

MAKING THE CASE FOR CSR

Winter
2020-2021



 **ACCP**
Association of Corporate
Citizenship Professionals



INTRODUCTION

What is the Toolkit?

Making the Case is an easy-to-use toolkit that helps corporate citizenship professionals build a compelling, data-driven business case for the value of corporate social responsibility (CSR).

The tool aggregates data from 25 sources and presents it in easily digestible data points and infographics.

Each infographic is sourced and linked to an original study to provide easy access to context or more information. Making the Case shows the viewpoints and interests of four CSR stakeholder groups:

- **Consumers and the General Public**
- **Employees**
- **CEOs and Boards**
- **Investors**

There is also a section on CSR Benchmarking.

Why did ACCP create the Toolkit?

CSR professionals must have ample resources to create and execute high-quality, strategic programs and the support of senior leadership. The ability to communicate a compelling, data-driven case is essential for CSR teams to secure the internal support required for a high-performing corporate citizenship function.

Having persuasive data is crucial. How often have you, a CSR professional, wished you had access to relevant data at your fingertips to build your case to leadership for buy-in, budget, and headcount?



2020 – A Year Like No Other

In a year like no other, CSR professionals and purpose-driven companies were put to the test and placed under a microscope by consumers, their employees and other stakeholders.

The COVID-19 pandemic, the resulting economic downturn, and the racial justice movement forced companies of all types to evaluate and make significant changes to their operations, strategies, and relationships with all stakeholder groups. Consumers became more cognizant of the role businesses can and must play in impacting societal change. Employees now have a stronger desire to be able to point to their corporation with pride, as an important force for good. And the financial markets are rewarding companies that are not just issuing statements but backing up social impact and sustainability commitments with action and proven results. The statistics and metrics we compiled in this Making the Case Toolkit reflect the growing expectations these stakeholder groups now have.

Great data on the return on investment of CSR exists but it is scattered across the internet from a range of focused studies and an array of sources. Each study – invaluable in its own right – represents a different or singular perspective, i.e. the case for engaging millennials and Gen Zers or investment performance, but no one resource compiles data from many sources to make a comprehensive case for CSR. To address these issues, ACCP created the Making the Case Toolkit and updates it annually. This year's toolkit includes data and statistics from 2019 and 2020.

How can you use the Toolkit?

There are several areas in which the Toolkit can help corporate responsibility professionals:

- Influence CEOs and boards of directors as they lobby for budget and/or programming
- By offering compelling corporate benchmarking data
- With hiring and human resources initiatives, as companies work to attract and retain a diverse workforce
- With implementing new employee engagement strategies
- Increasing a company's reputation with all its stakeholders
- Instituting corporate culture changes

ACCP would love to know how members use the Making the Case Toolkit. Please email us at membership@accp.org.



OVERVIEW OF THE CASE

1

Consumer expectations that companies contribute to society is heightened following the COVID-19 pandemic, racial equity reckoning, and economic crises of 2020, and continues to grow as generations transition.

2

Employees want to work in companies that are good corporate citizens even if it requires personal trade-offs to do so.

3

Issues that were once only an emphasis for Corporate Social Responsibility and Sustainability departments are now making their way to the C-Suite and the Boardroom as key determinants for success.

4

Institutional and individual investors now consider Environmental, Sustainability and Governance (ESG) a mainstream expectation for their portfolios.

5

Benchmarking their own CSR response and strategies to emerging social challenges with those of peer companies provides context and credibility.



CONSUMERS AND THE GENERAL PUBLIC

Consumers act on their beliefs and look for businesses that reflect their values.

Consumer expectations that companies contribute to society continues to grow as generations transition and is heightened following the COVID-19 pandemic, racial equity reckoning, and economic crises of 2020. Below are stats reflecting these trends, and the reality that consumers are more educated than ever before.



would buy from an action-based brand and 70% would work for that company²



say stakeholders, not shareholders, are most important to long-term company success³

When global consumers think a brand has strong purpose, they are¹:

6x

more likely to support in a challenging environment

4.5x

more likely to recommend to friends and family

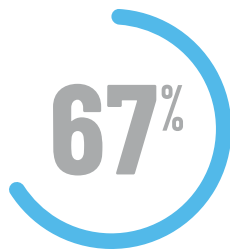
4x

more likely to purchase from and trust the brand

Millennials



have changed purchasing habits in support of causes or social issues of interest⁴



support companies that achieve a balance between doing good and making a profit⁵



believe that business has a positive impact on society—
down 14% from 2019⁵

Gen Zers



consider a company's purpose when deciding what to buy²



believe companies must act to help social and environmental issues²

65%

say the way a brand has acted during COVID-19 has a significant impact on their likelihood to buy from that brand in the future⁷

On racial justice, companies still have a significant trust gap, and an internal reckoning is needed for change to occur.



of Americans say companies need to recognize their role in systemic racial inequality, and own up to missteps or past mistakes⁶



of Americans believe most CEOs and business leaders don't recognize that racism exists all around them⁷



of Gen Zers say companies must recognize their role in systemic racism⁸



believe companies need to take action and do more than just issue a statement⁷

SOURCES

- 1 Zeno Group (2020)
- 2 Cone Communications (2019)
- 3 Edelman (2019)

- 4 Achieve and the Case Foundation (2020)
- 5 Deloitte (2020)
- 6 Porter Novelli (2020)

- 7 Edelman (2020)
- 8 Cone Communications (2020)

EMPLOYEES AND COMPANY CULTURE

Employees want to work in companies that are good corporate citizens even if it requires trade-offs like lower pay. The statistics below make a strong argument for why a company should offer its employees the opportunity to get involved in company programs and why a company should include community engagement and sustainability practices in its talent brand.

Employees and potential employees, especially millennials and Gen Zers, want to work for companies that commit to social and environmental improvement and engage employees in workplace causes.



of employees believe companies should lead with purpose¹



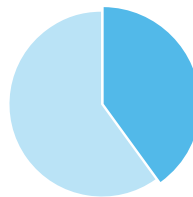
of employees say companies must focus on purpose, not just profit¹



of prospective employees expect to make a social impact through their company²

EMPLOYEES OVERWHELMINGLY WANT THEIR CEOs TO SPEAK OUT ON³:

- Training: Future Jobs
- Income Inequality
- Diversity
- Climate Change



NEARLY 40% OF MILLENNIALS say they selected their job because their employer's social impact was better than that of alternative companies⁵



of Gen Zers consider a **company's purpose** when deciding where to work⁵



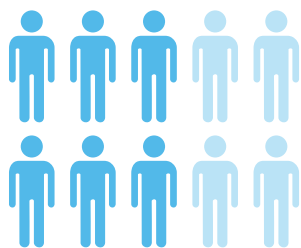
of professionals say they would be willing to **take a pay cut** to work for a company that has a mission they believe in and **shared values**⁴



NEARLY 2 IN 5 PROFESSIONALS would leave their current job if their employer were to ask them to do something that conflicts with their ethics or morals⁴



HOW AN EMPLOYER APPROACHED COVID-19 IMPACTS EMPLOYEES' DECISIONS ABOUT WHERE THEY WORK AND FOR HOW LONG.



More than 60% of employees are more likely to do research on a company's COVID-19 response, and say an employer's actions during COVID-19 have made them want to stay with the company long term⁶



DEI is critically important to employees: TOO MANY DO NOT BELIEVE THEIR COMPANIES ARE DOING ENOUGH.



of employees are reconsidering their current job because their company is not doing enough to address social justice issues externally⁷



60% of employees believe their company does not have effective diversity and inclusion programs⁸

SOURCES

- 1 Cone Communications (2020)
- 2 Edelman (2019)
- 3 Edelman (2020)

- 4 LinkedIn (2018)
- 5 Cone Communications (2019)
- 6 Deloitte (2020)

- 7 Porter Novelli (2020)
- 8 Center for Talent Innovation (2019)

CEOS AND BOARDS



CSR efforts can thrive or fail based on the level of support from those leaders in the upper ranks. And for many CSR professionals, 2020 led to increased interaction with their company's CEO and board, as these efforts received more notice than ever before.

CEOs and business executives feel an urgency to act for three reasons:

1. they feel an obligation
2. they think their business has what it takes to solve problems
3. they know purpose matters to stakeholders and the bottom line.



Nearly 75% of CSR leaders report an increase in C-suite expectations or demands to affect social change since the COVID-19 pandemic started ²

CORPORATE EXECUTIVES BELIEVE ¹:



it is urgent for business to be a critical part of driving solutions



business has the scale, speed, and acumen to make a difference



business has more of a responsibility than ever to address pressing social and environmental issues

EXECUTIVES ARE RESPONDING TO MARKET FORCES AND THEIR BOARD'S GROWING INTEREST IN ESG.

Companies that target material

SOCIAL & ENVIRONMENTAL ISSUES in their social impact efforts

outperform the rest of the market by 3–5% annually ⁴



of public company boards now engage with ESG issues in some meaningful way ⁵

MOST CORPORATE EXECUTIVES KNOW CHANGE MUST START FROM THE INSIDE TO AUTHENTICALLY ADDRESS SOCIAL JUSTICE. ¹



Business executives prioritize sentiments of stakeholders in the following order:

1. CUSTOMERS
2. EMPLOYEES
3. COMMUNITIES
4. CONSUMERS
5. SHAREHOLDERS
6. PARTNERS
7. SUPPLIERS
8. GOVERNMENT

SOURCES

1 Porter Novelli (2020)

2 ACCP and Rocket Social Impact (2020)

3 Harvard Business Review (2019)

4 Institutional Investor (2019)

5 National Association of Corporate Directors (2020)

INVESTORS



ESG investing is continuing to climb, and has performance upsides including stabilizing returns, lowering risk, and lowering the cost of capital.

While investors in purpose-driven corporations have long been analyzing a company's social impact, ESG investing became an even bigger factor in 2020.

COMPANIES WITH BETTER SOCIAL IMPACT RECORDS³:

- had greater three-year returns
- were more likely to become "high-quality" stocks
- stocks were less likely to have substantial price drops
- were less likely to experience bankruptcy
- grow faster and have higher profitability

Firms in the TOP QUARTILE in terms of ESG metrics¹



deliver higher return on cash invested, and these returns tend to be sustained for longer



delivered growth approximately **40% faster** than the averages of their industries over that period

COMPANIES WITH A STRONG ESG FOCUS TEND TO HAVE A LOWER PERCEIVED RISK PROFILE AND CONSEQUENTLY, LOWER COST OF CAPITAL¹



The field of ESG investment has grown nearly tenfold over the last decade as financial markets have come to realize that integrating **ENVIRONMENTAL, SOCIAL, & GOVERNANCE** in investment decisions makes good business sense¹



ESG INVESTING

accounts for **one-third** of all US investments under professional management⁹

In 2019, **80%** of **CORPORATE CITIZENSHIP TEAMS** provided ESG information to their investors; a 23% increase over 3 years⁵

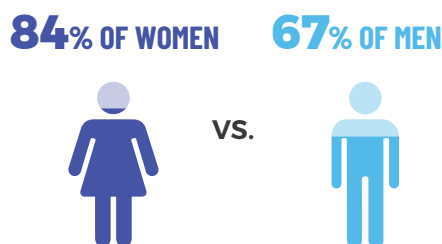


COMPANIES WITH HIGH LEVELS OF PURPOSE

outperform the market by 5–7% per year, on par with companies with best-in-class governance and innovative capabilities

THE GROWTH OF SUSTAINABLE INVESTING IS DRIVEN IN PART BY Women, Millennials, & Gen Zers

INTEREST IN IMPACT INVESTING⁸



MOST MILLENNIALS

say **ESG is important** when deciding to invest⁹



75% of investors say **sustainable investments** have become more important to them over the last five years, driven by younger generations⁸

SOURCES

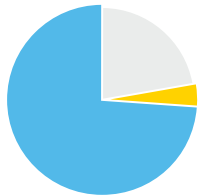
- 1 RBC (2019)
- 2 US SIF Foundation (2020)
- 3 World Economic Forum (2020)
- 4 National Association of Corporate Directors (2020)
- 5 Chief Executives for Corporate Purpose (2020)
- 6 Morgan Stanley Institute for Sustainable Investing (2019)
- 7 Refinitiv (2020)
- 8 Organization for Economic Cooperation and Development (2019)
- 9 Deutsche Bank (2019)

CORPORATE BENCHMARKING



2020 has accelerated the internal and external demand for and interest in CSR, and community grants have been increasing.

Corporate citizenship strategies, funding guidelines, and functional budgets have changed, with some changes anticipated to be permanent.



EQUITY, DIVERSITY, & INCLUSION has surged to the leading topic of interest among CSR professionals.⁶

74% report it as of high interest

4% report it of no interest



TOTAL COMMUNITY INVESTMENTS

as a **percentage of pre-tax profits** grew

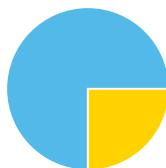
FROM **0.87%** IN 2017 → TO **0.99%** IN 2019³



More than 68% of participants report they have funded new nonprofits to address urgent needs²



More than **59%** of companies invest between 1% and 5% of revenue in CSR programs¹

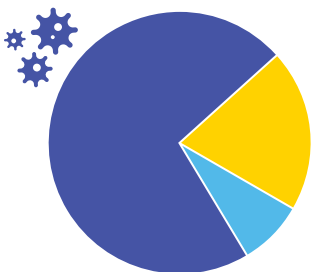


BUDGET LEVELS

Two-thirds of companies anticipate **maintaining or increasing** levels of giving in 2021

One-quarter anticipate funding will **decrease** in 2021²

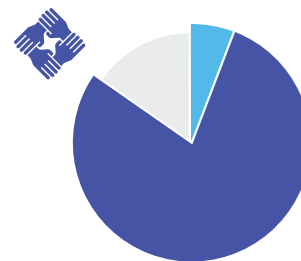
Covid-19 and racial justice are driving changes in CSR strategies and funding



72% of corporations report increasing contributions due to COVID-19

20% reported budgets flattening

8% reported decreasing budgets²



Before 2020, just 6% of racial equity giving was from corporations

In 2020 this number has jumped to 79%.⁵



50% have changed focus areas



25% have changed geographic focus



32% have increased their employee's involvement in determining their strategy



Only **4.23%** had no shifts in their giving strategy²



17% plan to permanently invest in employee emergency and hardship relief funds²



More than **1/3** of participants reported a reduction or end to some partnerships to provide resources for new ones⁴

COMPANIES ALSO DEMONSTRATED FLEXIBILITY TO GRANTEE NEEDS DURING THE COVID-19 PANDEMIC²



allowed a change of grant purpose



allowed grant extensions



allowed funds to be used for operations



provided need-based funding



modified application requirements

IN THE WAKE OF UNSETTLED ECONOMIC CONDITIONS⁴

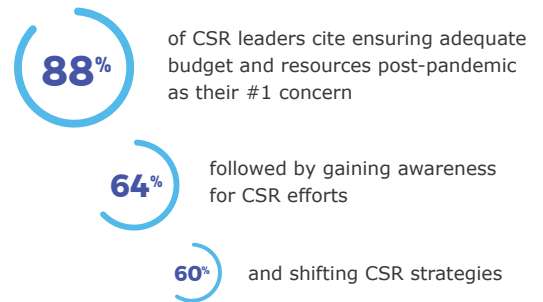


82% of companies report no staffing resource changes in their department

12% reported furloughs or layoffs

6% report adding staff resources

Top 3 concerns of CSR leaders:



VOLUNTEERING AS A STRATEGY FOR EMPLOYEE ENGAGEMENT CONTINUES TO DELIVER RESULTS

26% of companies anticipate expanding or increasing employee engagement programs in 2021 & beyond²

MEASUREMENT IS IMPORTANT AS THE CSR FIELD BECOMES MORE DATA DRIVEN



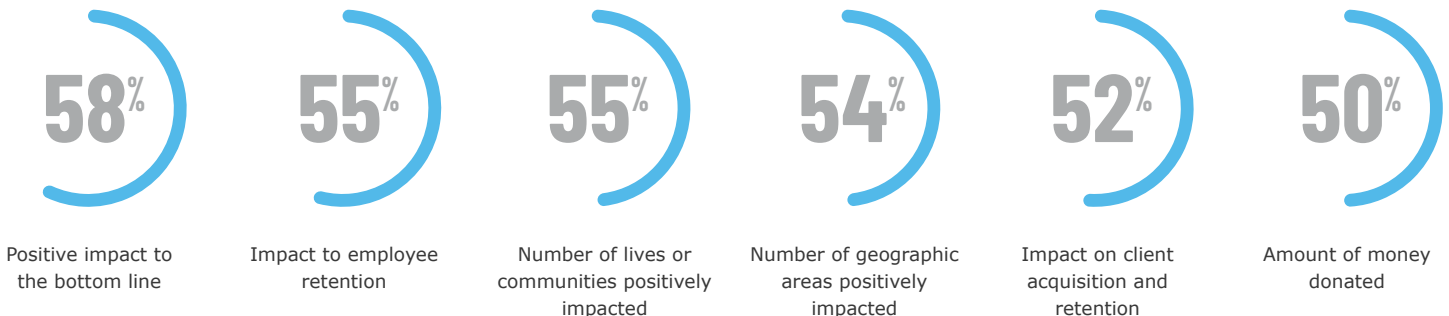
94% of companies measure the social impact of their programs in some way³

34% measure grants made for a strategic philanthropic or signature program

25% measure all grants

15% measure grants that meet a particular dollar threshold

Top Measures of CSR Efforts¹



BUSINESS OPERATIONS: While budgets are tight, and expectations are high, adequate resources are top of mind for leaders in corporate citizenship.

Top Business Challenges for CSR Professionals⁶

- MEASURING IMPACT
- INNOVATING CSR PRACTICES
- RESPONDING TO CHANGING ENVIRONMENT
- MANAGING EXPECTATIONS OF SENIOR LEADERSHIP
- BUDGET CONSTRAINTS
- INFLUENCING INTERNAL STAKEHOLDERS

9.8%

The median ratio of management and program cost as a percent of total cash contributions³

The median number of full-time staff in the community investment function³:

6—9.5 FTEs

when reporting to HR

when reporting to external, corporate, or community affairs

SOURCES

- 1 Deloitte (2019)
- 2 ACCP, CAF America, and CyberGrants (2020)
- 3 Chief Executives for Corporate Purpose (2020)
- 4 ACCP and Rocket Social Impact (2020)
- 5 Candid (2020)
- 6 ACCP (2020)