

Corporate Social Responsibility & Ethics



BBUS 4780: STRATEGIC MANAGEMENT ISSUES
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Introduction – Aabid Hajee (T00012533)

In this research project our team will be analyzing and studying the Corporate Social Responsibility contribution, dedication, commitment and responsibility of Google, Adidas, ExxonMobil and Wal-Mart. We will be gathering information on the mentioned companies that are both positively impacting society, and negatively impacting society. With the information gained, we will compare the companies with each other to conclude what good CSR behavior is and how it affects a firm, as well as the effects of bad CSR behavior.

We selected these companies because we feel they represent a broad aspect of the global market and are very well known in their fields. Google is the leading technology and information systems company, Wal-Mart is the top retail and product manufacturing company, ExxonMobil is the world top natural gas and oil company and Adidas is the leading company in the sporting industry. With such diverse companies, we feel we can evaluate different aspects of CSR in each field and construct a respectful paper.

Objective – Aabid Hajee (T00012533)

Study and analyze ethical practices and corporate social responsibility of Google, Wal-Mart, ExxonMobil and Adidas.

Scope – Aabid Hajee (T00012533)

- What is corporate social responsibility and ethics
- Good/Bad corporate social responsibility
- Comparison of Google, Wal-Mart, ExxonMobil and Adidas
- Google: Background, Investments, Community impact, SWOT Analysis and Strategy
- Wal-Mart: Introduction, Background, Analysis, Product Analysis and Recommendations
- ExxonMobil: Introduction, Background, Overview, Future look, SWOT analysis, Recommendations
- Adidas: Background, Policies, Involvement, Awards and Recognition, Recommendations
- Conclusion

Methodology – Aabid Hajee (T00012533)

In this project we will be conducting research with regards to the ethical and social responsibility of Google, ExxonMobil, Wal-Mart and Adidas. Our research will consist of qualitative data with some aspects of quantitative data collection as well. We will be gathering our information from the Internet, books and journals. Each team member will

be responsible for gathering various information and we will have regular meetings to discuss and share what we have found. Our plan is to gather as much information regarding our topic and analyze, categorize, organize and present the information in a formal manner.

Corporate Social Responsibility & Ethics – Aabid Hajee (T00012533)

When the topic of corporate social responsibility comes up, one straightforward definition would not accurately describe the meaning. CSR broken down is basically the way or the how companies operate their business processes to insure a positive impact on society, it is an obligation beyond one that is required or expected by law. It is a moral commitment all aspects of a firm to behave ethically, contribute to economic development, operate within the policies and norms, all this while maintaining and actively enhancing the quality of life of employees, society and the community as a whole. CSR promotes the aspects that businesses should respond positively to the pressure and expectations of the society and societal priorities.

Corporate Social Responsibility not only is limited to external impacts and image protruded, but it is just as important to maintain a CSR responsibility within the company. Positive social responsibility of firms entails that a company should; balance the interests of shareholders, take into consideration the impact and responsibility of business activities concerning suppliers, employees, consumers, shareholders, stakeholders, future investments and practices, environmental concerns and the overall wellbeing of the planet are a whole. The major purpose of maintaining a positive corporate social responsibility is to thrive as a firm in all categories including economic, social and environmental aspects. Some of the major benefits are, but not limited to:

- Reduction in costs.
- Attract environmentally sustainable, green investments.
- Retention and attraction of employees.
- Makes a company stand out from their competitors (positively).
- Higher profits and ROI in the future.

Ethics is another significant business process that all companies should follow and abide by, however some companies are more strongly invested in good ethical practices as others. Like corporate social responsibility ethics applies to all business aspects and is relevant to the behavior of the entire organization as well as all individuals associated within the company. Ethics regulates and implies areas of behavior that are outside the control or regulation of the government; continuously conducting, defending and recommending concepts that separate right from wrong.

Good Social Responsibility– Bongani Mafulela (9560890)

As stated above that corporate social responsibility is above and beyond the expectations required by law, hence social corporate social responsibility starts where a firm goes above and beyond what they are required. The Government of Canada expects and encourages all Canadian companies working internationally to respect all applicable laws and international standards, to operate transparently and in consultation with host governments and local communities, and to conduct their activities in a socially and environmentally responsible manner.

Below is a list of pillars that a company can adopt to qualify as a socially responsible company:

- Supporting for the host country capacity building initiatives related to resource governance and for host countries to benefit from these resources to reduce poverty;
- The company must promote the following widely recognized voluntary international CSR performance guidelines:
 - The voluntary principle on security and Human Rights, which entails ensuring that they observing the principals operating in a particular country and, bringing people to the Hague if the need be;
 - The Global Reporting Initiative, ensuring that company reports are professionally written and that they adhere to a standard accepted on a international level
- Anti-Corruption and Bribery; Bribery is an unacceptable business practice the world over and under this law, individuals as well as corporations can be prosecuted for offenses committed inside and outside of Canada. Hence, it is also in the best interest of the corporation in the country they are operating to do business in a transparent manner, so that no one can question their business practices.

From our perspective an example of good corporate social responsibility would be taking full responsibility for your actions, this would also entail that a corporation tries as best as they can to ensure that they protect their stakeholders, and from a corporate social responsibility vista this would be the people, planet and profit.

Bad corporate social responsibility – Bongani Mafulela (9560890)

Bad corporate social responsibility is a corporation that is acknowledged as one that has an unsustainable business model, examples would be sweat shops, or wreaking havoc in the communities they operate in, it is really rather unfortunate that there are many companies that fall under this umbrella. The unfortunate part is that the companies that are accused tend to defend their actions instead of trying to rectify the problem and instead of splashing money to fix the problem and taking blame for their actions; they spend countless dollars fighting lawsuits against them.

To better illustrate what is good and bad corporate social responsibility we are going to carry out research on four companies and based on the criteria listed here, to give you a better understanding as to, is the company socially responsible or irresponsible.

GOOGLE – Ruibo Zhang (9577424)

Company Background

Google's origins trace back to the mid-1990s. Larry Page and Sergey Brin, two students who decided to drop out of university and follow their ambitions, created the company. Brin and Page derived Google from a mathematical word "googol," meaning the number 1 followed by one hundred zeros. The two dedicated entrepreneurs thought it was the most appropriate name to represent their vision. In the beginning, Brin and Page were working from a garage in Menlo Park, California. With the financial backing of Andy Bechtolsheim, an investor for Sun Co, they were able to hire their first employee and file for incorporation. Within a span of six months, the company grew to eight employees and they had to find an alternate place to conduct their business, as the garage would not suffice anymore. Today, Google's market share is 67%, which is respectively ahead of its competitors such as Bing and Yahoo (Goodwin, 2013).

Social Investments

"Google's mission is to organize the world's information and make it universally accessible and useful" (Farfan). Google never broke its oath and continued to innovate its products and services. They also contribute to various social responsible organizations and programs. Google made an announcement that it will donate \$11.5 million to many organizations that are fighting to put an end to slavery, reaching out to approximately 27 million people worldwide. This initiative was to help put an end to people being forced to work and provide sexual services against their will; it is one of the biggest donations Google has ever made. Google also donated to the International Justice Mission to rescue labour slaves and sex slaves worldwide. The donation was derived of three parts; 3.5 million to fight forced labor in India, 4.5 million for education and project work, 1.8 million to mobilize Americans to rescue the slaves and 1.7million to the smaller organizations to combat slavery (indiactsr, 2011).

Google is also involved with various relief efforts. On May 12th 2008, a 8.0 earthquake hit the Sichuan Province in China. Google and its employees donated over 18 million (RMB) and resources to build several communication platforms to help the victims find relatives and survivors. In 2008, Google funded 15 hope schools to help 18,184 elementary and high school students returning to study in Mianyang, Sichuan Province. Google's Social Innovation cup for college developing students is a competition to solicit public service creating and awards to developing students. The public service creating includes many areas such as education, poverty, healthcare and environmental issues. By soliciting project ideas from college students and funding viable proposals, we hope to invest in China's future leaders the values of social

responsibility, the importance of community welfare, and the spirit of self-empowerment”. From 2008-2011, the competition had been held four times, many post-secondary students within China actively participated in the competition. The first Social Innovation Cup received over 6,000 applications from over 755 colleges and universities and 1,245 proposals from 375 schools that entered into the semi-finals. Google also had well over 1,000 volunteers from over 500 schools that were mobilized to support the efforts in China. Of the 124 projects, 32 were selected for awards ranging from 10,000-80,000 RMB. Google also holds various other socially responsible programs including:

- PHE Summer Camp’s college students tour Google headquarters (07/2007)
- 2007 New Great Wall Self-Empowerment Summer Camp’s leaders and trainees tour Google headquarters (08/2007)
- Support for Guizhou Province education effort (07/2008)
- 2009 Google "Campus Volunteer Stars" Scholarship (09/2009)
- Blood drive in Google Beijing office (03/2009)
- Donated 164 used desktops and some computer accessories for “Green Computer Action for Poverty Alleviation” (2011/03)” (google).

Google also grants programs, which promote free advertisement to Non-Profit Organizations, encouraging more people to join in philanthropy practices. Google continues to grant hundreds of free ads to the organizations involved in animal protection, literacy improvements, children and HIV education and various related circumstances. Through Google Grants, the US Fund for UNICEF’s e-commerce site enlarged its fund by 43% boosting their sales. Google has also supplied over 6 million free ads to China Red Cross, China Charity Federation, China Youth Development Foundation and China’s Children and Teenager’s Fund.

Community Impacts

From Google’s CSR activities, they have gained a positive image in the community. CSR research index of the top 50 companies with the highest corporate citizenship reputations in the U.S. evaluated Google at 77.1 in 2011 just behind Publix Super Markets (environmentalleader, 2011). Google is a model for other companies and benefits from their positive public image. In a survey of 60 American companies, Google ranked fourth among the most respected companies in the US just behind Walt Disney, Apple and Amazon.

Google’s SWOT Analysis in CSR

Strength: Google is a multinational company with diverse platforms to perform CSR activities (eg: YouTube could promote environmentally advertisements).

Weakness: Maintaining a positive image is highly costly, if Google were to suffer financial difficulties, they might cut down on their social investments and their public image may suffer.

Opportunities: Major companies are beginning to further their interest in CSR and improve social issues. When purchasing a product or service consumers are more concerned with the company's CSR impact. Previously, firms main objectives were profit gains, now however with increasing competition, firms are focusing more on CSR activities to improve their reputation and stand out from their competitors.

Threat: With globalization and economic crises, the market is more competitive than ever. Many companies have to make budget cuts in order to provide competitive product prices. Some companies may not be able to contribute so social organizations in order to stay operational.

Strategy

Google believes, “you can make money without doing evil”. In order to supply the best service Google sets policies to regulate its advertisement. First, Google doesn't allow advertisements to be displayed unless its contents are relevant to the search results. Second, Google doesn't accept ads because it would rather the users reading full contexts instead. Third, Google users trust Google and never break the trust for short-term benefits.

Google has been committed to developing social welfare, especially paying special attention to education development, poverty and sustainable environment. Since 2007, Google has begun to do many social public service practices in China. Google hopes to use its ability and resources to gain more awareness and involvement of corporate social responsibility.

WAL-MART – Ahmed Alhawaj (9569914)

Introduction

Wal-Mart has been continuously facing allegations and claims over its irresponsible corporate social behavior. Employees of Wal-Mart, environmental groups, officials of foreign countries, etc. have been filing lawsuits against Wal-Mart. They claim that Wal-Mart exploits its employees, provides poor working conditions, and associates with unethical suppliers. In addition, Wal-Mart has also suffered heavy fines due to the violation of environmental laws. Wal-Mart's irresponsible behavior towards the well-being of the society and environment has left the company's reputation questionable (Wall Street Journal, 2012).

Background

Wal-Mart appeared to be trading with Tazreen fashions, a supplier that suffered from a devastating fire due to continued infringements of health and safety standards (Greenhouse & Yardley, 2012). The main violations consisted of; failure to deploy an operational system of fire alarms and extinguishers and failure to provide clear exit ports in their factories (Greenhouse & Yardley, 2012). Tuba Textile Mills Ltd, another supplier of Wal-Mart, also failed in complying with the rules of Wal-Mart in that Tuba Textile

Mills Ltd outsourced the responsibility of stitching labels to a non-audited factory (Lahiri & Mahmood, 2012). Wal-Mart aggressively focused on the low cost strategy of its products (Greenhouse & Yardley, 2012), which in turn caused their Bangladesh suppliers to receive very little profit margins, resulting in undercompensated employees (Lahiri & Mahmood, 2012). The result of undercompensating employees gave rise to activism and protests against the suppliers to increase wages rates and working conditions. However, Wal-Mart suppliers responded by kicking their employees out of the factories (Lahiri & Mahmood, 2012). In addition, Wal-Mart was faced with fines due to the violation of California's Environmental laws to dispose of harmful materials (Environmental Leader, 2010). Moreover, a marketing report by an advertising agency regarded Wal-Mart as being a "bad corporate citizen" due to its poor behavior towards its employees (Meeks & Chen, 2011). A report collaborated by BBMG Conscious Consumer Report stated Wal-Mart as being the least socially and environmentally responsible company, by consumers of Wal-Mart (Baranowski, 2009). Wal-Mart also faced lawsuits on the allegations of discriminating against female employees in respect to their compensation and promotions (The New York Times, 2010). Wal-Mart was also being blamed for providing poor working conditions to its employees (e.g. Wal-Mart forced employees to work for longer periods of time without paying overtime as well as refused them to take breaks or even lunch)(USA Today, 2005).

Analysis

Wal-Mart seemed to be rigorous and even oppressively pursuing the strategy of providing high quality products at low costs which in turn put their reputation in jeopardy. Actively focusing on low costs of products drew the focus and attention from many other important aspects on which the success of companies are commonly based. For example, Wal-Mart failed to pay adequate attention on the 'people' element of the Triple Bottom Line framework. Wal-Mart appeared to achieve the reduction in their costs by following unethical practices. Wal-Mart evaluated the performance of managers based on the controls and reductions of employee wages (Tejada & McWilliams, 2009), which resulted insufficient wages to employees. In other words, Wal-Mart lost its sights on being a corporate responsible company and thereby diminishing their beliefs in achieving success through focusing on the people and environment.

A study showed surprising results by projecting Wal-Mart stocks would be worth 8.4% more than its current price provided they show more positive social responsibility. (Cavico & Mujtaba, 2012). The study concluded that good performance along with fulfilling corporate social responsibilities would result in an addition of \$16 billion to its market capitalization. However, infringements of environmental laws, exploitation of employees and discrimination towards their employees, resulted in consumers claiming that products are priced 19% higher than their competitors (Denning, 2012). The above statement is in line with the fact that Wal-Mart has been facing reduction in their revenue during the last seven quarters (Love, 2011). Therefore, based on the above analysis and outcomes of Wal-Mart's activities, it can be said that Wal-Mart has failed in achieving the objectives of providing high quality goods at low prices, mainly because they have

chosen to ignore highly important elements of social and environmentally sustainable practices.

Reasons of failure of Wal-Mart in bringing sustainability: Short-lived and substandard quality products

Wal-Mart has launched a number of sustainable programs to better their image as a good socially responsible company and continuously promote their products. Through many press announcements and annual reports, Wal-Mart initiatives for renewable energy, waste diminution, sustainable agriculture and product perfection have increased. However, its sustainable initiatives not only failed to leave a positive image on consumers but also failed to achieve sufficient sustainability. Business development activities of Wal-Mart have been claimed to be highly toxic for the environment in that Wal-Mart has been selling substandard products. This is mainly due to their strategy for low costs from their suppliers, which in turn has reduced the quality of material used in the manufacturing of their products. Reduction in quality products has reduced the durability of clothing, home appliances and other electronic products, resulting in the rapid product depreciation. When products go out of order, consumers repurchase new ones and discard the older products resulting in the amount of landfill waste. In mid-90's, every American native bought new clothing 28 times a year on average that number has now escalated to 59, (Food & Water Watch, 2012). Therefore, sustainable initiatives of Wal-Mart have appeared to fail in addressing the issue of short-lives of its products in that Wal-Mart consumers are consuming more natural resources as compared to what they would have been consuming in the past and short-lives of products are resulting in increasing quantities of trash.

Delayed renewable energy programs

Although Wal-Mart has taken initiatives to use renewable energy, the facts state that Wal-Mart has been reluctant to make adequate investments in programs to generate renewable energy. The one and only hurdle behind the reluctance and difficulty of making required investments in renewable energy programs is the objective of Wal-Mart to generate higher profits. One of Wal-Mart's executives stated that it has been difficult for them to find renewable energy programs that meet their required return on investment. Therefore, Wal-Mart is not willing to sacrifice their profits for the sake of sustainable environmental investments. Wal-Mart's unwillingness and failure to implement the plan of generating renewable energy is evident in the fact that their total renewable energy usage was just 4% of their total energy. Moreover, the extent of failure to implement the renewable energy programs can be evident from the comparison of Wal-Mart with its competitors in using renewable energy. Surprisingly, competitors of Wal-Mart have successfully and totally shifted their energy sources to renewable energy solutions. Therefore, sustainable initiatives of Wal-Mart have appeared to fall short since most of their energy sources are non-renewable.

Increasing amounts of Greenhouse Gases

Greenhouse gas emissions of Wal-Mart have been mounting persistently over the last few years, increasing by approximately 14% between 2005 and 2010 (Care 2 make difference, 2012). Another related statement given by the company is that Wal-Mart produces 22,000,000 metric tons of greenhouse gases in a single year (Walmart, 2012). More surprisingly, the company projects that it will continue to increase emissions of greenhouse gases due to its business expansion programs. This expected jump is partly due to the new stores that are consuming more energy and CO₂ emissions. Wal-Mart failed to achieve success in sustainable programs for the facts and figures are in contradiction to the pronouncements of the company. In other words, the motive of Wal-Mart to reduce the costs and to increase the profits are overwhelmingly increasing day by day, which in turn is pressuring Wal-Mart to implement their sustainability programs.

Recommendations

- Wal-Mart should give as much importance to the society and people as they do to their profitability. Becoming socially responsible would result in increased loyalty of customers, which in turn would result in increasing revenues.
- Wal-Mart should ensure that it engages all of its stakeholders while taking the strategic decisions because doing so would result in reduction of misperceptions, thereby reducing criticism.
- Wal-Mart should ensure equality in its behavior with employees overcoming the issues of alleged discrimination.
- Wal-Mart should ensure that it does not trade with suppliers that are involved in unethical activities; doing so will enhance their reputation and increase loyalty.
- Wal-Mart should enter into business agreements with the government of Bangladesh to convince them to regularly inspect the companies in their country, particularly suppliers of Wal-Mart, to ensure their strict compliance with safety measures.
- Wal-Mart should hire independent persons at the locations of suppliers who should timely inform Wal-Mart of any breach of their quality and safety standards, avoiding incidents like burning factories.
- Wal-Mart should become proactive in doing the right things, become proactive by passing more profit margins to its suppliers, as it would allow suppliers to take safety measures.
- Wal-Mart should pay appropriate amounts in salaries to its employees, doing so will result in reduced criticism and will reduce de-motivation.
- Wal-Mart should investigate how its competitors succeeded in implementing renewable energy programs. Doing so may result in reducing its rate of return and allow Wal-Mart to invest in renewable energy programs.

EXXON MOBILE – Bongani Mafulela (9560890)

Introduction

ExxonMobil is one of the world's largest publically traded and integrated petroleum companies. They have facilities and markets globally and explore for resources on six different continents. The company also uses innovative technology to deliver energy to meet the worlds growing demand. Exxon also conducts extensive research programs to support operations, enabling continuous improvement in each of their business lines, exploring new and emerging energy sources and technologies available worldwide. The people, experience, financial and technical strength, and their global reach assists in provide a competitive advantage and ensure broad a exposure to the high-quality opportunities; from conventional exploration to opportunities that require close integration between our upstream, downstream, and chemical businesses.

Company Background

The history of Exxon and Mobile is that of a true corporate giant. It started when John D. Rockefeller and partners formed the Standard Oil Company in 1870. By 1878 Standard Oil controlled 95% of the US refining capacity swallowing all competitors and getting secret rebates. Making agreements with the railroad had largely achieved this. In 1889, Standard Oil officials were charged for violating state anti-monopoly laws. Standard Oil was not convicted, but this marked the beginning of several attempts to curb their power.

In 1882 the Standard Oil Trust was formed. It was the first trust ever formed and was constructed to circumvent Ohio laws restricting ownership of out of state companies. In 1890 the Sherman Antitrust Act was passed largely in response to Standard Oil's monopoly. The U.S. Supreme Court finally broke up the Standard Oil trust in 1911 into 34 different companies. The ownership group however, stayed largely the same. Two of the spin-off companies were Jersey Standard and Socony, the chief predecessor companies of Exxon and Mobil respectively. Over the years the two companies spread their interests worldwide. During the 1930s when Walter C. Teagle was head of Standard Oil, the company forced close ties with I.G. Farben, a firm that supported the Nazis and used concentration camp labour.

In 1931 Socony purchased assets of Vacuum Oil and changed its name to Socony-Vacuum. Socony-Vacuum became Socony Mobil Oil Co. in 1955 and in 1966 simply Mobil Oil Corp. Jersey Standard changed its name to Exxon Corporation in 1972 and established Exxon as a trademark throughout the United States. In other parts of the world its affiliated companies continued to use the Esso trademark.

In the 1970s, Exxon, Mobil and other companies escalated exploration and development outside the Middle East, North Sea, the Gulf of Mexico, Africa and Asia. The biggest public scandal to hit Exxon so far came with the Exxon Valdez oil spill in 1989. In 1998, Exxon and Mobil signed a definitive agreement to merge and form a new company called ExxonMobil Corporation. This merger was supposed to enhance their ability to be an effective global competitor in a volatile world economy and in an industry that is more and more competitive. Hence, how ExxonMobil we know today was founded.

Overview of ExxonMobil

ExxonMobil conducts business in over 200 countries and is the largest private oil company in the world. The immense size of the company is indicated by its financial flows. In 2000, the company had a record net income of USD 17.7 billion with total revenues exceeding USD 230 billion. The company conducts business in gas, oil, coal and chemicals. ExxonMobil has upstream activities in some 50 countries and is a leading producer of both on and offshore production in nearly all areas, including the Gulf of Mexico, offshore West Africa and the Caspian Sea. ExxonMobil's portfolio consists of discovered oil and gas resources of 70 billion barrels of oil equivalent. Downstream, ExxonMobil has refining operations in 26 countries, 45,000 service stations in more than 100 countries and lubricant marketing in almost 200 countries. In addition, the company holds a strong position in chemicals and coal and minerals. To further elaborate upstream activities refer to the exploration and production of oil and downstream referring to refining the crude oil or the process of purifying the natural gas into consumer usable products like petroleum, jet fuel, diesel just to name a few.

ExxonMobil has the largest portfolio of proven reserves and highest production in North America. In 2000, net production amounted to 40% of the 2000 production level on an oil equivalent basis. Key European assets include extensive interests in the North Sea which accounted for a little more than 30% of the company's 2000 net oil and gas production, the Asia Pacific region contributes about 13%. ExxonMobil also holds strong upstream interests in Malaysia, Australia and Indonesia. In Africa, ExxonMobil has activities in Algeria, Angola, Cameroon, Chad, Egypt, Equator Guinea, Niger, Nigeria, The Republic of Congo and Sao Tome & Principe. Key assets include production in Nigeria and Equatorial Guinea, and major new developments are underway in Angola, Chad and Nigeria. In deep water areas offshore West Africa, ExxonMobil holds interests in 19 blocks. Additional explorations in these areas are clear priorities for the company in the coming years. ExxonMobil also has strong upstream interests in the Middle East and the former Soviet Union, particularly in Kazakhstan. As the scale of activities show, ExxonMobil is involved in upstream and downstream operations throughout the world. As regards developing countries, ExxonMobil has strong interests in a number of politically and socially 'explosive' and resource-abundant countries in Africa, Asia, the Middle East as well as the former Soviet Union. ExxonMobil is therefore highly vulnerable to public scrutiny and criticism, and we would expect it to have been exposed to considerable criticisms throughout its history.

Social Investments and Community Impacts

In many of the countries where Exxon operates in, they are faced with many social and environmental problems that existed before the company began operations. Exxon cannot address all of the issues it is faced with; it can however attempt to make strategic community investments that align themselves with global and social priorities, as well as ExxonMobil's own business goals. ExxonMobil can work towards addressing three of their long-term challenges: eliminating malaria, advancing economic opportunities for women and improving education (especially in mathematics and science) which are some of the goals listed on the company website. The ExxonMobil malaria initiative and women's economic opportunity initiative are two stepping stones which ExxonMobil uses to achieve its goals, with millions of dollars being spent in an attempt to assist national governments, NGOs, and development agencies in trying to address the most urgent social issues in the countries where it is most needed. Exxon is also developing internal business policies to enable the development of minority-owned and female-owned businesses. Between 2003 and 2009 the company has spent almost \$4billion on materials and services from such enterprises.

Good Corporate Social Responsibility

ExxonMobil along with some partners in the community are involved in some community outreach programs, which include challenges of coming up with more concrete solutions to malaria, which is a curable and treatable disease. ExxonMobil is committed to working with partners, local institutions, international NGOs and governments to stop the spread of malaria. Since 2000, ExxonMobil's funding has reached nearly 66 million people through supports exceeding \$110 million. The funding supports partners, who help improve the delivery and use of prevention tools such as bed nets, provide technical assistance to help countries increase their capacity to control malaria and facilitate the monitoring and promotion of progress through integrated communications programs. Furthermore the company showed that three quarters of the people in a community used bed nets malaria infections decreased hence, the mosquito population declined by about 90% as well. Since 2000 over 13million bed nets have been distributed through funding that was also provided by ExxonMobil.

In some countries Exxon encounters indigenous civilizations that are directly impacted by upstream projects. For example in 2009 ExxonMobil took part in mediation talks in working towards resolution in respect to indigenous community concerns over resettlement. ExxonMobil policies on resettlement and indigenous treatment fall in line with the principles outlined in ILO Convention 169 regarding concerning Indigenous and Tribal Peoples in Independent Countries, the UN Declaration on the Rights of Indigenous Peoples and the World Bank Operational Policy and Bank Procedure on Indigenous Peoples. Engaging with the Aboriginal communities in Canada has been an integral part of Imperial Oil's oil sands operations in the Alberta region. An Aboriginal relations network was established to maintain relations between the company and communities affected, and through consultation groups and workforce development Imperial Oil has managed to maintain good relations with local people. The native internship program on

offer has raised the percentage of Aboriginal people that make up the workforce of Imperial Oil's operations in Alberta from 3% to 10% since being established in 1998.

Bad Corporate Social Responsibility

As you might already know operating in the oil and gas industry, there is a lot more that can go wrong than right. ExxonMobil has not been exempt from this; they have been in the headlines on countless occasions for the wrong reasons, ranging from oil spills to being accused of contributing to global warming. From an oil spill perspective, ExxonMobil has been very unlucky to be involved in a considerable amount of spills, and it is very unfortunate that people do not forget these things quick enough.

ExxonMobil's reputation regarding environmental sustainability was critically damaged by the Exxon Valdez oil spill in Prince William Sound, Alaska, on March 24, 1989. More than 250,000 barrels of oil were spilled into Alaskan coastal waters polluting an estimated 1,300 miles of coastline causing devastation to regional fish stocks, killing over 250,000 sea birds and many hundreds more bald eagles, harbor seals, sea otters, and other ocean animals. However, it was the company's response to the disaster that was most harmful to its public image, and eventually its financial performance. The disaster became a watershed moment for public scrutiny in the conduct of multinational oil companies. After the spill it took 10 hours for Exxon to initiate attempts to contain it and seven days for the company to release a statement. Exxon is still embroiled in legal conflicts regarding the spill to this day. On Exxon's company website it claims to have taken immediate responsibility for the spill, and claims that it has spent over \$4.3 billion as a result of the accidents including compensatory payments, cleanup payments, settlements and fines as well as voluntarily compensating for more than 11,000 Alaskan citizens and businesses within a year of the disaster. However, ExxonMobil has been widely criticized for its slow and uncoordinated response to the spill, after the company called-off efforts after four summers of cleanup operations involving 10,000 workers, 1,000 boats, and a fleet of aircraft and helicopters. The controversy continued after Exxon cancelled the effort, as almost 7,000 workers involved in the clean up later reported respiratory distress after inhaling toxic vapor. Furthermore, according to the London Times 12 years after the spill, one survey showed that oil could still be found on half of the 91 randomly selected beaches inspected. The public backlash included a boycott of ExxonMobil's products by thousands of customers in the first six months after the spill, which resulted in net income falling by a third, and 12 months after the spill ExxonMobil's share price was 20% below the pre spill level. Since then there has still been a considerable amount of oil spills, which ExxonMobil continues to hog the limelight from its European Competitors.

The Green point oil spill is regarded as one of the largest spills ever taken place on U.S soil. It has been said that between 17 and 30 million gallons of oil and petroleum products had leaked into the soil from crude oil processing facilities over a period of several decades. The spill was said to have taken place in the late 70's but was only attended to in the late 2000's, on a more positive note New York State Department of Environmental Conservation reported that tested residential blocks above the spill area

concluded that there is no evidence of either oil or dangerous vapors seeping into people's homes. Hence, it appears that every time ExxonMobil seems to be operating smoothly there is a disaster that is lurking in the corner, which is rather unfortunate but is the nature of the beast. In 2005, local residents within the area of the oil recovery operation (located in the predominantly commercial, industrial eastern section of Greenpoint) filed a lawsuit against ExxonMobil, BP and Chevron in Brooklyn State Supreme Court, alleging they have suffered adverse health consequences. In our opinion we feel that from a corporate social responsibility perspective ExxonMobil should have gone the extra mile, and compensate the affected neighborhoods and take responsibility for their actions, as it will not significantly eat into the profits of the company.

On a more positive perspective ExxonMobil insists it has made changes to prevent any similar accidents from occurring by redoubling their long-time commitment to safeguard the environment, employees and operating communities. The measures ExxonMobil has adopted to ensure greater sustainability in their business practices include: modifying tanker routes, instituting drug and alcohol testing programs for employees in safety-sensitive positions, implementation of extensive periodic assessments of ExxonMobil vessels and facilities and employing new technology to improve vessel navigation and ensure the integrity of oil containment systems. Since the Valdez incident of Exxon's oil spill record has been very good and the company claims to have improved its response capability since 1989. The measures include becoming a founding member of every major oil spill response center worldwide, creating 1,000 strong oil spill response team and developing and applying new spill-detecting technology. The US District Court approved the settlement between the State of Alaska, the US government, and Exxon Corporation in 1991. According to a report by the Exxon Valdez Oil Spill Trustee Council the settlement resolved various criminal charges against ExxonMobil as well as civil claims brought forward by the federal and state governments for the recovery of natural resource damages resulting from previous oil spills.

Future Outlook

ExxonMobil's growing interest in Canada's oil sands reserves represents one of the biggest financial commitments to an upstream project the company has had in recent history. ExxonMobil has a considerable amount of capital outlay in oil sands exposes the company to major financial and regulatory risks, in part due to the scale of the environmental challenges facing any oil sands project. In a report carried out by Goldman Sachs, the oil sands projects face significant environmental challenges, which present material risks to project viability and returns potential. On the contrary, the environmental challenges of developing Canada's oil sands ExxonMobil is also exposed to considerable financial risk because a typical project in the Alberta region, where most of ExxonMobil oil sands operations exist, requires billions of dollars of capital investment and a workforce of well over a thousand employees, and projects can have a lifespan of more than 50 years. As the most expensive source of oil in the world, oil sands projects are vulnerable to low market prices. Before the price of oil collapsed in 2008, companies with interests in Canada's oil sands planned to spend \$125 billion on expanding operations to reach the goal of tripling oil production over the next 10 to 15

years. According to IEA figures, when the price of oil plummeted from nearly \$150/barrel in July 2008 to only \$36/barrel in December 2008 about 85% of deferred or cancelled non-Organization of the Petroleum Exporting Countries OPEC production capacity growth was in oil sand projects in Canada. In order for oil sands projects to be considered economically viable, industry analysts believe long-term oil prices must stay above \$60 a barrel. However, a high price of over \$60 is only required for initial capital costs to be spent on the early stages of a project as it is the long-term operating costs that are truly important. In oil sands projects these typically rely on a barrel price well below \$50, and because global oil demand will continue to grow over the next two decades there will almost certainly be upward pressure on oil prices, as companies strive to source enough supply to meet demand.

SWOT Analysis

Strengths:

- Leading market position and strong brand image.
- Vertically integrated operations allow Exxon to remain in control of all of its assets and products, and to have the flexibility to optimize operations.
- Extensive global presence with both its upstream and downstream businesses.
- Strong R&D spending will allow Exxon to remain at the forefront of industry innovation as the global energy mix changes.
- Exxon's refineries are 60% larger than the industry average with more conversion capacity and more integration with chemical and lubricants.

Weaknesses:

- Litigation and contingencies; the company is involved in various lawsuits, claims, and legal proceedings regarding business conduct.
- Health and safety of its staff remains an issue for Exxon.
- Poor environmental record has led to a series of damaging media reports and an increasingly negative public perception.
- Lacking the ability to monitor the level of sustainable business practices throughout its supply chain.
- Over 90% of Exxon's business lies in oil and gas, meaning the shifting energy mix could leave them vulnerable to emerging players.

Opportunities:

- Exploration and development of unconventional energy resources as a feasible alternative to conventional fuels, in particular Canadian oil sands which is thought hold 175 billion barrels of economically viable oil.
- Rising demand for liquid fuels, with huge production potential in the Middle East and Asia.
- The strong economic growth in the developing countries will drive global oil and natural gas demand.
- Increase in capital investments will develop new technology, bring new upstream projects online, increase the company's base refining capacity, and grow its chemical business.

- Over 90% of global oil demand will come from the transport sector, offering massive opportunities for company's involved in alternative transport fuels such as biofuels.

Threats:

- Natural disasters may disrupt Exxon's business operations threatening projected production targets and revenue growth.
- Increasingly stricter norms regarding environmental regulation.
- Risks associated with conducting business outside the US.
- Greater dangers associated with exploring and developing ever harder to reach oil and gas reserves, like very deep offshore drilling as an example.
- Exxon could face huge financial penalties and even loss of licenses if they fail to meet the more rigorous health and safety regulations in the Gulf of Mexico resulting from the BP oil spill.

Exxon's primary objective is to remain one of the biggest, if not the biggest Oil and Gas Company in the world through 2030 and beyond. The challenging economic conditions, changing regulatory landscape, prospect of ever harder to reach oil and gas reserves will not deter the company from trying to achieve this goal. Oil and gas will remain its core business for the foreseeable future, with natural gas production likely to become increasingly prominent as global demand rises and the energy mix that feeds this demand evolves.

Concluding Remarks and Recommendations

As a fully integrated energy company whose core business is and will remain focused on oil and gas, ExxonMobil will always face any number of challenges to becoming a sustainable company. As global energy demand continues to rise over the upcoming years ExxonMobil strives to meet this demand through exploring and producing fossil fuels. The company's Green House Gas emissions will undoubtedly rise. Though, it must be noted that ExxonMobil does have the aim to lower Green House Gas emissions it will be a challenge. On the upside of things, it is something that the company has identified as an issue for the future.

We feel that from a corporate social responsibility perspective, it is critical for them to take on a proactive role rather than reactive to situations as they unfold. In the broader sense they should prepare for the worst and hope for the best. Oil spills have been something that has affected all of the oil and gas companies at one stage or another; investing in environmental initiatives should be something we should get tired of hearing, this would therefore, reduce the impact of the company when a disaster does take place cushioning the impact that will hit the company.

The view that corporations should continue invest in the communities they operate in, corporation can never do enough, there are always needs in society that needs to be fulfilled, there is always someone or a community that is in need assistance. It is fantastic that ExxonMobil is involved in initiatives such as assisting with the elimination of malaria in Africa, as well as a math and science initiative, empowering women by

creating opportunities for them, those are just to name a few but, they should continue to be involved in these initiatives directly, not only by pumping money but, involving themselves in the decisions being made, because this would continue to improve the image of the company

ADIDAS – Aabid Hajee (T00012533)

Company Background

A German native named Adolf Dassler founded Adidas or Adidas Group (AG) in Herzogenaurach, Germany in 1948. The company is currently under the leadership of CEO Herbert Hainer and Chairman Igor Landau. Adidas is a multinational corporation specializing in the design, manufacturing of clothing and accessories of sporting goods. It is the largest sportswear manufacturer and supplier in Germany and Europe. It is second in the world. The company employs over 42,000 people worldwide with a majority (3000+) situated in Germany at their headquarters. Adidas is a vastly diverse company with various departments and sections. Some of the departments consist of; team of designers, product developers, experts of biomechanics, material technology (at their 2 major facilities in Germany and Portland, USA). Adidas has acquired more than 170 subsidiaries, which in part has rapidly increased their worldwide market share. The distribution and sales of Adidas products are divided into four major regions worldwide. The regions are Europe and emerging markets, North America, Asia and Pacific and Latin America.

Company Policy

The Adidas Group has implemented strict policies and moral guidelines that have insured ethical and social responsibility practices within the organization. The policies are in place to provide fair, ethical, committed and sustainable business procedures to all aspects within the company, from top management to the materials being used in their products. A majority of the policies consist of:

- Partners to respect and comply with the code of conduct reflecting the group's core values.
- Requirement standards in health & safety, labour and environmental concerns.
- Supplied materials are in full compliance with the local laws and regulations as well as are environmentally safe.
- Regular control and monitoring of set standards by conducting quality control and consistent material testing.

The Adidas group holds a firm regard in respect to the materials, manufacturers and suppliers of their materials. They have provided some guidelines that help ensure that their standards are being met. When it comes to their materials, it must measure up to the following:

- Materials and components supplied must be non-toxic and disposable and must not contain any toxic releases or cause harm to the eco-system.
- Ensure materials are from renewable and organic sources that are biodegradable and recyclable.
- Manufacturing of materials and products are under the best possible environmentally friendly conditions and use sustainable resources and technology.

Adidas is strongly against the process and sourcing of raw materials that are in any way from threatened species or endangered animals in correspondence to the International Union for Conservation of Nature and Natural Resources (IUCN). Some of the forbidden materials consist of:

- Leathers from animal's slaughters and/or rose in China and India.
- Furs and skins from exotic animals.
- Downs and furs from living birds.
- Wool from areas where mulesing practices is still allowed.

Organization Involvement

Adidas is part of various different corporate social responsibility organizations that take part in developing sustainable, environmentally friendly investments in collaboration with multiple companies worldwide. Some of the major organizations that Adidas is involved with are World Federation Sporting Goods Industry (WFSGI), World Business Council for Sustainable Development (WBCSD), CSR Asia and a number of other respectable organizations.

The WFSGI is a social investment organization with different groups within and collaboration from different companies. It is an independent association that was formed by sports and sports inspired leisure brands, manufacturers, suppliers, trade associations, national/regional federations and related businesses. The WFSGI has neither intention nor purpose of gaining economic profits or personal gain. The main purpose of the organization is to enable the industry (from developed to developing countries) to coincide and work together on trades, CSR, legal issues and other business related aspects. Some of Adidas's earlier work with the WFSGI was to eliminate the use of underage workers in developing countries. The project began in 1997; it was in partnership with local NGO's, Intern Labour Organizations, Save the Children, FIFA and UNICEF. Above all the contribution and project work of Adidas within the organization, Adidas is also an active member of the organizations corporate social responsibility committee.

WBCSD is a CEO led company, which thrives to stimulate the global business world by creating new and innovative ways to conduct sustainable business practices. The organization was established in January of 2001. It is a collaboration of over 200 well-respected international companies who all have a common interest and commitment

to sustainable development. The main aspiration of the WBCSD is to develop a closer relationship between governments, businesses and other organizations that are engaged in developing higher standards of environmentally sustainable business practices. Adidas is involved with various working groups within the organization to develop strategic procedures for the usage of sustainable materials and enhance corporate social responsibility to other members of the WBCSD. Recently, Adidas contributed to a briefing paper on development and the role of business on tomorrow's society.

Adidas is also an active member of CSR Asia, which provides training, research and development, innovation and guidance on sustainable business practices. The organization operates as a social enterprise that works with private companies, governments, society organizations and large corporations. Adidas is part of CSR Asia's Strategic Partnership Program and in 2007 AG acted as an independent facilitator for the group's stakeholders dialogue in Hong Kong.

The Adidas group is also heavily invested in the Green Company Program, which envisions becoming a zero-emission company, by maximizing environmental efficiency, supporting and harnessing people's passion for a better more eco-friendly planet, and creating a positive brand image while performing proper ethical practices.

Awards and Recognition

Adidas has been awarded by several well-respected organizations worldwide on various different aspects on their business practices; some of the awards (from 2002 to present) consist of:

- 2002/04, Best sustainability reporting by German Chamber of Public Accountants
- 2005, Okomanager of the year by The Worldwide Fund for Nature Germany (WWF). CEO Herbert Hainer named Environmental Manager of the year.
- 2006, among top 10 employers of the year by Karriere magazine conducted by the Corporate Research Foundation.
- 2006, products rated best for quality and CSR by St Flung Warentest.
- 2007, B.A.U.M. environmental award for Frank Henke, social and environmental affairs, Adidas Group.
- 2009, best rated by European Consumer Organizations, rated first for managing corporate responsible issues.
- 2011, Silver medal for Adidas in "sustainable retail" by Verbraucher Initiative.
- 2012, Included in the STOXX Global ESG made into 3 categories (environmental, social and governance).
- 2012, included in the FTSE4GOOD Index, and index that demonstrates ongoing commitment to environmental sustainable financial performance, positive relationships and supporting human rights acts.
- 2013, made it into the Global 100 most sustainable corporation in the world, for the 9th consecutive time.

Adidas has shown remarkable corporate social responsible practices by implementing business strategies that have enhanced their public image, positively influenced organizations and firms worldwide, created sustainable long lasting programs and provided a lasting impression in the sports industry.

Recommendations

With an already established positive brand image I would recommend that Adidas continue to contribute to the organizations and programs that already active. Also, Adidas should keep pursuing the opportunity to improve the lifestyle and working condition of developing countries, not only for their own benefit, but also for the benefit of the developing countries as well as to encourage other companies to participate and ensure a longer lasting more sustainable business practices.

WHY DO CORPORATIONS INVEST IN CORPORATE SOCIAL RESPONSIBILITY - Bongani Mafulela (9560890)

In today's world many corporations operate in the global market and many of which corporations find environmental, social, and philanthropic issues to be increasingly important to bottom-line financial performance. Therefore, as public responsiveness to these issues increases, forward-thinking corporations are realizing that the progressively aware consumer and investor need to see more than just profits. With a handful of options to choose from in addressing this, why do these companies turn to Corporate Social Responsibility?

With some research carried we found some interesting facts, in most cases one would also think that companies are only involved in extracurricular activities if there are considerable benefits to be had. But here are my findings:

- The first reason corporations use Corporate Social Responsibility platform is to build customer loyalty. Customer loyalty is a growing field from a Corporate Social Responsibility perspective, and in the long run it is said that it will and could have good effect on the market share of the company, if the company has a good image in the eyes of the public and are seen to be investing in initiatives that society might consider valuable.
- Differentiation from other competitors. In the world we live in today corporations are big on product differentiation, companies are happy when you can tell the difference in what their values and operational standards are from those of their direct and indirect competitors.
- Customers are attracted to socially responsible companies. Developing innovative products that are environmentally or socially responsible improves value and gives people a good reason to buy from you.

- Corporate Social Responsibility attracts and retains staff. By attracting, retaining and engaging staff, doing good for others reduces your recruitment costs and improves work and also productivity.
- Corporate Social Responsibility attracts investors. Investors and financiers are attracted to companies who are socially responsible. These decision-makers know this reflects good management and a positive reputation.
- An easy way for your company to build its brand, reputation and public profile. Being socially responsible creates goodwill and a positive image for your brand. Trust and a good reputation are some of your company's most valuable assets. In saying so, when used properly, it will open up a myriad of new relationships and opportunities. Not only will the company's success grow, but so will the company's culture. It will become a culture which employees and the wider community will genuinely believe in.

HOW COMPANIES ARE MEASURED - Bongani Mafulela (9560890)

Triple Bottom Line

The Triple Bottom Line, from a corporate social responsibility perspective is what most people would regard as the stepping stone to corporate social responsibility. The phrase the **triple bottom line** was first coined in 1994 by John Elkington, the founder of a British consultancy called SustainAbility. His argument was that companies should be preparing three different bottom lines. The first is the traditional measure of corporate profit the bottom line, of the profit and loss account. The second is the bottom line of a company's people account, a measure in some shape or form of how socially responsible an organization has been throughout its operations. The third is the bottom line of the company's planet account, a measure of how environmentally responsible the corporation has been. Hence, the triple bottom line consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only companies that produce triple bottom line are taking account of the full cost involved in doing business.

It must also be noted that the triple bottom line is not perfect and that it does have its own faults, like the fact that three separate accounts cannot easily be added up. Also, it is difficult to measure the planet and people accounts in the same terms as profits—that is, in terms of cash. For example, the full cost of an oil-tanker spillage, is probably immeasurable in monetary terms, as is the cost of displacing whole communities to clear forests, or the cost of depriving children of their freedom to learn in order to make them work at a young age.

Balanced Scorecard

Below is an example of a balanced scorecard of a typical firm that considers itself to be corporately socially responsible. A balanced scorecard, based on my research I found that it also fits in well with the triple bottom line. The balanced scorecard looks at very particular facets of business financial, customer, human resource, social and environmental management and process technology perspectives.

Financial Perspective

- Increase revenues in a profitable and sustainable way
- Reducing the costs of operations
- Minimizing costs and risk

Customer Perspective

- To be recognized as a strong brand or service in terms of quality and social and environmental responsibility
- To profitably respond to key customer concerns

Human Resource Perspective

- To create a plan that consolidates the values that go along with the business of a company
- Practically managing relationships within and outside of the company
- Continued cost management, ensuring the fluidity of the company

Social and Environmental Management Perspective

- To manage social impacts within communities they operate, in other words leaving a lasting impression
- To constantly try to better operations they carry out, for example attempting to use more environmentally friendly methods

Process and Technology Perspective

- World class facilities which help ensure not only efficiency, but helps to cut costs and lag time
- Continually self assess and regularly looking for ways to improve
- To attempt to meet current and future mission goals

Facts before Corporate Investment

Before a company splashes enormous amounts of money into corporate social responsibility programs, based on research that I carried out I do feel that it is important that these key factors are considered:

- The company must implement the program strategically. In the world we live in today, just a donation on its own is not enough. The best corporate social

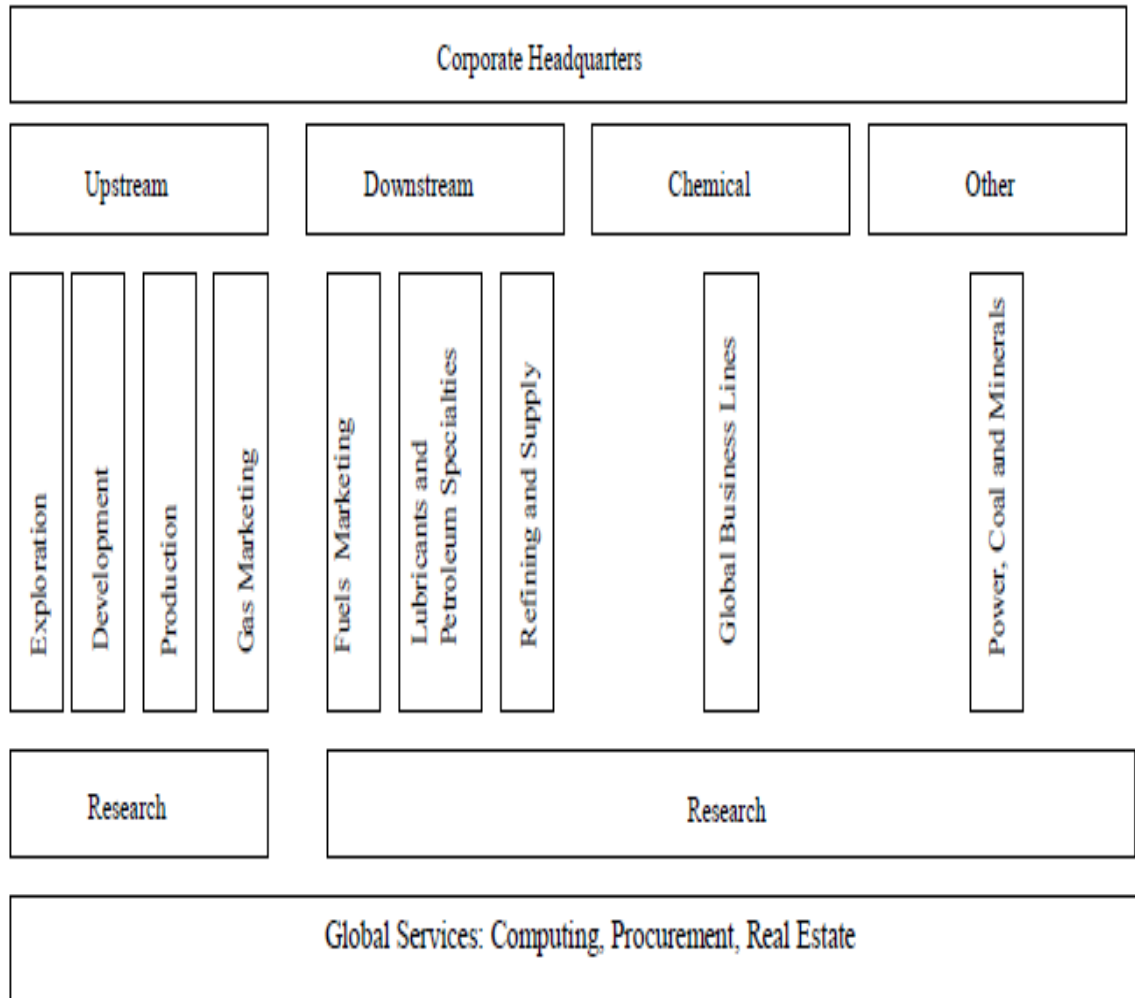
responsibility programs are based on a two-way relationship with you and each of the organizations you are involved with. This allows both parties to be challenged and grow together.

- Corporate social responsibility commitments should be in line with the values of your company, customers and staff. Most importantly, they must be based on a genuine concern for people and the community. That is why it is of great importance, because a company would not want a program to backfire, hence, making the corporation hypocritical. Therefore this could tarnish the image of the company, and cause people to become cynical and distrustful of the company.

Conclusion – Bongani Mufulela (9560890)

In conclusion, the world we are living in today has changed drastically and the focus of businesses today has shifted from profit gains to focusing on the triple bottom line (people, profit and planet). Corporate social responsibility is now judged on that criteria and if the following companies focus more on those aspects it will not only improve their corporate image but enhance their also brand differentiation, allowing customers and investors to easily identify them from their competitors.

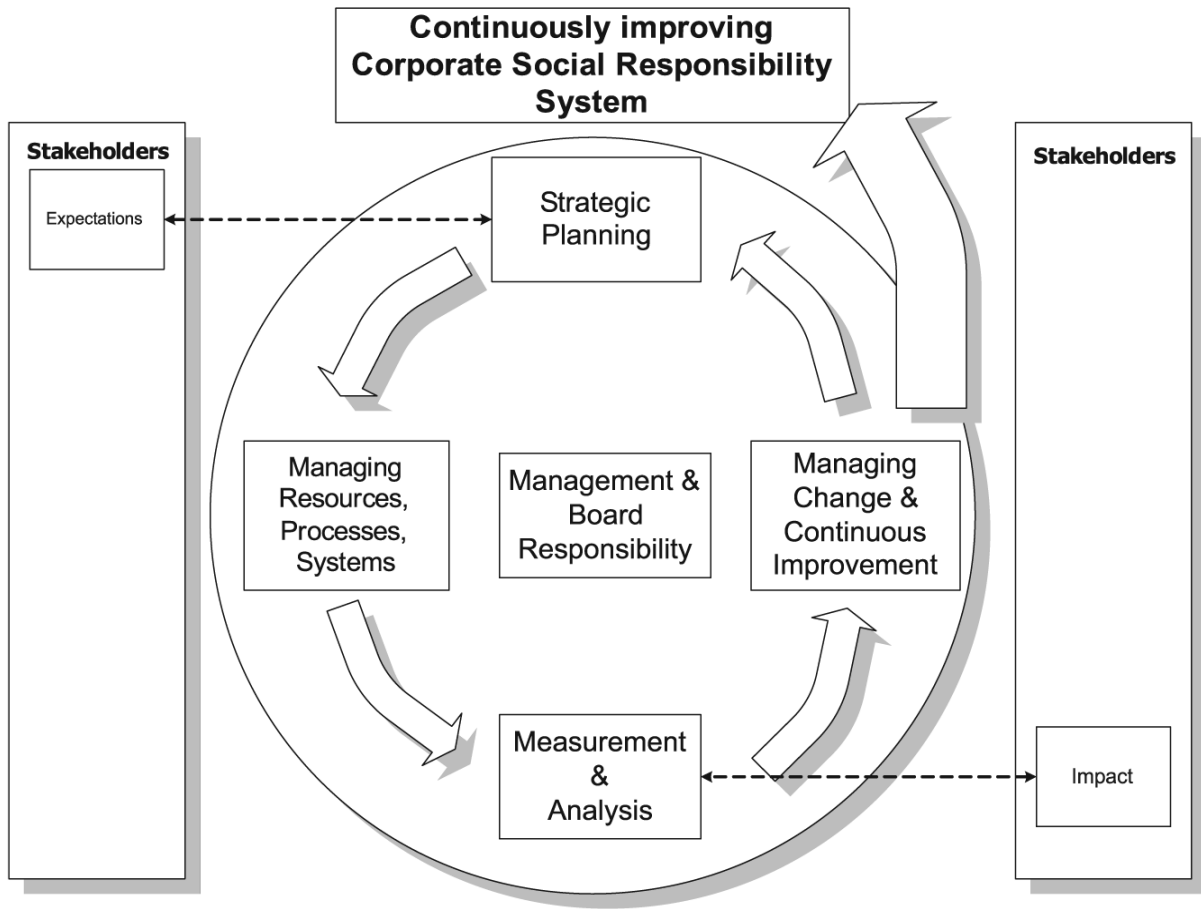
Appendix 1: ExxonMobil Company Structure – Bongani Mufulela (9560890)



Appendix 2: Areas of ExxonMobil CSR

Environmental	Social	Economic
GHG emissions	Human rights	Transparency of payments to host governments
Air pollutant emissions	Security and human rights	Public advocacy and lobbying
Energy use	Labor practices, health, and safety	Preventing corruption
Other energy sources (alternative energy/fuels)	Workforce health and employee engagement	Local procurement and supply chain development
Flared gas	Workforce participation	Preventing corruption in the supply chain
Biodiversity	Occupational injury and illness incidents	Communication of financial data
Fresh water use	Process safety	
Spills	Training and development	
Discharges to water	Product responsibility	
Waste	Social investment and community impacts	
	Local content and local hiring practices	
	Involuntary resettlement and indigenous peoples	
	Human rights in the supply chain	

Appendix 3: CSR Framework – Aabid Hajee (T00012533)



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