

## 1. BACKGROUND

Sustainable Development is a global initiative defined by the UN-sponsored World Commission on Environment & Development as “development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations”.<sup>1</sup> By its very nature, this subject requires understanding and management of the ongoing balance between economic, social and environmental factors. Whilst Sustainable Development is a complex topic, the subset concept of Corporate Sustainability Management (CSM) defines a more localized and specific view of the contribution that individual organizations can make towards Sustainable Development, encompassing corporate governance, risk management, environmental, social and human factors.

The ability to protect reputation, brand equity, a company’s license to operate and ultimately realize cost savings are clear business drivers for CSM, together with the ability to attract, motivate and retain talented employees. There is increasing evidence that responsible companies often carry lower risk and are better positioned for long-term performance than less enlightened peers<sup>2</sup>, and investors are becoming increasingly aware that the association between sustainability management and long-term performance can add value to investments across all industries. As a result, indices such as the Dow Jones Sustainability Index (DJSI) make strong reference to the fact that there is growing market demand to apply the concepts of CSM across the entire equity market.

Although the pressures placed on companies to enhance their CSM performance are increasing at a rapid pace, several CEOs in the World Economic Forum survey noted the difficulties in embedding these concepts to the day-to-day running of their businesses. Market research conducted by Aberdeen Group<sup>3</sup> and CINTELLATE’s Strategic Team (e.g. literature review, discussion with current and prospective clients and analysis of recommendations from regulatory bodies), substantiated that CSM must be thoroughly embraced and integrated into a company’s culture in order to raise awareness and promote considered action to maximize the opportunities presented by CSM. To date, however, organizations have been constrained in doing so by a lack of off-the-shelf tools to support such initiatives.

CINTELLATE’s core business to date has been the provision of software solution that seeks to help companies create long-term shareholder value through the effective management of Environment, Health, Safety, Risk and Quality at both a strategic and an operational level. The philosophy surrounding the effective management of the business processes encompassed by CSM is entirely complementary and represents a logical extension to the existing CINTELLATE suite.

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<sup>1</sup> World Commission on Economic Development, 1987:43

<sup>2</sup> What is socially responsible investing? – Joe Keefe, DragonFly Media, November 2004

<sup>3</sup> Aberdeen Group, Sustainability Matters: The Corporate Executive’s Strategic Agenda Report, Jhana Senxian, April 2009

High Level Overview

The high level CSM business areas supported by CINTELLATE can be broadly represented by the standard PLAN-DO-CHECK-ACT model for improving performance, whilst maintaining the continual improvement philosophy of CINTELLATE at its core. This concept is depicted in the diagram below:

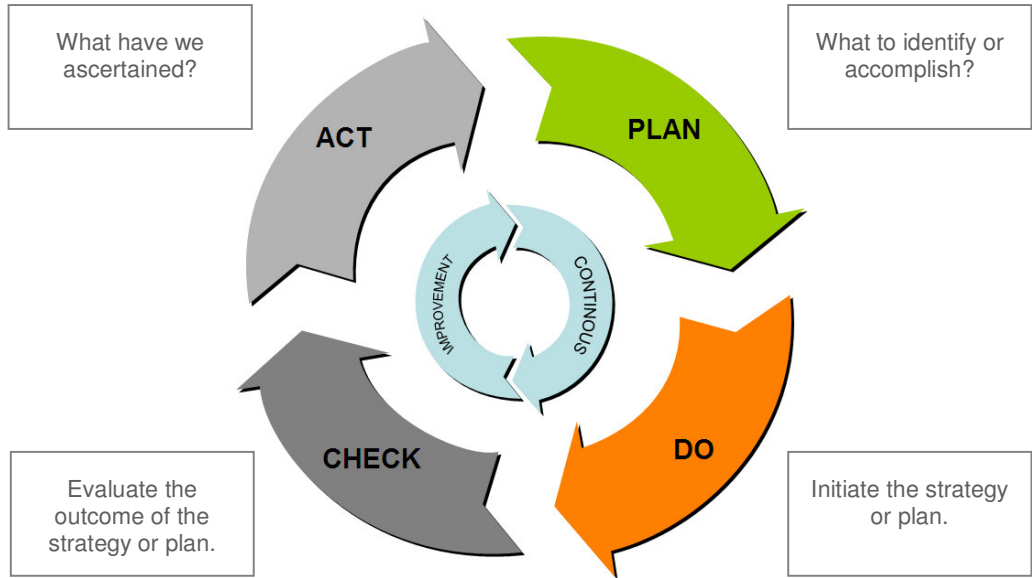


Figure 1: Plan-Do-Check-Act Model

CSM within CINTALLATE will provide the user with a helicopter view of sustainability information within these specific business areas, as depicted in Figure 2. More in-depth discussion on the individual business areas will be presented in subsequent sections.

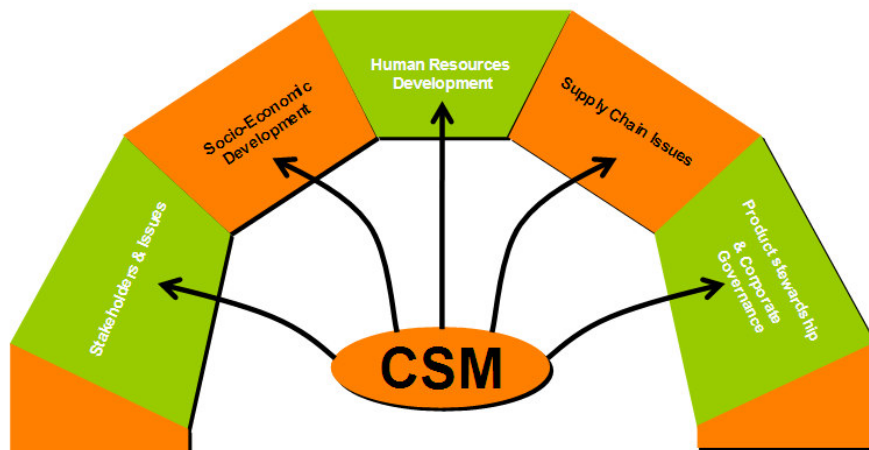


Figure 2: CSM Business Areas

At a functional level, a sustainability system will need to collate selected and targeted data from various sources or systems throughout the organization and store the relevant derived information in accordance with set objectives and plans within CINTELLATE. This information is then periodically reviewed and signed off by line management.

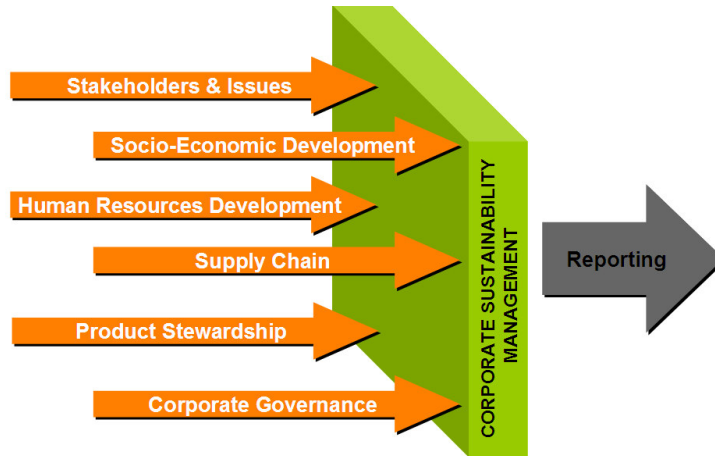


Figure 3: Functional Data Flow

As shown in Figure 3 above, the information is then presented through a reporting layer which is designed to benchmark and satisfy various reporting objectives such as the Global Reporting Initiative (GRI)<sup>4</sup> and the ISO 14001 standard.

The GRI's primary goal is "to create a new, generally-accepted, sustainability reporting framework that will be equivalent to financial reporting practices".<sup>5</sup> Over 140 corporations from all over the globe currently issue GRI Sustainability Reporting Guidelines reports, such as British Airways, General Motors and Panasonic<sup>4</sup>. Another sustainability-oriented management system gaining world-wide acceptance is the ISO 14001 standard. This standard, developed by the International Organization for Standardization, sets out the detailed requirements needed for an environmental management system, which can be integrated into any organization's existing environmental management system<sup>6</sup>.

The regulatory requirements imposed on companies from a CSM perspective are still in their infancy. CINTELLATE's previous experience in the regulatory arena has shown how dramatically requirements evolve over time, particularly as society's expectations rise. Furthermore, the need to adapt to changing requirements should not just be viewed from a regulatory perspective. Our experience in the Environment, Health and Safety management arenas indicates that as companies begin to realize the benefits associated with their initial implementations, their requirements will change and become increasingly sophisticated as they gain more understanding, embrace and integrate the concepts within the business and seek to further improve performance.

<sup>4</sup> GRI - <http://www.globalreporting.org/Home>

<sup>5</sup> Ethical Corporation - <http://www.ethicalcorp.com/content.asp?ContentID=357>

<sup>6</sup> International Organisation for Standardisation - [http://www.iso.org/iso/catalogue\\_detail?csnumber=31807](http://www.iso.org/iso/catalogue_detail?csnumber=31807)

One of CINTELLATE's most compelling and innovative differentiators is the ability to configure the system to meet clients' specific requirements without the need to alter program code. Hence, ensuring the ongoing applicability of the product in what will almost certainly be a rapidly changing environment. It is possible to make use of this flexibility at any time (i.e. not only during initial system setup, prior to deployment), and all changes are retained when software versions are upgraded.

In addition, the configuration toolset within CINTELLATE is GUI-driven to permit rapid deployment by business-oriented users, thereby ensuring the commercial viability of implementing new or updated processes within the system. These are innovative features that provide CINTELLATE and our clients with a unique competitive advantage in the marketplace.

## 2. TYPICAL CINTELLATE CSM BUSINESS PROCESSES

### 2.1. Issue Management

CINTELLATE allows an organization to adopt a more strategic and scientific view of Issue Management rather than traditional 'rule-of-thumb' and 'reactive' approaches adopted throughout industry today. Stakeholder engagement lies at the heart of the Issue Management process and CINTELLATE guides the user through this process by facilitating the development and management of a central issue register. The issue register is maintained and continuously managed through approval and review, providing the decentralized user continual support and confidence when maintaining and capturing organization-wide issues.

Engagement and consultation with stakeholders is carefully planned based on the issues raised from the organization's involvement and interaction with the air, the land, the water, the people and the business in accordance with AA1000 and AA1000SES principles<sup>7</sup>. These issues and their associated impacts are carefully considered and supported by sound cause analysis, monitoring and measurement planning, and action management if necessary (i.e. these are triggered processes within CINTELLATE, thus providing important system integration).

Besides the usual metrics, sustainability reporting (especially the GRI) usually requires organizational feedback not only on issues raised by stakeholders, but the manner in which the organization approaches Issue Management and stakeholder engagement. CINTELLATE ensures that this meta-data is collected and maintained.

### 2.2. Stakeholder Management

Most organizations recognize that the stronger their relationships are with external parties, the easier it is to meet corporate business objectives such as sustainability. Stakeholder Management is increasingly becoming an integral part of the strategic planning as a means of differentiation and delivering corporate competitive advantage. As such, the need to proactively manage stakeholder-related business processes becomes more critical and often a basis for performance metrics.

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<sup>7</sup> Accountability – Institute of Social and Ethical Accountability Series

CINTELLATE helps users to identify the key stakeholders required for the formation of a Stakeholder Board or Forum, and tracks details of meetings, communications, complaints, concerns, issues as well as actions taken. Communications proceed through the notification ladder for review by appropriate personnel and assignment of action items. Action items status and completion reports can then be automatically communicated back to involved stakeholders. Measures based on company responsiveness and satisfaction or participation by stakeholders can be easily summarized and rolled up in annual corporate reports.

### 2.3. Socio-Economic Development

Socio-Economic Development (SED) in any given society is measured by various indicators, such as GDP, average life expectancy, levels of (un)employment and/or adult literacy levels. At the business-level, SED looks at the needs and issues raised by stakeholders and associates them with derived community drivers based on collection of data categorized as follows:

- Demographic Changes
- Changes in Health Status
- Availability of Natural Resources
- Crime and Disorder
- Infrastructure
- Community Hazards
- Environmental and Social Nuisance Factors
- Relationships between Employees and Settlements
- Economic Development and Change
- Security and Human Rights

A poll conducted on Fortune 500 companies by the American Society for Quality (ASQ), reveals that although there are gaps for improvement, traction is evident based on results from the poll indicating that “96 percent of U.S. business leaders think their company’s corporate social responsibility behavior will greatly impact the nation’s economic future.”<sup>8</sup>

Through the SED business area, CINTELLATE assists the user in identifying and assessing the social and economic impacts of the operation on the stakeholders and surrounding communities through its broader activities. Identification and evaluation of existing Corporate Social Investments (CSI) are considered and aligned with specific organizational focus areas.

Managing the resultant CSI projects (e.g. sponsored projects, donations, volunteerism etc.) in a consistent manner within CINTELLATE enables users to develop focused and consolidated monitoring plans in relation to financial milestones and project objectives. To support effective management of these projects, emails can be generated to notify internal and external project members when specific tasks are not completed by their deadlines. Similarly, reporting tools within the CINTELLATE suite can be used to generate information on a scheduled and/or ad-hoc basis as part of the overall SED business area (e.g. discussion in forum meetings, review by management etc.).

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<sup>8</sup> BusinessWire, “ASQ Poll”, March 8, 2006.- <http://www.businesswire.com/news/google/20060308005535/en>

### 2.4. Human Resources Development

The ultimate aim and vision of any organization is a workforce that has the skills and knowledge to undertake tasks required by the business. The workforce is usually eager to learn new skills in order to achieve future challenges. The development of a Human Resources Development (HRD) plan is typically managed in isolation from the wider business in most organizations even with the advent of integrated ERP software.

Typically, this business area supported by CINTELLATE assists in the development of HRD plans in relation to wider organizational policies and management objectives whilst coordinating the collation and management of raw HRD information in the existing legacy systems. HRD in CINTELLATE goes beyond the traditional concepts of training and development through coursework and looks at the methods that are most appropriate for achieving the desired learnings and encompasses, but is not limited to, on-the-job training, placements, rotations, research, seminars, mentoring, coaching and study.

### 2.5. Market-Related Issue Management

#### 2.5.1. Supply Chain

Supply Chain business process can be defined as the physical, financial and information networks for the logistical movement of materials, funds and related information. It starts from the acquisition of raw materials to the delivery of the finished products and includes vendors, service providers and customers.

This business process supported by CINTELLATE will typically help users to set plans, monitor and track strategies for issues around procurement of capital goods, services and consumables, as well as to monitor preferential procurement objectives in regard to equal opportunities and minority or majority group membership.

This business area can assist the organization with the management of Supply Chain Compliance (SCC) by scheduling and conducting audits on suppliers based on three main sub-categories: capital procurement, services procurement and consumables procurement. These three sub-categories are then analyzed in terms of EHS non-conformances. The ability and desire to do this is becoming even more apparent as the acceptance and practice of Triple Bottom Line (TBL) reporting grows at an increasing rate. The inevitable importance of Supply Chain management, in relation to the need to integrate with TBL reporting has been widely documented (e.g. Foran et. al.,2004<sup>9</sup>).

#### 2.5.2. Product Stewardship

Product Stewardship recognizes that manufacturers, retailers, governments and consumers share a responsibility to manage the impacts of products throughout their lifecycle, including their ultimate disposal (i.e. cradle-to-grave). As the Product Stewardship Institute (Boston) argues, "it is in the best interest of federal, state, and local governments, companies, environmental groups, and consumers to reduce the adverse health and environmental impacts of consumer products".<sup>10</sup> The Institute states that genuine Product Stewardship by manufacturers and retailers sees them

<sup>9</sup> Foran, B., Lenzen, M., Dey, C., and Bilek M. (2005). "Integrating Sustainable Chain Management with Triple Bottom Line Accounting"; Ecological Economics, Vol. 52, Iss. 2, pp. 143-57; Australia.

<sup>10</sup> Product Stewardship Institute - <http://www.productstewardship.us/displaycommon.cfm?an=1&subarticlenbr=231>

take increased responsibility in reducing the total impact of a product and its packaging throughout its entire life-cycle.

This business area within CINTELLATE will typically assist users to analyze the primary impacts of an organization's products and services related to water, land, air, waste and biodiversity. Downstream benefits are recorded and monitoring plans are established with regular review and communication. To support effective management of these projects, emails can be generated to notify internal and external project members when specific tasks are not completed by their deadlines.

### 2.5.3. Corporate Governance

A decade ago, the term 'Corporate Governance' was barely heard. However, with the collapse of major enterprises such as Enron and WorldCom in the U.S., and HIH Insurance in Australia, today, like climate change and private equity, Corporate Governance is a staple of everyday business language. Corporate Governance influences how the objectives of an organization are set and achieved, how risk is monitored and assessed, and how performance is optimized. As Reena Aggarwal, Finance Professor at Georgetown University asserts, "There's no question that the Enrons and WorldComs of the world have heightened the need for better governance, and that momentum has carried all over the globe".<sup>11</sup>

The major theme surrounding good Corporate Governance is "transparency". Many organizations are responding to this public demand by for instance, incorporating a Corporate Governance section in their annual reports and/or websites and including matters such as compensation, codes of conduct and dividend reinvestment plan policies. Furthermore, in the U.S., the Sarbanes-Oxley Act 2002 was enacted in response to numerous scandals inflicted by companies such as Enron, Adelphia and Tyco International. The Sarbanes-Oxley Act 2002 is also known as the Public Company Accounting Reform and Investor Protection Act 2002 and applies to all U.S. public company boards, management and accounting firms. Among other issues, the Act covers matters relating to Corporate Governance, including boardroom failures and executive compensation<sup>12</sup>.

Corporate Governance can be a complex and daunting task, especially for publicly-listed companies, who are bound by stringent requirements. CINTELLATE offers the solution by providing a robust framework for recording and reporting an organization's Corporate Governance principles (e.g. Australian Stock Exchange's 12 Principles, the NYSE's Corporate Governance Listing Standards etc.), with built-in process flows for review and commitment management. Information relating to ownership, board composition, committees and forums, mission and value statements, charters or initiatives or principles, awards, fines and penalties are tracked, managed and reported to address transparency ideologies.

*For more information on CINTELLATE's CSM software suite of modules or business processes, please email: [information@cintellate.com](mailto:information@cintellate.com)*

<sup>11</sup> Georgetown University, Reena Aggarwal - [http://www.usatoday.com/money/companies/management/2008-02-17-corporate-governance\\_N.htm](http://www.usatoday.com/money/companies/management/2008-02-17-corporate-governance_N.htm)

<sup>12</sup> Sarbanes-Oxley Act 2002 - [http://en.wikipedia.org/wiki/Sarbanes-Oxley\\_Act](http://en.wikipedia.org/wiki/Sarbanes-Oxley_Act)