media or NGO campaign. The majority of the companies, however, find it difficult to establish a tangible business case for action.
- 6.1.4 There also exists operation and logistic issues. It is an onerous task to put the processes in place: introducing the governance arrangements, policies, procedures, objectives and targets, management systems, performance indicators, monitoring, controls and reporting. But the real challenge is the second bit, changing hearts and minds, behaviours and attitudes. Any organisation has its own way of working, and old habits die hard. This is why buy-in at the top is so important. When the CEO volunteers a day a month on a community project, and encourages his executive team to do the same, his organisation gets the message.
- 6.1.5 A sustainable momentum to CSR requires really hard-wired CSR into existing business processes. Meaningful objectives and targets, linked to personal performance objectives, certainly focus the mind.
- 6.1.6 The final challenge is getting credit for the company's achievements from its stakeholders. Here companies face the dilemma of openly reporting, and simultaneously laying themselves open to criticism from stakeholders.
- 6.1.7 The survey conducted in 2002 jointly by UNDP/BC/CII/PwC on Corporate Social Responsibility reveals that the three most common barriers/ concerns for adopting CSR are lack of linkage of CSR to financial success, increased demands from interested communities for increased funding and increased operating cost.

Appendix 1: Glossary

BC	British Council	
CCWE	Centre for China in World Economy	
CEO	Chief Executive Officer	
CFO	Chief Financial Officer	
CII	Confederation of Indian Industries	
CIPs	Community Investment Programmes	
CSR	Corporate Social Responsibility	
Gol	:	Government of India
GRI	Global Reporting Initiative	
IFI	International Financial Institutions	
IMC	International Medical Cops	
NGOs	Non Government Organisations	
PwC	PricewaterhouseCoopers	
RDI	Regional development Initiatives	
TBL	Triple Bottom Line	
UN	United Nations	
UNDP	United Nations Development Programme	