



DE PURY PICTET TURRETTINI & CIE SA



Summary report of a joint dialogue event on

Corporate Sustainability and UN Global Compact: Benefits for Investors, Investees and other Strategic Stakeholders

6 March 2013, Taipei



Background

Business Council for Sustainable Development (BCSD) Taiwan (www.bcsd.org.tw) and Fondation Guilé (www.guile.org), together with the Guilé Funds managers de Pury Pictet Turrettini (www.ppt.ch) and Comgest (www.comgest.com), organized a dialogue for the portfolio companies of the Guilé Emerging Markets Engagement Fund and other companies headquartered in Taiwan that are committed to integrate the sustainability principle in business and support processes. The purpose of this dialogue was to discuss the benefits as well as the experiences and expectations concerning corporate sustainability in general and the 10 principles of the UN Global Compact in particular. In order to get a broad picture, the perspectives of different stakeholders, such as those of responsible, long-term oriented investors, business partners and the civil society but also of internal actors, such as employees and executive board, were identified and shared with the participants.

The investors of the Guilé Emerging Markets Engagement Fund strongly believe that companies which effectively manage environmental and social risks and opportunities add value for relevant stakeholders such as clients, suppliers, shareholders, employees and society alike. Hence the Fondation Guilé is permanently mandated by the fund to undertake a constructive engagement with the portfolio companies. Its Engagement Team provides companies with a report displaying the main results of a systematic analysis of companies' perceived comprehensiveness in implementing core corporate responsibility principles (such as the 10 principles of the UN Global Compact) and the quality of the related reporting. In addition, the Guilé Engagement Team also offers the fund companies the possibility to discuss the assessment results by means of personal briefing workshops.

Welcome Address

Dr. Niven Huang, General Secretary of BCSD, opened the event by saying that it is a very important milestone for BCSD because this is the first time that they directly talk with the investors. He followed this by promising the 78 participants, with a majority representing Taiwanese corporate sector, that this event will provide a platform to discuss the business case of sustainability.

"How can you get further in applying the concept of corporate sustainability and generate additional value; value for shareholders but also for other stakeholders?"



He then handed the stage over to Dr. Thomas Streiff, Head of the Guilé Engagement Team of Fondation Guilé, who shortly explained the ambition and background of Fondation Guilé and emphasized the importance, as investors, of engaging with companies.

Part 1: The External View

In the first speech about the business case of corporate sustainability for investors, Mr Streiff gave a more theoretical background of why sustainability issues are relevant for investors. He explained the value of non-financial information and showed that the importance of intangible values has grown significantly during the last 30 years. Mr Streiff went on to explain the connection between corporate sustainability and shareholder value along the model of the Dow Jones Sustainability Index. On a more practical side, Mr Streiff referred to a current article from a newspaper about the Deep Water Horizon disaster and consequences for BP, looking at the costs that occurred for the company due to negligence of environmental management. He concluded that these costs have an impact not only on the reputation of the company, but also on the shareholder price. Following this, Mr Streiff showed that for investors, higher financial performance or managing long-term risks are not the main reasons for ESG investment. Instead, it is *“contributing to bringing about a more sustainable development model”* that is the main driver. He referred to other research results that show that companies with high ratings for CSR/ESG factors have lower cost of capitals in terms of debt and equity; that companies with high ratings for ESG factors exhibit market-based outperformance and accounting-based outperformance; and that governance is the single most important macro factor. One rather ambivalent result of research is that 88% of the studies concluded that SRI fund returns show neutral or mixed results mainly due to the composition of the analyzed funds. Thus, there is neither a negative impact nor a clear positive impact. Closing his presentation, Mr Streiff presented different approaches of sustainability/ESG investment, from negative screening (exclusion) to positive screening (e.g. best in class) and engagement (e.g. dialogue and voting rights).



Taking the stage next was David Raper, Fund Manager at Comgest, who gave an insight into the unique investment approach of his company. He emphasized that *“we believe that unique companies with regular earnings growth and resistant business models will outperform the market in the long term”*. He explained the investment process and valuation methods of Comgest in detail. He further explained the investment philosophy and described the ESG research process and the responsible voting policy at the company.

To conclude his presentation, he

presented various reporting examples, showing different aspects of commitment, transparency, and disclosure.

“We believe that environmental, social, and governance (ESG) factors can have a material impact on the long-term performance of investment portfolios.”

“Sustainability is the guiding principle of Siemens.”

Following him, Erdal Elver, CEO, Siemens Ltd., Taiwan, went on to give a speech regarding the business case of corporate sustainability from the client's perspective. He started his presentation with giving some background about the “yesterday, today and tomorrow” of

Siemens. He explained that sustainability at Siemens means to balance people, the environment and value creation and emphasized that Siemens has always been a pioneer with regards to sustainability. As to their strategic direction and positioning, he explained that their portfolio is constantly adjusting to the challenges from megatrends, which are demographic change, climate change, urbanization and globalization. He emphasized that *“we need to provide sustainable solutions”* to these challenges. Following this overview, Mr Elver briefly explained Siemens’ sustainability program, which is based on the pillars of environmental portfolio, energy efficiency program, and clean business promotion. He added that *“sustainability for us means providing product solutions that are not only for today’s world, but also for the future’s world.”* He emphasized that Siemens is implementing the highest standards of sustainability also in their supply chain. He explained what standards suppliers have to fulfil and how Siemens focuses on capacity building for suppliers. Lastly, Mr Elver highlighted again that sustainability is the key to success and cited founder Werner von Siemens: *“I won’t sell the future for short-term profit.”*



“Sustainable Supplier Chain Management is one of the key topics and focuses in TSMC governance.”

Next was a presentation by Larry Sun, Manager, Taiwan Semiconductor Manufacturing Company, whose main topic was the business case of corporate sustainability for suppliers. He

briefed the policy, strategy, management process & performance of sustainability management of TSMC supplier chain. He emphasized that “TSMC not only reduces the environmental impact, delivery risk, transportation cost and accident rate of supply chain but also fulfils

Corporate Social Responsibility after conducting aggressive sustainability management in supply chain”. Following this presentation, two parallel in-depth workshops were held on the business case of corporate sustainability for investors and for clients.

Part 2: The Internal View

In the afternoon, Tony Shih, Associate Professor at the Graduate Institute of International Human Resource

“It is amazing how far we have come in two hundred years, just three human lifetimes from the beginning of industrialism until now. But where are we headed?”

Development, National Taiwan Normal University, spoke about how to explore organizations’ ethical norms/values towards higher profits. He asked: *“What are the core values that need to be reconsidered while pursuing the growth of economy?”* and concluded that *“as a citizen of the global village, corporations have the duty to take their own social responsibility to help mitigate the environmental and societal problem while striving for financial performance.”* He then presented an empirical case study, in which the companies DA.AI (non-profit) and Timberland (profit) are compared. The purpose of this study is to monitor and measure how an organization’s ethical norms and values can be shown



through their products and how these are accepted by the Taiwanese young generation and improve the company's profitability. One conclusion of the study is that there are similar characteristics between the green marketing factors for profit and non-profit organizations. Another conclusion, specifically for non-profit organizations, is that since customers perceive green products as highly worthy, they are willing to pay more and are not interested in comparing prices. This could translate into a lucrative business opportunity.

Next speaker was Dave Doré, Manager, and Representative of the Association for Sustainable & Responsible Investment in Asia (ASrIA). He explained the vision of ASrIA: Transforming Asia through sustainable investment. He defined society at large as *"beneficiaries supported by four roles: investors, clients, suppliers and employees"*. Mr Doré further elaborated on the role of labour pension funds and the beneficiaries: *"As a beneficiary, invest in corporate managers who can think about and act on long-term challenges facing our world today: climate change, water mismanagement, poverty, disease, growing inequality of income and wealth and urbanisation."* He concluded his presentation by saying that *"to address the sustainability challenges, we should shift to a framework that seeks to maximise long-term economic value creation"*.



"Corporate sustainability is not a zero-sum game but is based on reciprocity and the ability to envision others wearing many hats."

Following this input, Mr Streiff presented methods and criteria for the evaluation of corporate responsibility. He explained that while a more "normative" approach is based on rating of depth of the ESG criteria consideration in corporate reporting, a more "systemic" approach considers corporate responsibility criteria along different dimensions. Those dimensions could be: a) vision, value and strategy; b) management systems, organisation and processes; c) products and services; d) resource and environment management; e) stakeholder management; and f) communication and reporting.



Andrea Gaeumann, member of the Fondation Guilé Engagement team, then presented various best corporate responsibility practices along the dimensions mentioned above. She concluded by showing a criteria grid to evaluate corporate responsibility activities and reporting. This criteria grid was used afterwards in one of the three parallel workshops to analyze and rate various sustainability reports. In two other workshops, the business cases of corporate sustainability for employees and for society at large were discussed in more detail.

Closing the event, Dr. Niven Huang thanked Fondation Guilé for setting up an agenda with issues of such relevance. He appreciated that the perspectives of various stakeholders had been discussed during this event. He concluded with an outlook to the future economy: *"If you change, I change... and this world is going to change for our economy."*



Annexure I: Program

8.45 Welcome Address

Dr. Niven Huang, General Secretary, BCSD

Dr. Thomas Streiff, Head of Guilé Engagement Team, Fondation Guilé

Part 1: The External View

9.00 Business Case of Corporate Sustainability for Investors

David Raper, Fund Manager, Comgest and Dr. Thomas Streiff, Head of Guilé Engagement Team, Fondation Guilé

9.30 Business Case of Corporate Sustainability for Clients

Erdal Elver, CEO, Representative of Siemens

10.00 Business Case of Corporate Sustainability for Suppliers

Larry Sun, Manager, Taiwan Semiconductor Manufacturing Company, Ltd.

11.00 Parallel in-depth workshops on the previous topics with the facilitators of the 3 prior sessions

12.15 Lunch

Part 2: The Internal View

14.00 Major conclusions of the dialogue part 1

14.15 Business Case of Corporate Sustainability for Employees

Tony Shih, Associate Professor at the Graduate Institute of International Human Resource Development, National Taiwan Normal University

14.45 Business Case of Corporate Sustainability for Society at Large

Dave Doré, Manager, Representative of the Association for Sustainable & Responsible Investment in Asia (ASrIA)

15.15 Best Corporate Responsibility Practices – Cases

Dr. Thomas Streiff, Head of Guilé Engagement Team, Fondation Guilé
and Andrea Gaeumann, member of the Guilé Engagement Team

16.15 Parallel in-depth workshops on the previous topics with the facilitators of the 3 prior sessions

17.30 Major conclusions of Dialogue Part 2

17.45 End of the event

Annexure II: Speakers

- **David Doré**, Manager, Representative of the Association for Sustainable & Responsible Investment in Asia (ASrIA).

Mr. Doré has ten years of experience in sustainability issues – from sustainable security to sustainable finance and responsible investment. In his capacity with Hong Kong-based Association for Sustainable & Responsible Investment in Asia (ASrIA), he leads their research and investor engagement services and policy outreach. Prior to ASrIA, Dave was an investment analyst with an independent research provider covering the Asia-Pacific region. A former Peace Corps volunteer in Southeast Asia, he holds an MBA (Financial Services) from the Hong Kong University of Science and Technology and an MS in Justice, Law and Society from American University in Washington, D.C, where he examined constitution-making as a conflict transformative process, focusing on post-war Iraq.

- **Erdal Elver**, President and Chief Executive Officer of Siemens Ltd., Taiwan.

Born in 1960 in Turkey, Mr. Elver received his master's degree in computer science from the Technical University of Munich in 1986. From 1987-1995 he was the Director for major software development projects for Siemens AG, Germany. Following this and until 2000, he worked as a Senior Consultant and Project Manager for Siemens Management Consulting, Germany. In 2000, Mr. Elver held various positions for Siemens AG Mobile Networks, Germany, including Vice President of Business Development, Member of the Mobile Radio Management Board, Vice President of Strategy & Business Excellence, and Member of the Sales Management Board. He held these until 2003, after which he was promoted to General Manager and Vice President of Sales China. In 2004 he was promoted again to General Manager Jiangsu & Anhui and Vice President of Siemens Ltd., China, during which time he was awarded the "Distinguished Guest of Yangzhou" by the Yangzhou Municipal government in recognition (2006) and the "Honorable Professorship" by Nanjing College of Information Technology (NJCIT) in China (2008). In 2008, Mr. Elver changed scenes and took up the position of President and Chief Executive Officer for Siemens Ltd., Vietnam. Since July 2012, Mr. Elver has been President and Chief Executive Officer for Siemens Ltd., Taiwan.

- **Andrea Gaeumann**, is in charge of communication and engagement coordination in the Guilé Engagement Team of the Foundation. She also analyzes and engages with the portfolio companies of the two Guilé Engagement Funds. Andrea Gaeumann has been a member of the Guilé Engagement Team since November 2011. During her studies Andrea worked for 4 years in a research team at the Zurich University of Applied Sciences in Business and Administration. She was involved in various applied research projects on strategic stakeholder management. She has Masters of Science in Sociology, Business Administration and Social Psychology from the University of Zurich.
- **Niven Huang**, Secretary General of BCSD-Taiwan.

Dr. Niven Huang is the Secretary General of the Business Council for Sustainable Development in Taiwan (BCSD-Taiwan) since May of 1997. He is the Chairman of the

2012/2013 Advisory Board of ASrIA (The Association of Sustainable and Responsible Investment in Asia) which is based in Hong Kong. Dr. Huang received the Ph.D. degree of Chemical Engineering from Chung Yuan Christian University. Before joining BCSD-Taiwan, he is specialized and worked in the field of fluidization combustion technology and waste management. Currently, he is the part time associate professor of several universities in Taiwan, including the most leading advanced MBA and EMBA at National Cheng Chi University. He sits in the judge panels of several public and private Awards of CSR, Excellence in Environment, and Sustainability in Taiwan and Asia. Dr. Huang now is the senior consultant of CSR and corporate sustainability to several big Taiwanese companies in IT, airline and retailer industries.

- **David Raper**, Comgest, graduated from the University of Canterbury (New Zealand) with a Bachelor's Degree in Economics and a second major in Marketing. He holds the CFA charter from CFA Institute. From 1999 to 2001 he worked in Hong Kong for ING Barings covering Asian equities and joined Comgest in 2002 where he works as a portfolio manager, focusing on the Asia Pacific markets.
- **Tony Shih**, Associate Professor at the Graduate Institute of International Human Resource Development, National Taiwan Normal University (www.ihrd.ntnu.edu.tw/en/intro/super_pages.php?ID=intro1).
Main disciplines:
Research Methods in Human Resource Development
Studies in Knowledge Management
Studies in Organizational Behavior
Project Management
Special Topics on Human Resources in Asia Pacific
- **Thomas Streiff**, Ph.D. is the Head of the Guilé Engagement Team, Fondation Guile, and partner of BHP – Brugger and Partners Ltd. He and his team are consulting and coaching private companies and public institutions at a national and international level in strategic, organizational and process-oriented matter. A major expertise comprises the design and implementation of sustainable business strategies and practices. Thomas Streiff is also CEO of The Sustainability Forum Zurich (www.sustainability-zurich.org), an international, multi-stakeholder oriented think-tank for the financial sector. He further manages the research and engagement team for two equity funds which have been initiated by Fondation Guilé, a Swiss Foundation dedicated to promote corporate responsibility. Thomas was sustainability and risk manager at Swiss Re and advisor for development and cooperation projects in East Africa and India. He has a vast expertise in natural resource management, climate change mitigation and adaptation, water management and finance.
- **Larry Sun**, Manager, Taiwan Semiconductor Manufacturing Company, Ltd.
Main disciplines:
Labor Safety and Health
Management of Environmental Protection