

Responsible Competitiveness Award



جائزة الملك خالد
King Khalid Award

2017

Company X

Responsible Competitiveness is about making sustainable development count in global and local markets. It exists in markets that reward business practices which deliver improved social, environmental and economic outcomes. It means economic success for nations that encourage such business practices through public policies, societal norms and citizen actions.

At the heart of the analytical process is the Responsible Competitiveness Framework and the globally recognized methodology developed by the King Khalid Foundation in partnership with AccountAbility. The framework builds on extensive research and consultation with some of the world's largest companies, management scholars and investors. The framework measures the five core areas of good performance, each selected with a clear rationale, strong business case and tailored specifically for the Kingdom of Saudi Arabia.



Summary Of RC And Participant Organizations

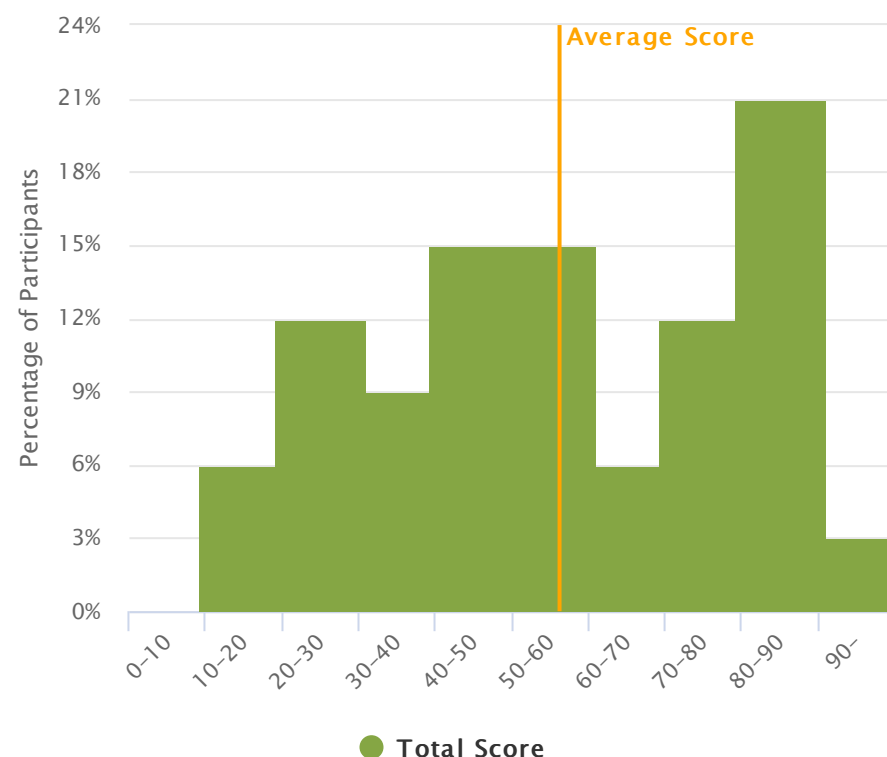
Average Overall Score

56.3%

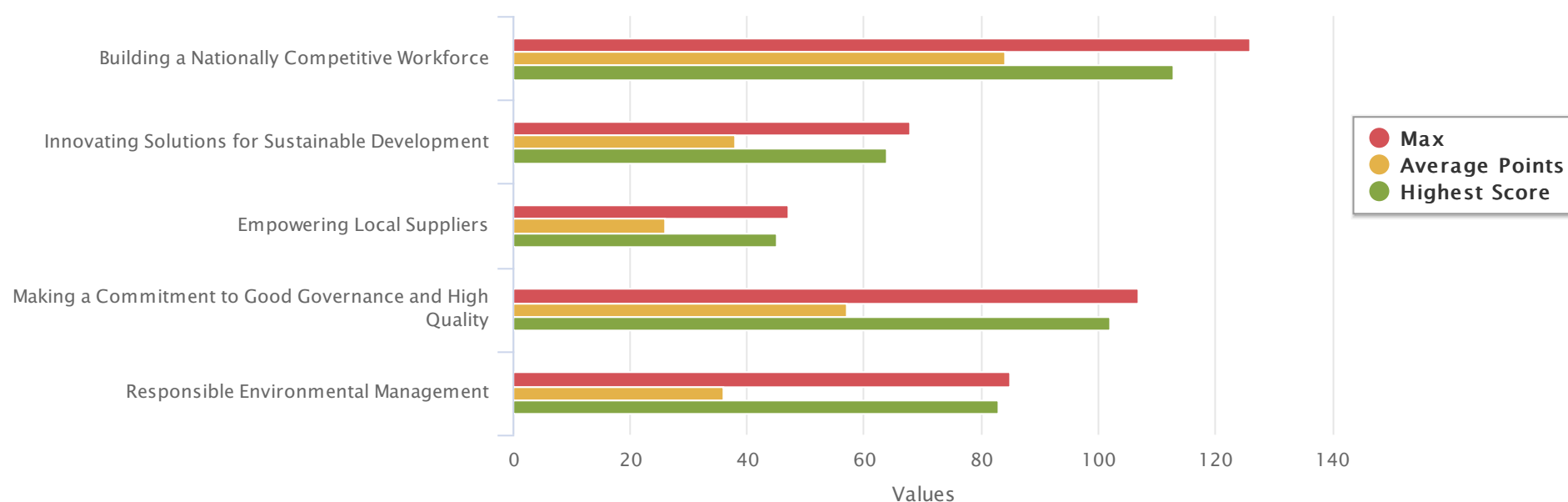
The Responsible Competitiveness Award recognizes the work of companies that are excelling in building a nationally competitive workforce, innovative solutions for social development, empowering local suppliers, good governance & quality management, and responsible environmental management.

The applicant pool for 2017 was highly diverse and included both international companies with operations in Saudi and Saudi-based companies. There was a balanced distribution between business-to-business and consumer facing companies, and good representation from small, medium-sized and large companies. More than 30 different industries were represented, and categorized into 4 sector groups.

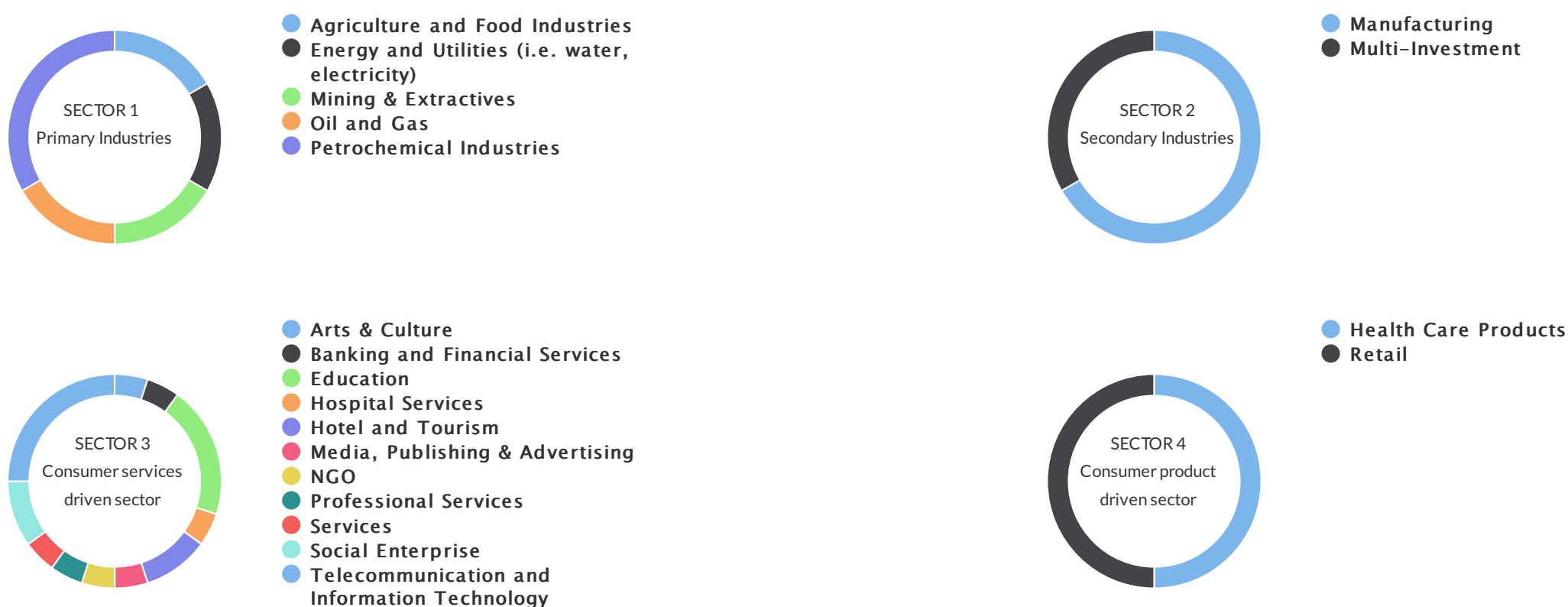
Score Distribution



Performance By Core Area - All Participants



Participants By Industry





Top Recommendations To Improve RC Performance

1 Core Area: Innovating Solutions For Sustainable Development

Subsection: Innovation

Company X can benefit from tracking and measuring the financial and non-financial impacts of its innovation initiatives. For example, financial impact can be tracked through new or improved sales, while non-financial impacts could be measured in the form of increased productivity, reduced use of resources, etc. Measuring and tracking the impact of Company X efforts can help the organization identify new business risks and opportunities, and even market its products and services better to serve all stakeholders.

Business Case:

Measuring the financial and non-financial impact of investments in Innovation and R&D is important for organizations and their stakeholders to track contributions to organizational performance against set objectives. Some of the world's leading organizations have realised that investments in Innovation and R&D have the potential to impact their finances, activities, their products or services, their stakeholders, society, the environment and the economy.

Resources:

McKinsey, Brightening the black box of R&D

<https://www.mckinsey.com/business-functions/operations/our-insights/brightening-the-black-box-of-r-and-d>

PwC, Measuring and Managing Total Impact

<https://www.pwc.com/gx/en/sustainability/publications/total-impact-measurement-management/assets/pwc-timm-report.pdf>

2 Core Area: Making A Commitment To Good Governance And High Quality

Subsection: Commitment To Good Governance

Company X could benefit from a formal process to identify, prioritise and manage its key stakeholders. This process would be beneficial feeding into a materiality process to identify its most significant issues.

Business Case:

While stakeholder engagement is not new, it is now accepted as integral to an organization's sustainability and success (AA1000SES, 2015). Stakeholder engagement is a critical aspect of global frameworks, such as the Global Reporting Initiative (GRI), the Dow Jones Sustainability Index (DJSI) and the AccountAbility AA1000SES. An effective stakeholder engagement system can improve risk and reputation management, help to determine materiality issues, increase understanding of changing external environments, and develop trust between organization and stakeholders.

Resources:

AccountAbility, AA1000 Stakeholder Engagement Standard (AA1000SES, 2015)

<http://www.accountability.org/standards/>

International Finance Corporation (IFC) Stakeholder Engagement

http://www.ifc.org/wps/wcm/connect/938f1a0048855805beacfe6a6515bb18/IFC_StakeholderEngagement.pdf?MOD=AJPERES

3 Core Area: Empowering Local Suppliers

Subsection: Responsible Supply Chain Management

Company X could benefit from dedicated practices on Responsible Supply Chain Management, such as sourcing from suppliers with sound sustainability practices or sourcing from local women-run enterprises.

Business Case:

Most large organizations have already adopted some aspects of sustainable procurement practices, because responsible purchasing can yield multiple benefits for an organization. Responsible supply chain management is concomitant with good business. The World Bank suggests that the key business drivers for sustainable procurement include financials benefits created through reduced total operating costs by procuring more efficient and sustainable goods. It can also reduce risk from economic, social, legal, and environmental threats. Responsible purchasing at Cisco SA can also highlight commitments to sustainability goals and values and enhance corporate image. Furthermore, it can also meet increasing stakeholders' expectations and resultingly increase corporate image and reputation., in addition to helping identify high risk areas across a supply chain, and develop actions to reduce this exposure.

Resources:

Chartered Institute of Procurement and Supply (CIPS), Sustainable Procurement

<https://www.cips.org/Documents/Resources/Knowledge%20Summary/Sustainable%20Procurement.pdf>

The World Bank, Sustainable Procurement

<http://pubdocs.worldbank.org/en/788731479395390605/Sustainable-Procurement-Guidance-FINAL.pdf>

Harvard Business Review, Find the Weak Link in your Supply Chain

<https://hbr.org/2015/06/find-the-weak-link-in-your-supply-chain>

BSR, The Business Case for Supply Chain Sustainability: A Brief for Business Leaders

https://www.bsr.org/reports/Beyond_Monitoring_Business_Case_Brief_Final.pdf



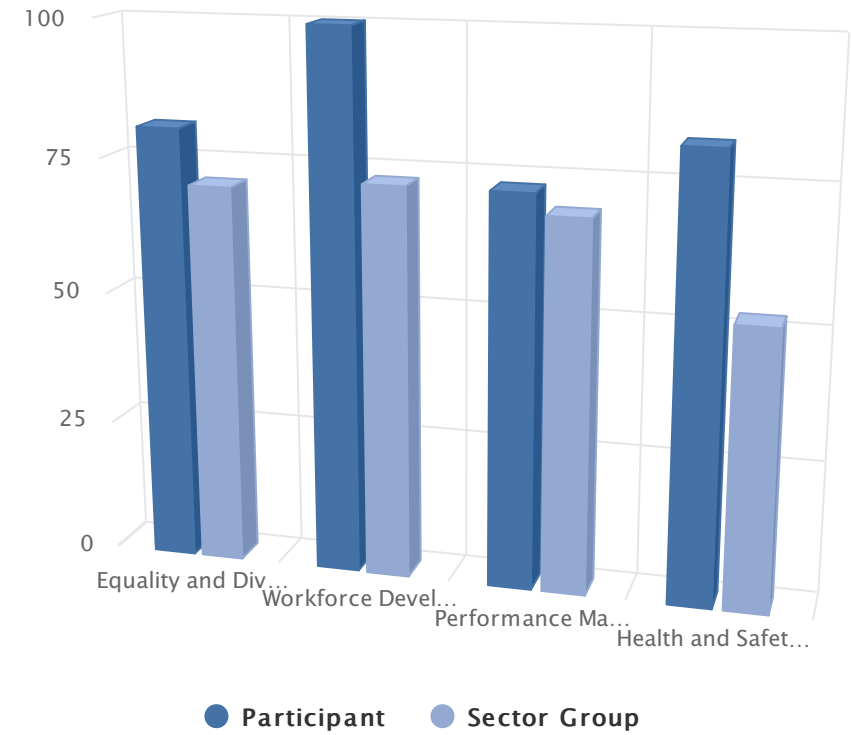
Core Area Performance: Workforce

Score (Points) 104
Score (% Of Max) 83 %
Percentile 72 %

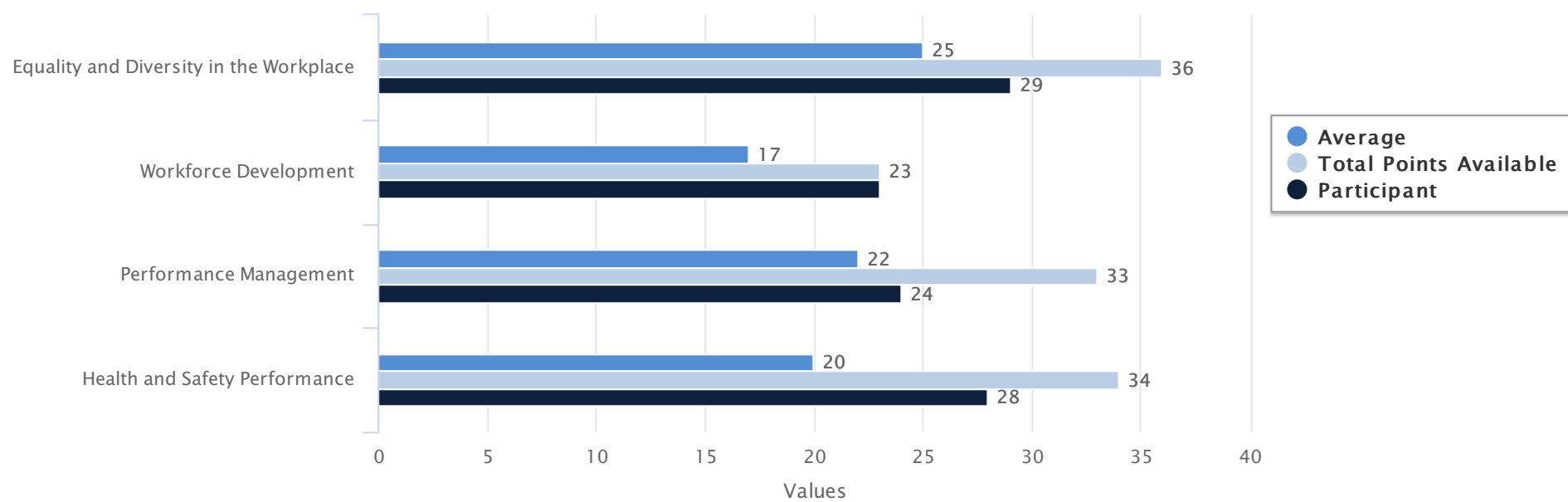
Performance Overview

Cisco (Saudi Arabia) Support Limited (Cisco SA) scored 83% of the maximum points for the Workforce core area, which placed it in the 72nd percentile. In all four subsections, Cisco SA's score exceeded the average of its sector peers.

Cisco SA's performance fell slightly in this core area when compared to its performance in the 2016 Award cycle, when it had scored 86% of the maximum points.



Performance By Subsection Compared To Average And Maximum Available Points



As the graph above demonstrates, Cisco SA achieved the total points available for the subsection on Workforce Development. Even in the other three subsections, the organization outscored the average, with 29 out of the total of 36 points available achieved for Equality and Diversity in the Workplace. However, in the Performance Management subsection, Cisco SA exceeded the average only by two points, with a difference of 9 points to the total of 33 points available indicating further room for improvement.

Core Area Performance Summary

	Participant	Average (all)	Average (sector)	Max
1. Workforce	104	84	83	126
Equality and Diversity in the Workplace	29	25	25	36
Workforce Development	23	17	17	23
Performance Management	24	22	23	33
Health and Safety Performance	28	20	18	34

Performance Highlights

Building on from the internal initiatives such as the Future Manager Development program and Global Technical Leader program to progress workforce development within Cisco as reported last year, Cisco SA provides training and development opportunities to each level of hierarchy in the organization. These range from Cisco TV broadcasts and Learning Circles for Senior Management to shadowing and mentorship for Non-salaried staff. The organisation has reported a comprehensive benefits package for employees, which includes job-protected maternity, paternity and death leave days, as well as flexible schedules and wellness programs.

Cisco SA has provided the Global 2016 CSR Report in response to the available policies related to Equality and Diversity in the Workplace, implying conformance accordingly.

Room For Improvement And Next Steps

While already a strong performer in this Core Area, Cisco SA's performance has further potential to improve in the Performance Management subsection. Cisco can take steps to address increase in staff turnover levels by stepping up its efforts in employee engagement. Identifying the cause for the increase in turnover and introducing employee engagement initiatives can help Cisco SA address this issue. Cisco SA can also identify KPIs relevant to each hierarchy level. For instance, for managers, KPIs might be related to business development and team management, whereas for non-managerial staff KPIs can be related to number of customers serviced, number of complaints received, etc.



Core Area Performance: Innovation For Development

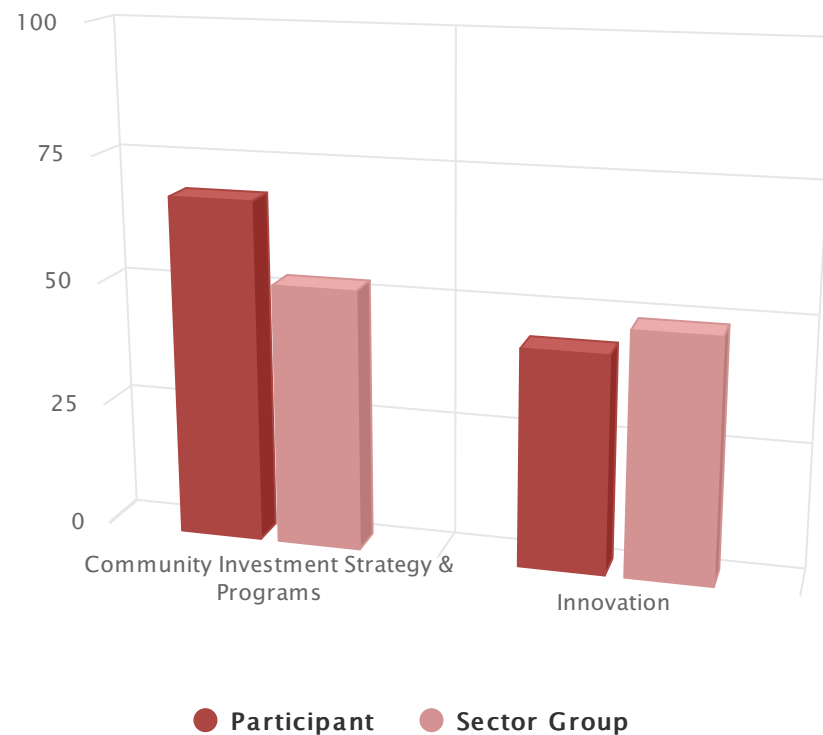
Score (Points) 39
Score (% Of Max) 57%

Percentile 47%

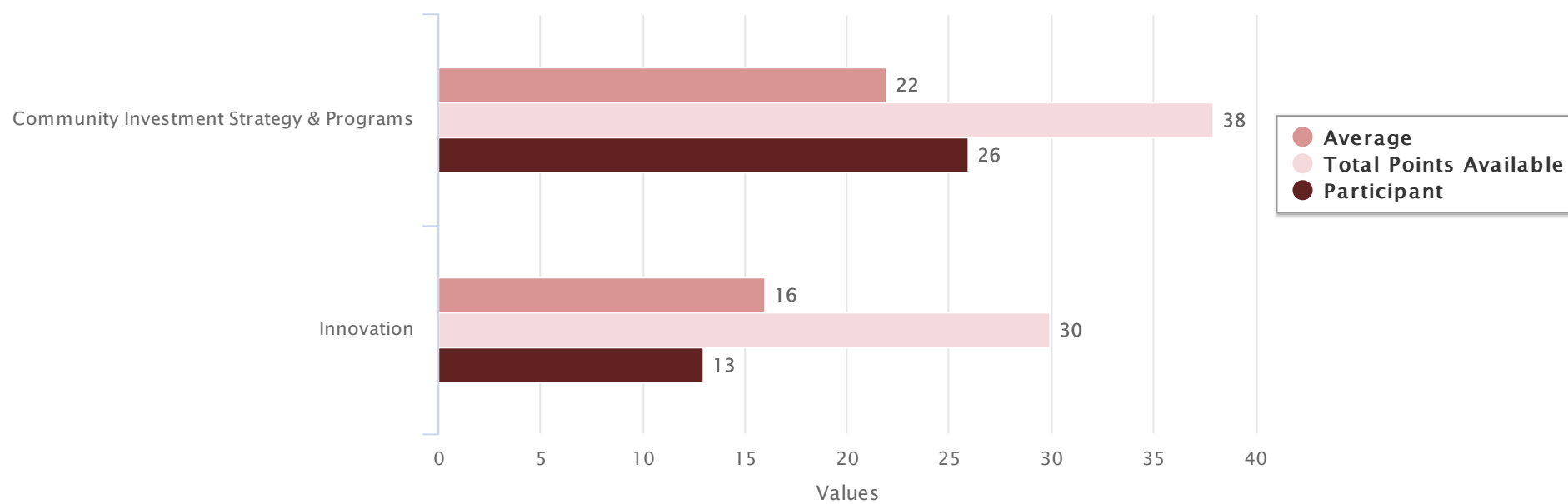
Performance Overview

Cisco SA scored 39 points in the Innovation for Development core area, achieving 57% of maximum points. Cisco SA's performance exceeded the average of sector peers in the Community Investment Strategy & Programs subsection, while falling below average in the subsection on Innovation.

Compared to Cisco SA's performance in the 2016 cycle, where Innovation for Development was its strongest performance area (scoring 98% of the available points), the results this year showed a marked decline. It was felt that many of the initiatives communicated last year could have been maintained for this years' response also, to help improve the score.



Performance By Subsection Compared To Average And Maximum Available Points



The graph above illustrates performance against the overall average of participants and total points available. Cisco SA scored well in the Community Investment Strategy & Programs subsection, achieving a score (26) higher than the overall average of 22. In the Innovation subsection however, the organization's score (13) was below the average score of 16 and far from the total points (30) available, displaying significant room for improvement.

Core Area Performance Summary

	Participant	Average (all)	Average (sector)	Max
2. Innovating for Development	39	38	34	68
Community Investment Strategy & Programs	26	22	20	38
Innovation	13	16	14	30

Performance Highlights

Cisco SA has a functioning community investment strategy to support sustainable development in the local community under the Global Cisco initiatives, such as the Cisco Networking Academy® program which reached more than 1 million students in 170 countries, equipping them with the IT skills necessary to thrive in the digital economy. Cisco SA has disclosed that over 90 academies in Saudi Arabia have been included under the Cisco Networking Academy® program, with over 75,000 graduates in total.

Room For Improvement And Next Steps

While Cisco SA has well established community investment programs through Networking Academy, it can benefit further from the use of a structured community investment strategy. Organizations similar to Cisco tend to have a formal strategy and/or a committee that deliberates on the best of the organization's resources, in areas that are strategically important and which will deliver maximum impact. Cisco SA introduced the innovative Spark Board technology. As a next step, Cisco SA can track the financial and non-financial impacts of this innovation. Some potential non-financial impacts could be increased productivity, reduced use of resources, etc. Cisco SA has disclosed that 63,000,000 Riyals were spent on Research & Development (R&D) in the last 12 months, representing 1.4% of turnover. A potential area of improvement could be for the organization to initiate measuring the financial and nonfinancial impacts of R&D spending and activities, as this is not done currently.

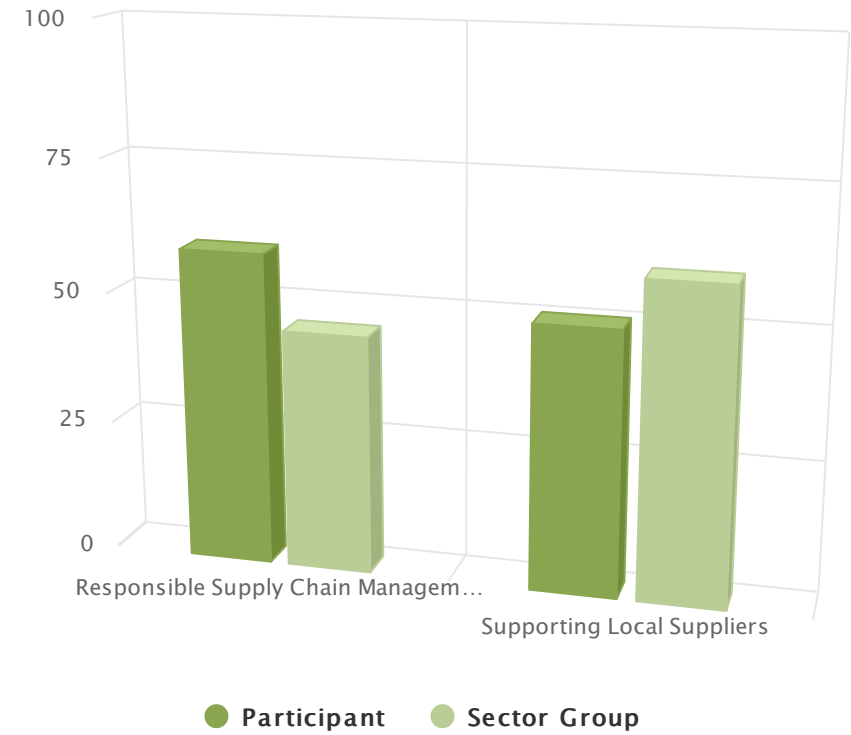


Core Area Performance: Local Suppliers

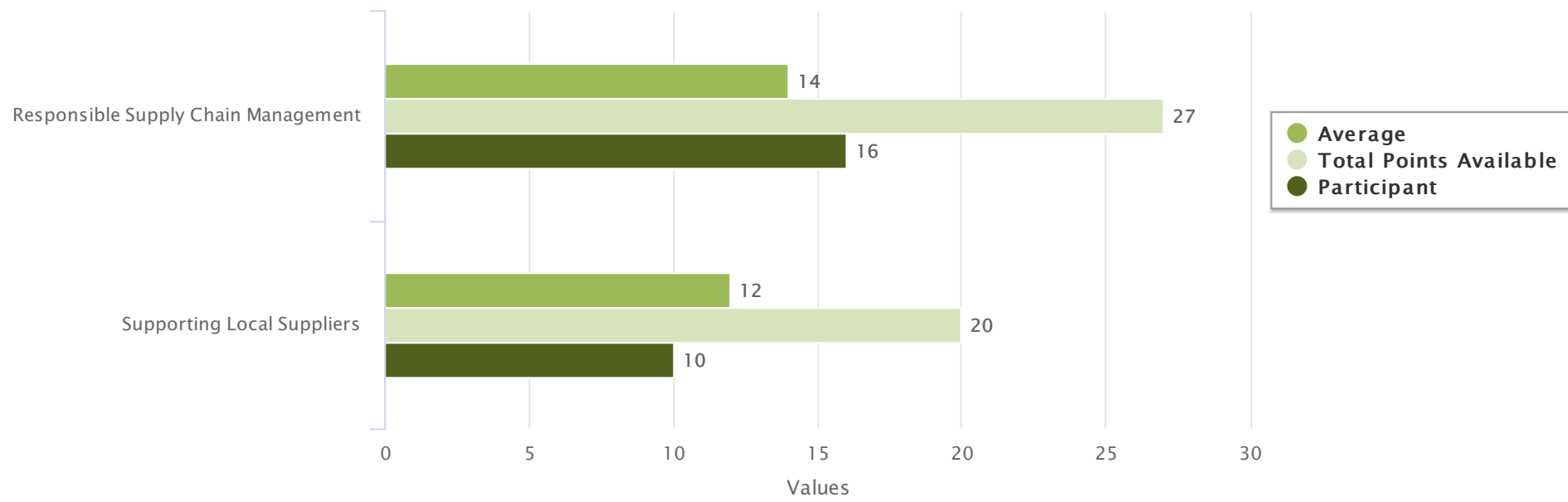
Score (Points) 26
Score (% Of Max) 55 %
Percentile 50 %

Performance Overview

Cisco SA scored 26 points in the Local Suppliers Core Area, achieving 55% of the maximum points. The organization demonstrated a mixed performance, scoring above the average in the Responsible Supply Chain subsection, while performing below the sector average in the other subsection.
 In comparison to the performance last year, where the organisation scored 54% of the maximum points, Cisco SA demonstrated a consistent performance.



Performance By Subsection Compared To Average And Maximum Available Points



The graph above demonstrates Cisco SA's mixed performance in this Core Area. Cisco SA scored above the overall average (14) in the Responsible Supply Chain subsection by two points. However, the organization's performance in the Supporting Local Suppliers subsection (10) was below the average and remains a gap to the total points available (20), demonstrating ample space for improvement.

Core Area Performance Summary

	Participant	Average (all)	Average (sector)	Max
3. Local Suppliers	26	26	24	47
Responsible Supply Chain Management	16	14	12	27
Supporting Local Suppliers	10	12	12	20

Performance Highlights

As Cisco SA does not have any manufacturing, in terms of suppliers, it only deals with office suppliers. While the organisation has disclosed that there is no policy for responsible purchasing from suppliers and no dedicated practices for these, Cisco does perform supplier audits on a global level. Capacity training for local suppliers has continued from last year with Cisco using its products and services such as Cisco WebEx to advantage.

Room For Improvement And Next Steps

As Cisco SA does not have any manufacturing, in terms of suppliers, it only deals with office suppliers, who have made up 100% of the organisation's procurement spending. Cisco SA could consider Saudization requirements for its suppliers. Cisco SA could also increase efforts to source from suppliers with good sustainability practices - for instance, suppliers who offer recycled office products or suppliers who source from local entrepreneurs or women-run organizations. In this manner, Cisco SA can contribute to the local economy in Saudi Arabia while advancing responsible business practices.



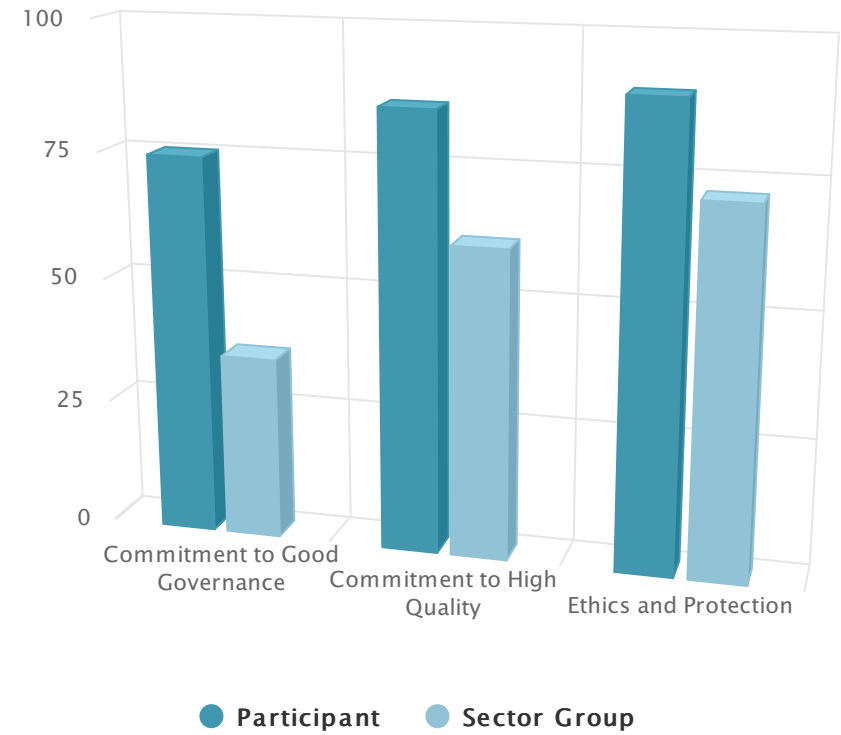
Core Area Performance: Governance

Score (Points) 86
Score (% Of Max) 80 %
Percentile 78 %

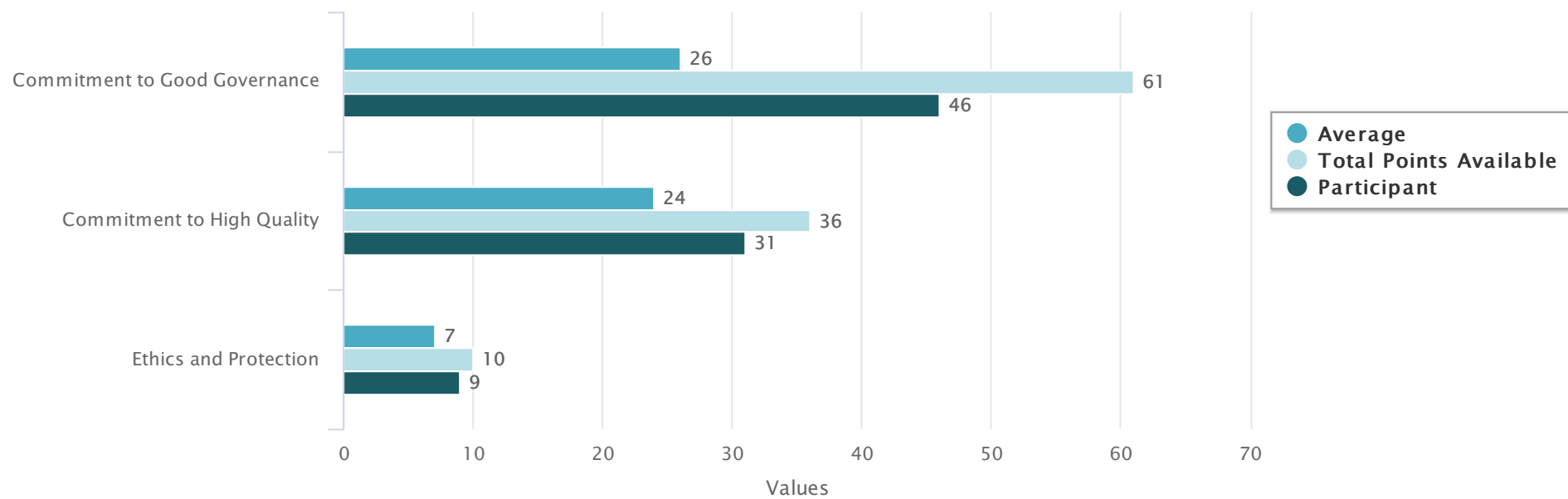
Performance Overview

Cisco SA scored very well in the Governance Core Area, with 86 points accounting for 80% of the maximum. The organization outperformed the sector average in all three subsections, with a percentile of 78% reflective of the good performance.

However, in comparison to Cisco SA's performance in the 2016 Award cycle where it had scored 94% of the maximum points, Cisco SA's performance has declined in this RC Award cycle. The questions were updated in this section and made more challenging to the company applicants to RC.



Performance By Subsection Compared To Average And Maximum Available Points



As the graph above demonstrates, Cisco SA achieved close to the total points available for the subsection on Ethics and Protection. While Cisco SA also scored above average in the other two subsections, in the Commitment to Good Governance subsection, the organisation score of 46 was a fair distance away from the 61 total points available. Therefore, the difference in points available displays an area where improvement is possible.

Core Area Performance Summary

	Participant	Average (all)	Average (sector)	Max
4. Governance	86	57	51	107
Commitment to Good Governance	46	26	22	61
Ethics and Protection	9	7	7	10
Commitment to High Quality	31	24	22	36

Performance Highlights

Cisco SA has reported that it operates under a single, global Cisco Business Management System (BMS). Cisco maintains a core set of policies, processes and supporting infrastructure applicable to all parts of its business worldwide. This approach promotes better process consistency and sustainability across worldwide business operations.

Cisco Policy & Process Central is Cisco's equivalent of the traditional Quality Manual. It offers easy access to Cisco Policies, Core Business Processes & Quality Processes under one common platform. As a component of the BMS, Cisco's Quality Management System (QMS) is a set of processes and procedures that encourage a consistent quality approach. The organization has reported that the QMS framework is required by Cisco's ISO 9001 and TL 9000 quality standard certifications, which are important to Cisco's customers and are often contractually required.

Room For Improvement And Next Steps

Cisco SA has reported that Corporate social responsibility is integrated into Cisco's business strategy and functions. It is foundational to the culture and a core value by which Cisco does business. Cisco also has a sustainability materiality assessment, which informs the corporate social responsibility (CSR) assessment and is based on input from stakeholders, results of life-cycle assessments (LCAs), and assessments by independent consultancies. However, Cisco SA has disclosed that it does not have a formal process to identify key stakeholders. Cisco SA could introduce formal stakeholder mapping and engagement locally, to ensure that relevant material issues are raised and form a part of its materiality assessment and CSR assessment, so they can be appropriately managed.



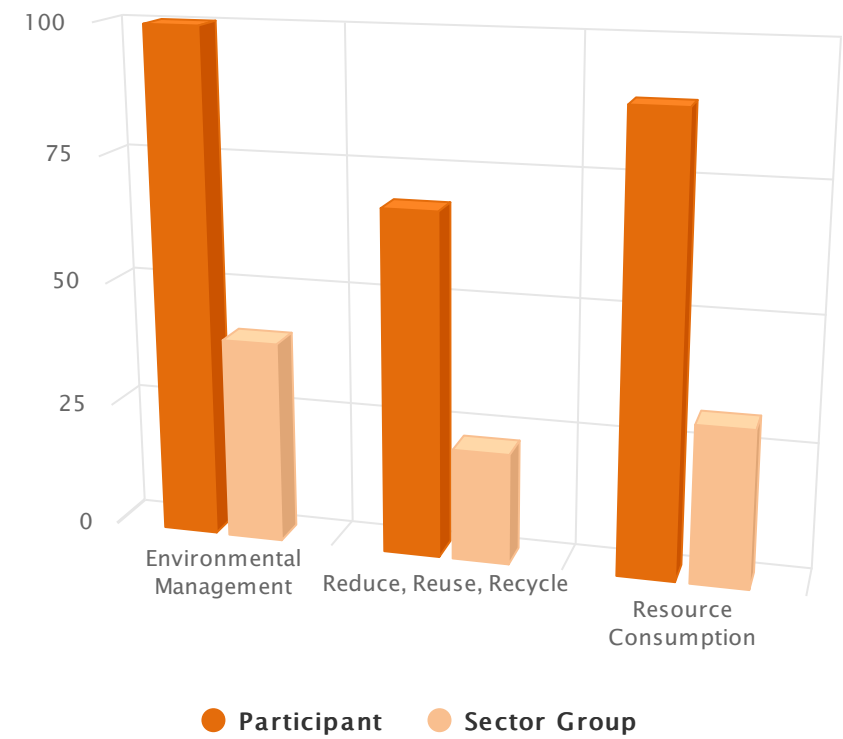
Core Area Performance: Environmental Management

Score (Points) 74
Score (% Of Max) 87 %
Percentile 84 %

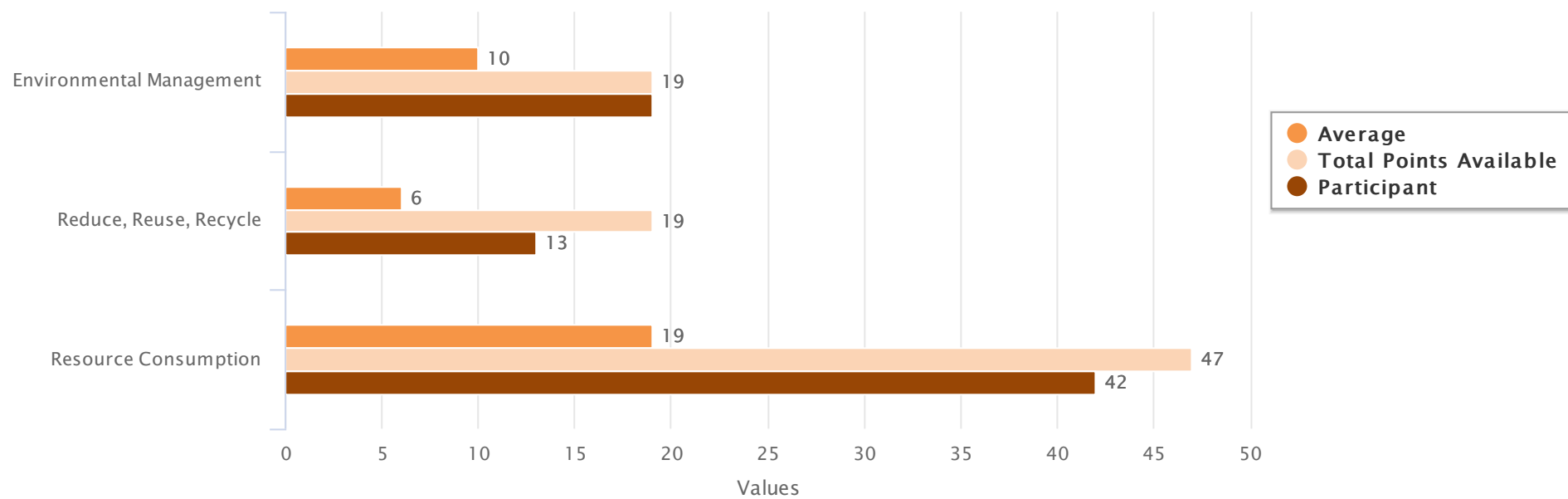
Performance Overview

Cisco SA performed very well in the Environmental Management Core Area. Achieving 74 points accounting for 87% of the maximum, the organization's scores exceeded the sector average in all the subsections.

Cisco SA exceeded its performance compared to 2016 RC Award cycle, where it had scored 83% of the maximum points.



Performance By Subsection Compared To Average And Maximum Available Points



Cisco SA's performance exceeded the overall average of RC participants in all three Subsections. Cisco SA's efforts in Environmental Management are particularly laudable, achieving 100% of total points available. In the other two subsections, Resource Consumption (where the organisation scored 42 out of 47) and Reduce, Reuse, Recycle (where 13 out of 19 points were scored), Cisco SA achieved more than double the average, displaying good performance.

Core Area Performance Summary

	Participant	Average (all)	Average (sector)	Max
5. Environmental Management	74	36	26	85
Environmental Management	19	10	8	19
Resource Consumption	42	19	15	47
Reduce, Reuse, Recycle	13	6	4	19

Performance Highlights

Cisco has shared that its vision is to build sustainability into its business functions and processes. In FY16, Cisco has reported that it has completed more than 100 energy-efficiency and renewable energy projects and are on target to reduce greenhouse gas (GHG) emissions from worldwide operations by 40 percent absolute by the end of FY17 compared to our FY07 baseline. Cisco SA has disclosed that it is certified by an environmental management standard in line with global practice.

Room For Improvement And Next Steps

While the amount of waste recycled by Cisco SA has increased in 2016 compared to 2015, the % of waste recycled in terms of the total waste generated reveals that Cisco SA's recycling has decreased in comparison to 2015 levels. Cisco SA can step up its recycling efforts, by increasing awareness and by partnering with local recycling organizations. Additionally, Cisco SA can track the financial impact of waste recycling efforts locally, which can help measure cost savings from such initiatives and help build the business case for pursuing other environmentally sound practices.

Responsible Competitiveness Branch 2017



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Responsible Competitiveness is the ability of an organization to build competitive advantage through a commitment to sustainability and corporate social responsibility (CSR). This scorecard evaluates applicant performance based solely on information provided to the King Khalid Foundation. The information presented contains both company specific data and aggregated average data.

This year's RC Award accounts for the industry-specific nature of many sustainability issues. Different industries were placed into four Sector Group categories: Primary Industries, Secondary Industries, Consumer Services driven sector, and Consumer Product Driven Sector. For each sector group, weightings for the five questionnaire sections were determined based on the sustainability relevance of each section to each sector. For a detailed description of industry grouping and sector weighting see the RC Applicant Handbook available on the RC portal site.

The scorecard is confidential; along with the data submitted it will be used exclusively for the purposes of the RC Assessment by the King Khalid Foundation and AccountAbility. It will not be passed on to third parties. Scores and data will be aggregated to overall and industry-sector specific averages and this data will be available for participating companies. General aggregated data about this year's questionnaire and assessment may be used in communications concerning the RC. Applicants have the ability to self-disclose their performance data in any of their own communications should they wish to do so.

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