CSR: A licence to operate

Philanthropy and Corporate Social Responsibility
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Ethos – www.ethosfund.ch

- Ethos – Swiss Foundation for Sustainable Development
  
  - 213 institutions, CHF 170 bn AUM, 950’000 members (active and retired)
  - promote Socially Responsible Investment (SRI)
  - promote a stable and prosperous socio-economic environment

- Ethos Services SA (owned by Ethos Foundation and 17 of its members)
  
  - Ethos Investment Funds and Mandates (approx. CHF 2 bn)
  - Proxy voting reports of listed companies (>200 clients, CHF 40 bn CH Equities)
  - Engagement programme with Swiss listed companies on Corporate Governance and CSR (120 members, CHF 17 bn CH Equities = 1.3% of Market cap)
  - ESG research, portfolio screenings etc.

- Ethos Académie (Association for private persons, approx. 200 members)
  
  - Information, SRI-awareness programmes and proxy voting support
Socially Responsible Investment (SRI)

SRI means:

- Investing in listed companies based on non-financial (Environmental, Social and Governance - ESG) and financial assessment of companies
  ➔ Non-financial assessment of companies requires a detailed evaluation of Corporate Social Responsibility (CSR)

- Exercising actively shareholder rights (by voting at general meetings and engaging in constructive long term dialogue with board and management)
Corporate Social Responsibility (CSR)

- CSR: Integration by companies of ESG factors
  - In their business strategy and activities
  - In their interaction/engagement with their stakeholders

- For SRI investors like Ethos, CSR is not a «nice to have» but «a licence to operate» because it is a tenet for sustainable value creation by investee companies
Investing in companies with strong ESG practices

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Strong ESG practices

- “Good” boards/leadership
- Sound business ethics
- Sustainability strategy based on materiality
- Human and labour rights respect
- Well structured and LT oriented remuneration systems
- Low environmental impact (or impact mitigation)
- Strong community involvement
- Sustainable supply chains

Enhance long term value creation by companies
Corporate philanthropy

- Is an integral part of CSR not a substitute to it
  - Is placed under the caption « civil society and communities »

- Involves use of corporate funds and can impact corporate reputation
  - It must therefore be conducted in accordance with best practice rules
Philanthropy best practice (1)

- Philanthropy governance
  - Establishment of a clearly defined philanthropy policy
    - Placed under the responsibility of the board/executive management (tone at the top)
    - In line with the values and the business of the company (not exclusively)
    - Mentioned in the company’s Code of Conduct
  - Risk mitigation by way of an adequate due diligence on the organisations/projects funded
  - Commitment on funding to allow the realisation, maintenance/continuity of projects
Philanthropy best practice (2)

- **Transparency** (annual/sustainability report or/and website) of
  - Funding policy
  - Main themes/projects funded
  - Aggregate annual corporate contributions

- **Reporting on progress**
  - SRI investors expect regular (annual) reporting on progress of the various projects funded (annual/sustainability report and/or corporate website)

- **Return on commitment** (impact)
  - SRI investors expect a measurable "return on commitment" meaning that tangible results must be achieved to showcase the effectiveness of corporate donations
Information on corporate donations

100 largest companies

- Political and Philantropic Donations: 48%
- Political Donations only: 32%
- Philantropic Donations only: 13%
- No information: 7%
Ethos Study 2014

Publication of amounts

Political donations (44 companies)
- Amounts published: 20 companies
- Negative statement: 16 companies
- Amounts not published: 8 companies

Philanthropic donations (38 companies)
- Amounts published: 25 companies
- Amounts not published: 13 companies
Conclusion: CSR is not «utopia»

- CSR is both a duty and an opportunity: Taking into account the interests of all stakeholders when doing business and investing allows the growth of sustainable companies that have a good financial but also non-financial long term performance:
  - Offer good jobs that pay living wages
  - Stimulate product innovation and satisfy unmet needs
  - Mitigate their impact on the natural environment
  - Are good corporate citizens/commit to charitable giving/enhance their community involvement
  - Have a good reputation
  - Have low regulatory, conflict and litigation risks