



**MPH COSR
BUSINESS &
SUSTAINABILITY**

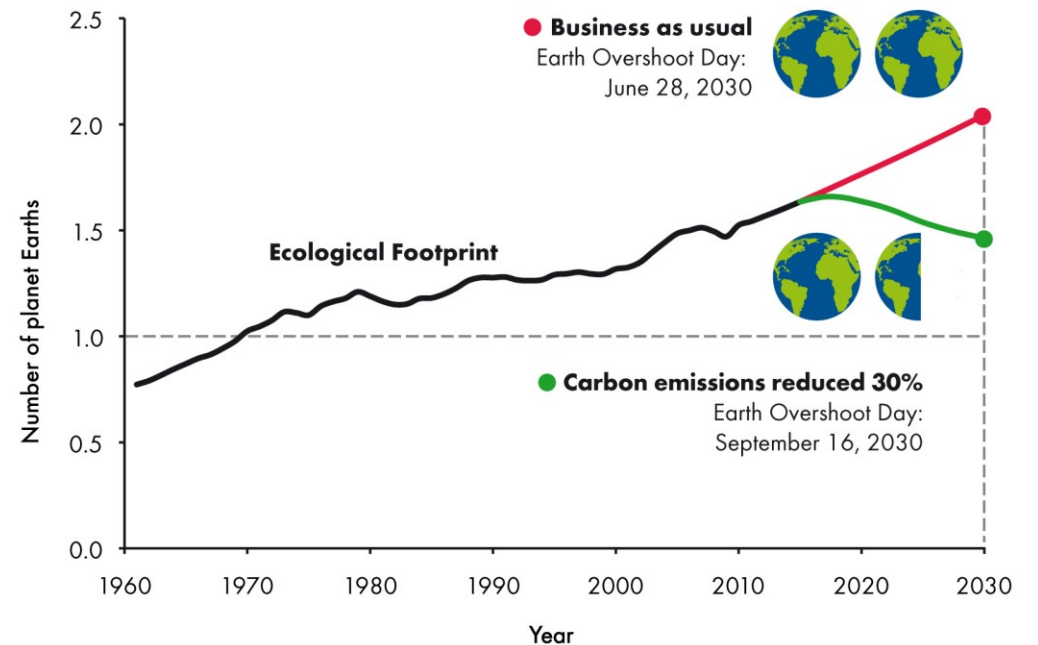
BUSINESS & SUSTAINABILITY

News: Humans have used a year's worth of Earth's resources in just seven months

- „In 2018 the annual date when people have caused a year's worth of ecological damage – Earth Overshoot Day – **August 1.**“



How many Earths does it take to support humanity?



BUSINESS & SUSTAINABILITY

MOBILE MARKETER
New CNN Mobile chief explains sustainability strategy, dual-revenue stream

The Guardian
Climate change
Irish parliament declares climate emergency

United Nations Climate Change
UN Helps Fashion Industry Shift to Low Carbon

BBC

Corporate Social Responsibility, Australian climate change, and migration in Mali

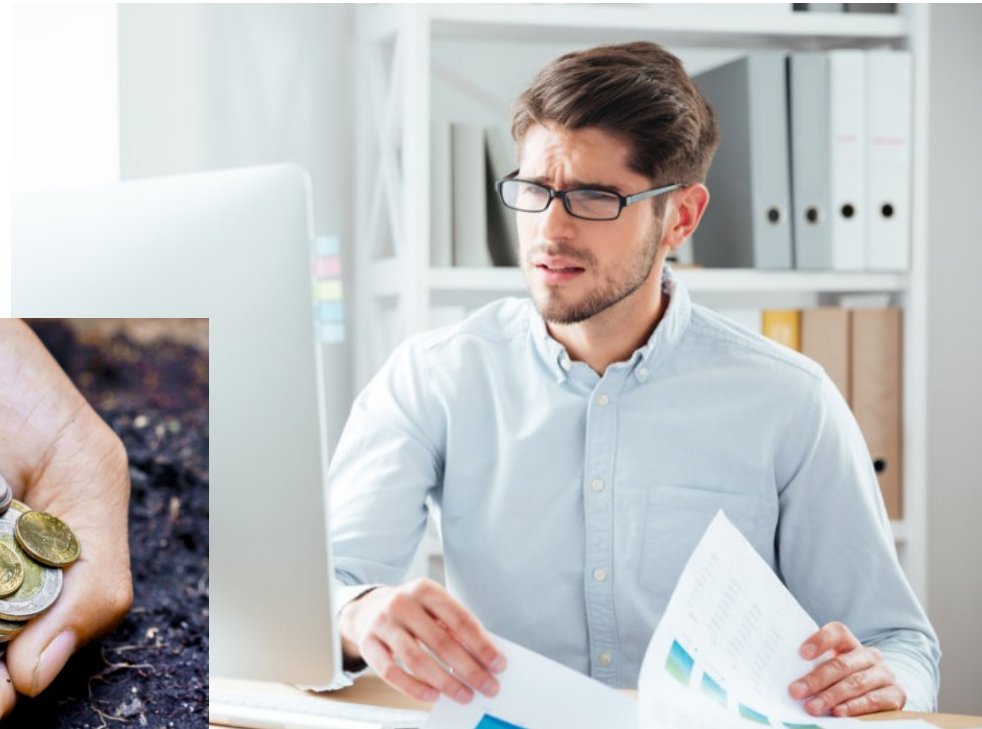
WHY COMPANIES SHOULD CARE?

DISCUSSION

...



Friedman (1970)



Freeman (1984)

BUSINESS & SUS

Corporate social responsibility “CSR”
... describes a company’s commitment
to stakeholders and socially
responsible practices.



RELATIONSHIP BETWEEN CSR AND CFP

Managers want to know before adopting CSR principles, whether societally and environmentally good behavior will bring benefits and also lead to good financial results.



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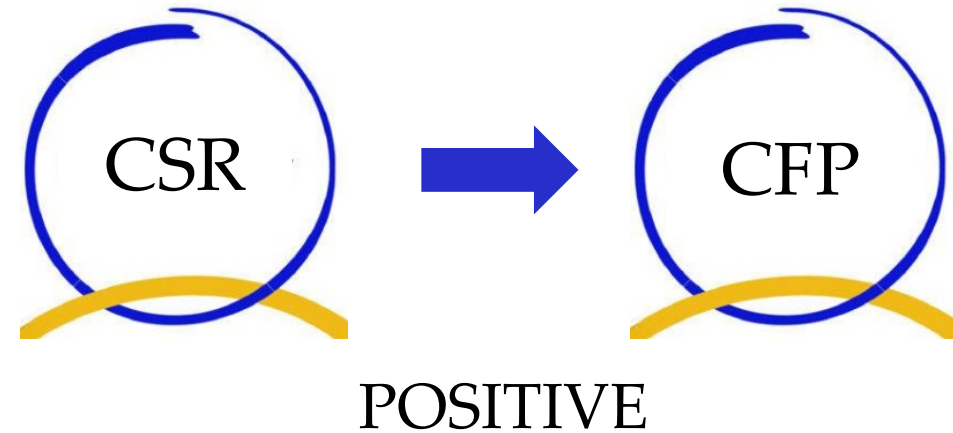


DISCUSSION...

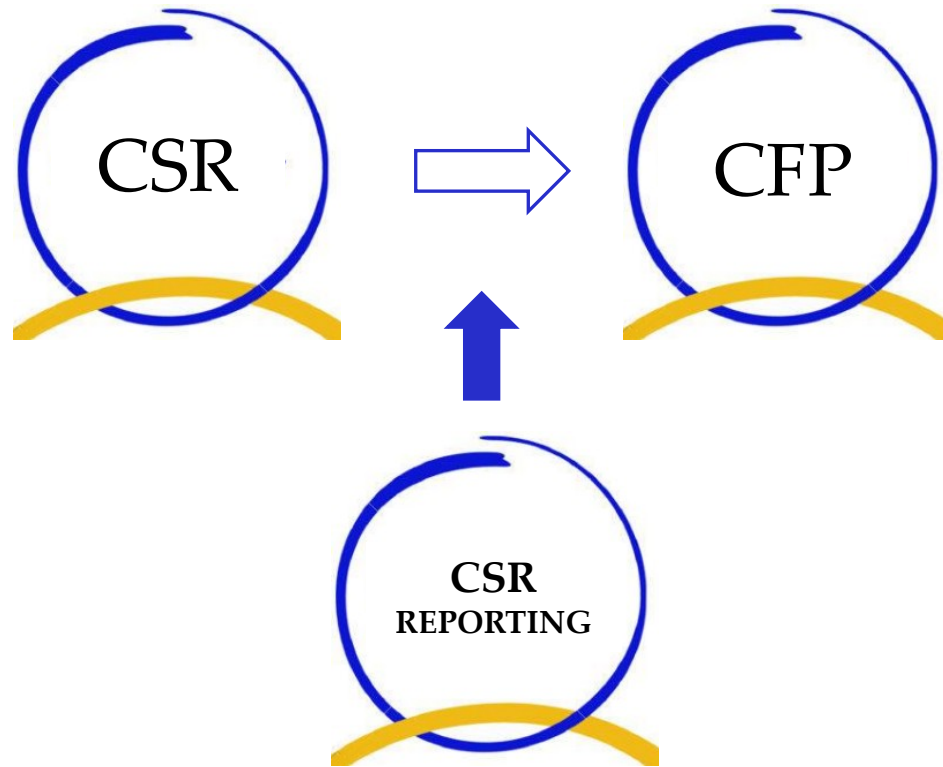


RELATIONSHIP BETWEEN CSR AND CFP

- Improve firms' reputation and image
- Increase consumer satisfaction
- Boost the confidence of employees
- Decrease cost of capital
- Lower operational cost
- Improve firms' competitiveness
- Increase willingness to pay premium prices
- Boost employee motivation and reinforcing their confidence
- Attract staff with above-average qualifications
- Improve stock return



... HOW TO INFORM STAKEHOLDERS?



CSR REPORTING

- represents a tool proving firms' social behavior outwards.

The reporting about CSR activities provides the necessary information, that might affect the perceptions of stakeholders, reduce the informational gap and thus improve firm's reputation, which consequently improves corporate financial performance.

Moreover, CSR reports start to be more relevant as investors, customers, employees, regulators, non-government organizations and other stakeholders demand greater transparency.

HOWEVER ... IT REQUIRES FINANCIAL RESOURCES



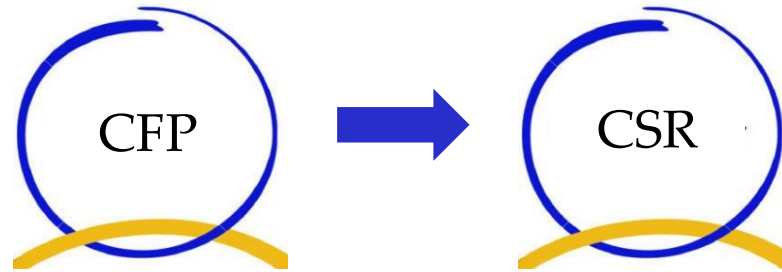
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DISCUSSION...



WHY TO INVEST IN CSR?



1) Stakeholders' pressure

- firms have multiple stakeholders who have expectations about firms' social and environmental performance.
- to invest into them and thus show their legitimacy and commitment to community and their social interest

2) Managerial motivation

- managers may personally believe that their firm has a moral imperative to invest in CSR activities
- managers may suppose that engaging in CSR activities can improve their reputation
- managers believe in the positive effect of being socially responsible on financial performance

3) Market environment

- the adoption of CSR activities might be a key factor how to add value to products and directing customers' attention to important social and environmental issues that go beyond product cost

WHAT ABOUT CSR REPORTING?



When firms behave proactively and invest in CSR activities, they want to put it publicly and demonstrate it to their stakeholders.

- CSR disclosure signals investment that generates positive economic returns and strong future performance is expected
- firms can effectively communicate with their stakeholders and influence their perception,

HOWEVER ...

- composing of CSR reports that have impactful content costs money
- firm with better financial results will be able to bear these costs easier

HOWEVER ... IT REQUIRES FINANCIAL RESOURCES



Performance Feedback Theory

- Performance feedback (attainment of firms' financial goals) is a potential behavioral driver of changes in corporate strategy and thus in socially responsible strategy as well. These changes are caused mainly by the non-satisfactory performance of the firm, which results in shareholders' pressure on the managers.

NON-SATISFACTORY PERFORMANCE

Non-satisfactory performance => **firms' financial results are poor**

What may happen in this situation?

- shareholders may feel the need for closer monitoring firms' performance and eliminate managers' attitude in decision-making
- managers have a restricted amount of discretionary resources available, which results in cutting cost (such as CSR expenditures)
- managers are worried about the potential loss a favor of a various group of stakeholders

➔ Therefore, poor financial performance will consequently result in a decrease in CSR performance.



NON-SATISFACTORY PERFORMANCE

Non-satisfactory performance => **firms' financial results are poor**

What may happen in this situation?

- firm changes its attitude to disclose CSR information.
- firm may attempt to increase their effort to disclosure CSR information and thus counterbalances negative financial results.
- by CSR managers may change the perception of the most powerful stakeholders and reduce investors' uncertainty

➔ Therefore, CSR reports may help to firm **hides its poor performance** and consequently contribute to reversing its negative future development.



SATISFACTORY PERFORMANCE

Satisfactory performance => **firm reaches its financial results**

What may happen in this situation?

- the changes in investment in CSR activities and CSR reporting are not necessary
- firm is not under shareholders' pressure, because they see that the firm is on a good pathway.
- managers even get greater trust in their judgment and larger latitude in decision-making and may be motivated to increase their expenditure on CSR activities and to improve their CSR disclosure.

HOWEVER ...

- thanks to shareholders' myopia some managers will not make an effort to report about their CSR activities. They want to keep **away complaints** from their shareholders that CSR investments are highly uncertain and thus decrease their future expected profit



FIRMS LISTED ON STOCK EXCHANGES

Socially responsible companies

- may attract new investors, who specialized on sustainable businesses or just consider CSR disclosure as a signal of investments that generate positive economic returns and are provided by firms that expect strong future performance.



ESG, SRI ...

Environmental, Social and Governance “ESG”

- are the criteria that evaluate a company’s practices
- used by investors and lenders
- sometimes ESG and “sustainability” are used interchangeably, however the latter is more commonly used by companies



Responsible and Impact Investing “SRI”

- relates to an actual investment strategy, where one’s focus is on socially responsible companies (this is where CSR and ESG reporting come into play).



INVESTMENT MARKET

Why It's Gaining Traction

According to Morgan Stanley, millennials are putting their money in sustainable investments at a rate that is **2x higher** than average.

With a **\$30 trillion wealth transfer** coming to millennials in coming decades - this is not likely to stop anytime soon.



86%

are "very interested" or "interested" in sustainable investing



61%

have made at least one sustainable investment action in the last year



75%

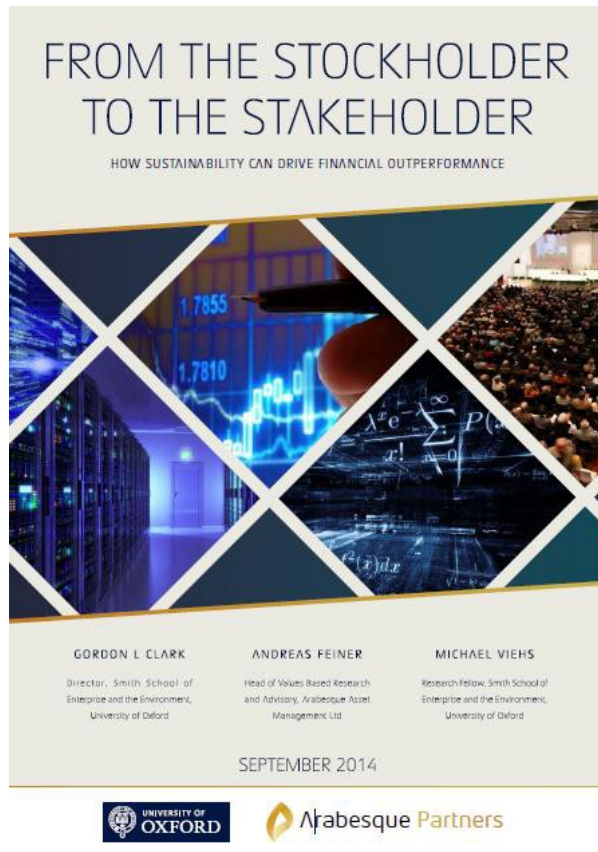
think their investments can influence climate change



84%

think their investments can help fight poverty

RELATIONSHIP BETWEEN CSR AND CFP



88% of the research shows that solid ESG practices result in *better operational performance* of firms

90% of the studies on the cost of capital show that *sound sustainability standards lower the cost of capital of companies*

80% of the studies show that *stock price performance of companies is positively influenced* by good sustainability practices.



THANK YOU FOR
YOUR ATTENTION