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Tuben Biebeda Chucha, pastor of the Universal Christian Ministry of Abundant Life on Bioko Island in Equatorial Guinea, recalls a time not long ago when children regularly died from malaria. Seen in those days as a painful but accepted part of life, the deaths were often blamed on bad luck or evil spirits. But thanks to a malaria eradication and treatment program started by Marathon Oil Corp.—and supported by international nongovernmental organizations (NGOs) and the Equatorial Guinea government—new incidents of malaria on Bioko Island have plummeted 95% in the past few years. Today few of the island’s children die of malaria, and people are talking about what other pernicious diseases they can overcome.

A nice example of a multinational company making a charitable contribution in a country where it’s reaping a big profit from its oil and gas activities? Not really. It’s more a case of how a company is applying the leading-edge practices of corporate social responsibility (CSR) to

protect and maximize its key assets—workers, reputation, and, in this case, permission or “social license to operate” in existing as well as new markets.

At its core, CSR offers a way for companies to fit into an increasingly complex and interrelated world where concern for community and the environment has become a high-priority boardroom item. And in a very real sense, the Marathon Bioko Island malaria project is a model for how private corporations, NGOs, government agencies, and other entities can work together to solve some of society’s most difficult and pressing problems.

Demands and Expectations

CSR sits at the intersection of business and society. As such, how it is defined is constantly changing because the principal change agents of society—values, politics, technology, and the environment—are always creating new demands and expectations. If the 20th century was marked by relatively clear boundaries between the missions and responsibilities of government and business, the 21st century will be the one in which the line becomes much more blurred. Issues like global warming, health care, and capacity-building in developing countries can’t be solved by governments or businesses alone. Increasingly, NGOs of all stripes—in conjunction

Eradicating disease: As part of Marathon Oil’s malaria project on Bioko Island, children are inoculated.

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with public and private entities—must work together to provide the capacity and glue for success.

Viewed in the broadest terms, CSR has always been a part of business, whether in the benevolent despotism of the company town or through charitable contributions and corporate foundations. But the rate at which it has evolved over the past 15 years has been extraordinary. The human rights and environmental responsibility movements that were the initial—and still very important—drivers have been joined more recently by concerns related to corporate governance, transparency, and sustainable development.

Aron Cramer, president and CEO of Business for Social Responsibility (BSR), a leading association and advisory service provider in CSR matters, sees the movement as having four main phases over the last 15 years. It started with a reactive phase, where CSR was largely a public relations function—damage control that stepped in to deal with corporate missteps, mainly when they related to the environment and the community. Then, as companies began to understand these issues and gained deeper insight into their inherent threats and opportunities, the innovative phase took shape, where companies focused on self-examination and set out to achieve things like process efficiencies in manufacturing and service delivery. Companies also started to establish richer relationships with a wider range of stakeholders, including NGOs. The feedback from this process became an invaluable form of business intelligence.

Integration, which Cramer calls the third phase, involves the use of newly acquired information about the business and its impact to build CSR management and accountability systems that implement, integrate, and measure performance. Companies often created key performance indicators that were reported publicly and used to better coordinate programs across functional business units. The fallout from these activities—knowledge and

management systems—led to the fourth phase, value creation, and the development of a platform for brand enhancement, product development, and R&D that looked for solutions to critical social problems in a way that had a dollars-and-sense impact on the bottom line.

Building Business Value

While the nature of CSR issues varies from industry to industry, most companies now accept the panoply of business benefits attainable through a robust yet focused strategy. When done well, CSR builds business value in diverse ways: by enhancing brand image, establishing a more cooperative relationship with government regulatory agencies, and garnering the interest of investors who are interested in issues related to sustainability. It also helps: attract and retain talented, motivated employees; enhance the company's position in new markets; position the company as a good partner for peers, government, and NGOs; and improve risk recognition and avoidance. The list goes on and on.

Most companies now understand that their stakeholders include almost anyone the company touches—not just shareholders, employees, and regulators. They also know that being transparent means more than simply meeting required government filing deadlines. The number of companies publishing CSR reports in addition to annual reports has risen dramatically in recent years. According to KPMG, 52% of the 250 largest global firms issued CSR reports in 2005, up from 45% in 2002.

The very process of creating a report can help sensitize operating units to CSR issues and opportunities, as well as shape effective policies and programs. The socially responsible investing (SRI) movement has broadened and deepened dramatically, particularly in Europe, where CSR considerations relating to corporate governance, the environment, community engagement, and labor conditions are increasingly considered in investment decisions. The growing number of SRI research firms that make objective measurements of CSR and corporate sustainability are helping to shape investment decision-making for institutions and pension funds. As Wall Street has discovered, there is no better way to get top executive attention to CSR than investor unhappiness with their shares. Leading banks and investment firms—among them Goldman Sachs, Citibank, Deutsche Bank, and ABN Amro—are investing in research and creating funds of their own as part of their efforts to understand and participate in this market.

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Let's Get Strategic

While “strategic CSR” might be considered an oxymoron by old-school purists, it's a growing reality that many leading companies are starting to embrace. Viewing CSR as

Organic crops: The phenomenal growth of this industry illustrates demand for healthier food worldwide.



Where have all the children gone?

In Africa, someone dies of malaria every 30 seconds. Spread by mosquitoes, malaria causes more than 1,000,000 deaths a year, and 90% are children under age five.

Over the next five years, the potential for children in Equatorial Guinea to contract malaria will be drastically reduced, as a result of a \$12.8 million malaria prevention program led by Marathon Oil Corporation. Lifesaving results have already been realized with a 44% reduction of malaria parasites in children and a 95% reduction in malaria-transmitting mosquitoes. Working in conjunction with the Ministry of Health and Social Well-being, Marathon and its partners have assembled a team of global medical experts to develop and implement a plan to eradicate malaria from Bioko Island.

The people of Equatorial Guinea are important to Marathon's operations — so is responsibly producing energy and contributing to social programs in the communities where we live and work. At Marathon, it is all part of "Living Our Values."

For more information, visit www.Marathon.com.

Marathon



business strategy is an attempt to describe the high-impact initiatives that not only positively address social needs but also significantly advance important corporate goals.

Although a large number of companies have made meaningful investments and efforts to harness the business opportunities they see in this era of unprecedented social change, not all see big or immediate returns. Kara Hartnett Hurst, a managing director at BSR, explains why: “A shotgun approach to CSR, however well-intentioned, isn’t

nearly as sustainable as a careful assessment of a company’s corporate goals and core competencies and tying its CSR initiatives to them. Companies can’t do everything, and they must define the boundaries that make sense in their business, a process that should be continually reevaluated as society and the marketplace change.”

When approaching CSR in strategic terms, demographics and simple logic suggest that the developing world will be a land of opportunity for decades to come. China and India have more than proved the point, with burgeoning middle classes entering the economy in waves. Many other markets are in various stages of development. To serve such markets, how do you build the deep community support that bolsters company credibility and staying power? How do you use that support and goodwill to protect your investments and secure a broader credibility that makes you the vendor of choice in these and other prospective markets? CSR is the obvious answer.

That’s the answer Marathon found in Equatorial Guinea, a country where the company expects to have a significant presence for perhaps the next 40 years. Steve Guidry, Marathon’s regional vice president of North American operations, who prior to his current assignment was responsible for Marathon’s Central Africa production operations, calls it one of the best examples of the company’s commitment to CSR. In addition to the malaria control project, Marathon is currently implementing a workforce integration program that will enable Equatoguineans to acquire the skills necessary to assume positions at all levels of responsibility within the company’s operations. Hopefully, the credibility earned in controlling malaria will advance this agenda. “A big part of our overall CSR strategy in Equatorial Guinea goes beyond our malaria eradication drive,” says Guidry. “It includes initiatives in education, transportation, and



communications infrastructure in one of the least developed areas of the world.”

Adel Chaouch, director of CSR at Marathon, has overseen the malaria program in Equatorial Guinea since its inception. He gives much of the credit for its success to the Equatorial Guinea Ministry of Health and Social Well-being and to Washington, D.C.-based Medical Care Development International (MCDI), an NGO that has focused on health-care issues in developing countries since 1977. “Without the sup-

port of the local government and the invaluable experience of MCDI, I really doubt that we could have come close to making the project work,” says Chaouch. “Absenteeism due to the effects of malaria is down substantially, but just as important are the institutional lessons we’ve learned to apply wherever we operate.”

Overcoming Obstacles

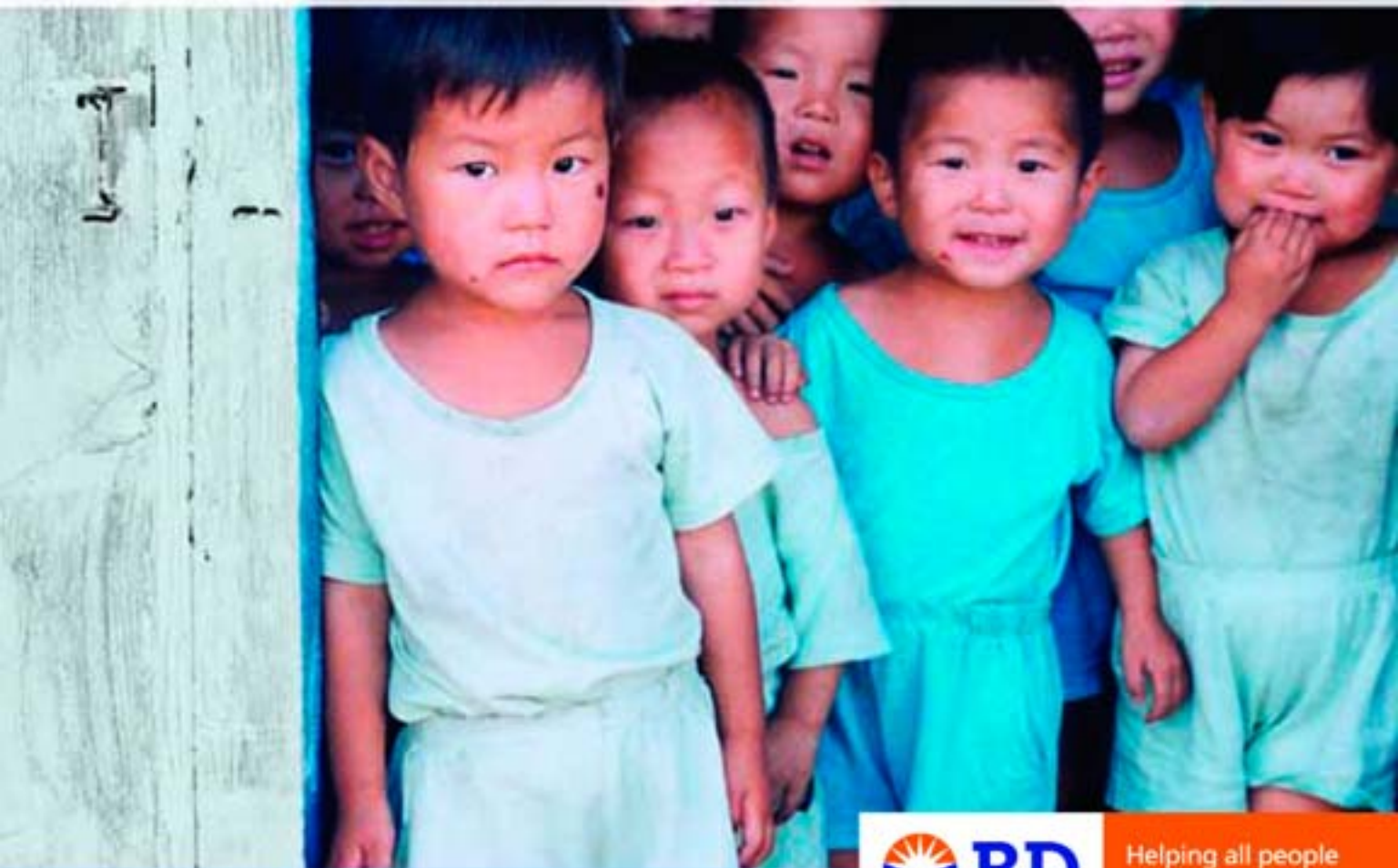
BD (Becton, Dickinson and Co.), a New Jersey-based medical technology company with more than 100 years of improving the delivery of health care, has a similar focus on global health issues. Active worldwide in many public-private programs that address pressing medical issues with funding, staffing, training, management, equipment, and products, BD has recently elevated its CSR initiatives to better coordinate these efforts. The company has had years of experience in adapting globally. It also has the relationships, resources, and expertise to work closely with local governments and organizations to overcome obstacles in the prevention, diagnosis, and treatment of diseases such as HIV/AIDS and tuberculosis.

BD recently collaborated with the Catholic Medical Mission Board to provide training to workers and managers in Zambia designed to improve laboratory procedures in the diagnosis and monitoring of HIV patients. BD employees, including lab technicians, have volunteered their time to work in Zambia to help set up labs and train local lab workers. Krista Thompson, vice president and general manager of Global Health, coordinates BD’s company-wide efforts to better address the needs of developing countries. “Our volunteer program is extremely successful in many respects,” she says. “Not only does it bring some of our associates closer to the people in Zambia, it also raises awareness throughout

Clean energy: Waste Management’s Altamont Landfill in Livermore, Calif. turns waste into gas.



Half of the world's people still live on less than \$2 a day, even though per capita income in the poorest countries has nearly doubled in our lifetime.¹ Since 1982, AmeriCares has delivered \$4 billion in humanitarian aid to more than 137 countries in immediate response to emergency medical needs and long-term humanitarian assistance programs. To learn more, visit www.americares.org.



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² "Half the World Lives on Less than \$2 a Day," *UN Chronicle*, Fall 2000.

³ "America's Most Admired Companies" annual survey, 2005; *FORTUNE* magazine, March 7, 2005. BD, BD Logo, and BD Vacutainer are trademarks of Becton, Dickinson and Company. © 2006 BD

BD of the opportunities that lie in the developing world for us. It's critical to understand local needs and shape your programs and products accordingly."

Another vital need BD is addressing is helping stem the spread of infections caused by reuse of syringes. The World Health Organization and CDC estimate that 40% of injections in the developing world are administered with reused medical devices, leading to an estimated 260,000 new HIV/AIDS infections, two million

new hepatitis C infections, and 21 million new hepatitis B infections. BD's new single-use syringe, which is both affordable and easy to use, eliminates this problem.

tainable forestry. Domtar's Val D'Or operations are a good example. "We manage over two million acres with more than 3,000 people living within them," says Lewis Fix, director of business development for Domtar EarthChoice, the company's FSC-certified line of paper products. "FSC helps create a spirit of cooperation, such as where and when we build roads, and in the many other ways we impact forest stakeholders. We now have 11 million acres of company-managed forests under FSC



new hepatitis C infections, and 21 million new hepatitis B infections. BD's new single-use syringe, which is both affordable and easy to use, eliminates this problem.

Fertile Ground

Environmental innovation is another fertile ground for corporate initiatives. GE's high-profile commitment to "Eco-magination" is one of the best-known examples. Some of the main areas of attention in environmental innovation include product and packaging design, water stewardship, new ecosystem market, greenhouse gas mitigation, and product life-cycle analysis.

Canada's Domtar Corp. has placed a large bet on sustainable forestry. Its early commitment had its roots in its long history of licensing timber rights from public lands. Over the years, Domtar has become a leader in developing products using the most comprehensive and rigorous set of sustainable forestry standards in existence. Commenting on the company's activities, Domtar CEO Raymond Royer says, "Being fully committed to sustainability makes all the sense in the world. It helps shape superior management processes and imposes discipline to do the right thing, in the right way. I also believe in empowering our employees and having their ideas permeate the Domtar community."

An important part of the Forest Stewardship Council (FSC) certification process brings various stakeholders and their differing interests together to work toward sus-

certification. By the middle of next year, I expect all 17 million acres of our forests will be FSC-certified. Our focus is now on getting our U.S. suppliers certified."

Many Domtar partners—particularly large companies—are considering using certified paper products as a way to communicate their commitment to conservation and sustainable forestry. As certified products become more available and more competitively priced, their use is certain to expand. Says Fix: "Domtar EarthChoice, which produces FSC-certified paper for brochures, books, annual reports, and now everyday office use, is playing a key role in this expansion. It is the most cost-effective way for companies to put their sustainability commitment on paper."

Brand Building

Companies that seek to identify themselves with or capitalize on the strategic value of a responsible brand can sometimes have an uneven experience benefiting from their efforts. Eric Olson, vice president of BSR's Advisory Services, points to the recent phenomenal growth in organic food products to illustrate a subtle, but critical distinction many companies miss.

"Ten or more years ago," he says, "the marketing approach of organic food producers emphasized the environmental benefits of organic farming. But when they shifted the marketing focus to the health benefits of organic foods, that struck a direct chord with consumers that completely changed the dynamics of the

It's good to be green: Domtar operations are based on rigorous sustainable forestry standards.



With energy costs and oil dependence on the rise, the need for renewable power is greater than ever. That's why Waste Management is using the resources at our disposal to create the energy equivalent of saving over 14 million barrels of oil per year. It's a powerful idea we're proud to drive forward.

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organic market. It's not that environmental impacts aren't important to consumers. It's more a matter of building on the characteristics that resonate with people, while at the same time serving other goals like environmental sustainability." Understanding this difference makes it far easier for CSR to become a highly valued brand characteristic.

Industry Resources

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As the general public becomes more sensitized to environmental and other CSR issues, companies will naturally seek to develop new products and services in response. One long-established social trend is recycling, and it's no surprise that Waste Management, the largest trash-removal company in America, is also the North America's largest recycler. But not many people know that it is also a leading producer of waste-to-energy, operating 17 plants that process 24,000 tons of solid waste per day, and it has more than 100 landfill gas-to-energy projects that turn methane into clean energy. Altogether, Waste Management produces enough energy from waste to provide power to more than one million homes, saving the equivalent of more than 14 million barrels of oil per year.

The company also develops wildlife habitats in its landfill areas, providing more than 17,000 acres of protected land for wetlands and wildlife sanctuary. Fifteen landfills have been certified by the Wildlife Habitat Council. Other sites—open and closed—have been rendered usable for recreational activities, from off-road bike courses and athletic fields to golf courses.

The company apparently believes it's ready for prime time, and it is reinforcing its commitment and long-standing accomplishments through an ambitious media campaign. "The goal of the Waste Management ad campaign is to link everyday collection to environmental protection in the minds of consumers," says senior vice president of sales and marketing David Aardsma. "We not only help North Americans dispose of the average 4.5 pounds of waste they generate each day, but as stewards of the environment we are also turning waste into a renewable resource. We are excited to tell that story."

CSR-related products and services designed to expand market opportunities are at various stages of maturity, and several companies have a number on the launching pad. Energy-efficient products—from fuel-efficient vehicles to green buildings—are certain to develop into big markets. Other companies across a wide range of industries are tapping into new sustainability market niches in both mature and developing markets with innovative products and services. As more and more companies continue their evolution toward strategic value creation through their CSR efforts, and realize the importance of communicating their commitments and successes to stakeholders, there will be many more stories to tell. Stay tuned. —Ken Smalheiser

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