

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

1. Corporate Governance

- Board of directors
- Capital structure and shareholder rights
- Board and executive remuneration
- Business ethics
- External audit

2. Sustainability strategy and reporting

- Sustainability strategy
- Products
- Environmental and social reporting

3. Stakeholders

- Employees
- Clients
- **Civil society and communities (philanthropy, etc.)**
- Suppliers
- Natural environment



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)

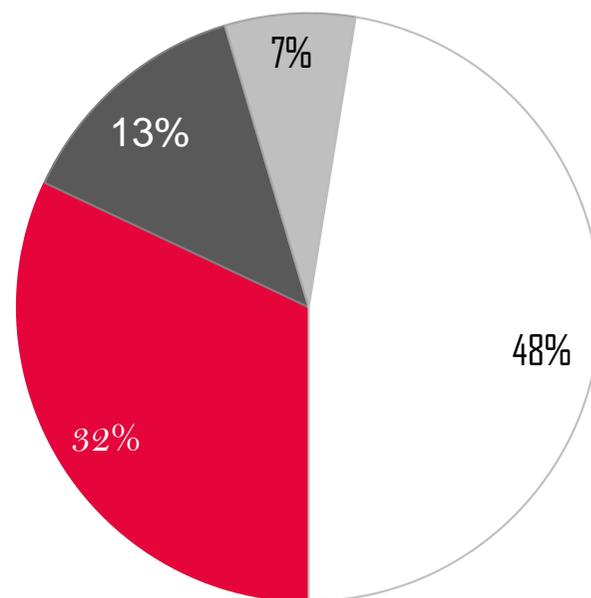
- **Philanthropy governance**
 - Establishment of a clearly defined philanthropy policy
 - Placed under the responsibility of the board/executive management (tone at the top)
 - In line with the values and the business of the company (not exclusively)
 - Mentioned in the company's Code of Conduct
 - 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

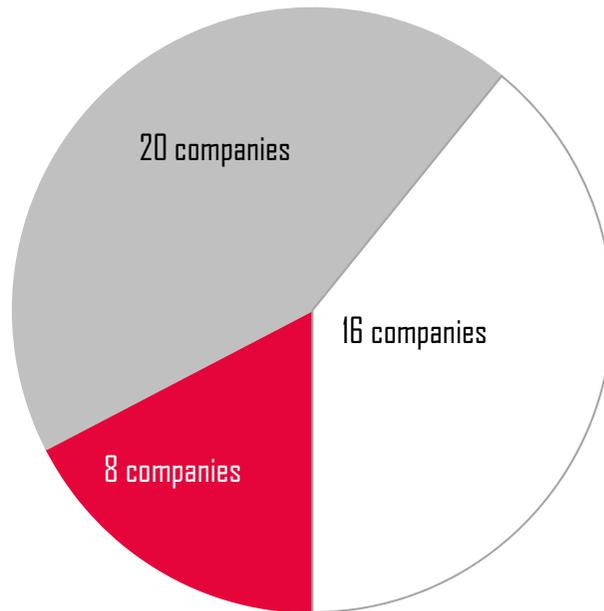
100 largest companies



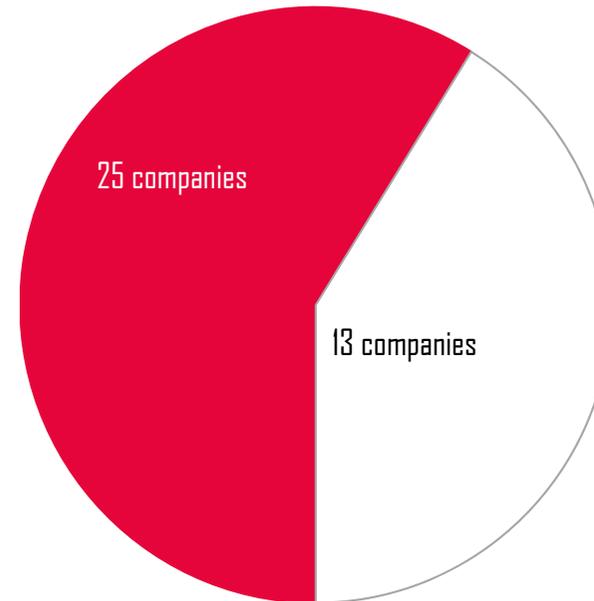
- Political and Philanthropic Donations
- Political Donations only
- Philanthropic Donations only
- No information

Publication of amounts

Political donations (44 companies)



Philanthropic donations (38 companies)



- Amounts published
- Negative statement
- Amounts not published

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