UNCTAD-ISAR Workshop on the Future Direction of the Corporate Reporting Model

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Workshop material:

The role of business and corporate reporting in addressing major challenges of global development agenda

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“Sustainability Matters”: The point of view of a Socially Responsible Investor

ISAR 31 Workshop
Geneva, 13.10.2014

Vincent Kaufmann, Deputy CEO
Ethos Foundation
Ethos

- Ethos – Swiss Foundation for Sustainable Development
  - 146 members with AUM of CHF 180 billion
  - Objectives: Promote SRI and a stable and prosperous socio-economic environment

- Ethos Services SA (owned by Ethos and several of its members)
  - SRI-funds (CHF 2 billion)
  - Proxy Advisory Services (>100 clients)
  - Engagement Programme (100 members)
  - SRI advisory services

- Ethos Académie (association of private persons, approx. 200 members)
  - Information, voting execution assistance
Ethos’ approach to SRI

As a long term socially responsible investor, Ethos aims to:

- Invest with a long term approach and generate additional value compared to « traditional » investors
- Preserve the capital managed on behalf of beneficial owners
- Reduce the reputational risk of the investments
- Mitigate the impact of the investments on future generations
Where to Invest

To achieve their goals, SR Investors seek to invest in companies that:

- Implement **best practice** in the fields of corporate governance and corporate social responsibility

- Produce goods/services with a **positive environmental and/or social impact**

- Have a **good reputation**

- Mitigate their impact on climate change

- Are **not** active in unsustainable or unethical activities
Sustainability Information and SRI

- To be included in the investable universe, issuers must provide extra-financial information that is:
  - Material
  - Reliable
  - Comparable
  - Produced in a timely manner and recurrent
  - Audited
Limit of self regulation

Companies following GRI in Switzerland*:

- 29% GRI Reporting
- 71% No GRI reporting

* 157 Swiss listed companies in Ethos’ Universe
Current issues

Companies disclosing GHG information (scope 1 and 2) in Switzerland*:

* 157 Swiss listed companies in Ethos' Universe
Current issues

Companies disclosing GHG reduction targets in Switzerland*:

* 157 Swiss listed companies in Ethos*’ Universe

- 80% yes
- 20% no
Current issues

- The SIX Swiss Exchange does not plan to introduce minimum requirements regarding sustainability disclosure considering that listed companies are overburdened by regulation.

- Mid and small companies complain about extra costs that not all investors accept to bear (one size does not fit all).

- Companies complain about the lack of standardization of the requests/questionnaires they receive regarding CSR.

- The large majority of investors do not apply SRI criteria.
Expectations with regard to Sustainability Reporting

- Standard makers must **collaborate** to define a **common** framework
- **Standards** should be adapted to company **size** and focus on **materiality**
- Pension funds should be **more active** in the **SRI** field
- Socially responsible investments should be **labelised**
- Financial analysts should **integrate sustainability** issues into their valuation model
Role of Stock Exchanges

- Stock Exchanges have an important role to play:
  - Require sustainability disclosure
  - Adopt a common standard of sustainability disclosure
  - Respond to investors’ needs regarding financial and extra-financial reporting
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