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Corporate Social Responsibility - Analysis of the 2013 annual reports of the ten biggest SMI-listed companies

Lead: Corporate Social Responsibility is a concept whereby companies take into account the social and environmental aspects of their operations. It is increasingly an integral part of the strategy, organisation and communication of Swiss companies. The authors provide a survey of its current status on the basis of the annual reports for 2013 issued by the ten biggest companies listed on the Swiss Market Index.

1. Introduction

Corporate Social Responsibility (CSR), or *Responsabilité Sociale des Entreprises* (RSE) in French, has been defined by the Commission of the European Communities as: *"(...) a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"*[1]. At the end of 2011, the European Commission offered a more concise definition: "*Corporate social responsibility (CSR) refers to companies taking responsibility for their impact on society*"[2]. Until recently many companies and their senior managers were completely ignorant of CSR or, if they were aware of the concept, preferred to take little interest in it. This attitude, which is still widespread, is based on a neoliberal approach whereby a conventional capitalist enterprise is simply an instrument whose ultimate purpose is to generate the maximum amount of profit for its owners, i.e. its shareholders[3]. This is the dogma of "shareholder value" which runs counter, at least on the face of it, to "stakeholder value". On this view, the promotion in speech or action of interests other than those of the shareholders alone is seen as superfluous or even something to be eschewed.

However, this paradigm appears to be on the way out, at least to some extent. The growing attention paid to the social responsibility of companies in the last few years is an increasingly strong influence on corporate senior management. Many now acknowledge the importance of CSR and are adopting policies promoting it, and the effect of this is that they are developing organisational structures intended to identify and manage the associated obligations, risks and opportunities.
CSR, as an idea with variable geometry attached to the more wide-ranging concept of sustainable development and whose implementation in a company relates in part to the principles of "corporate

[1] Commission of the European Communities, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee. Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility, COM (2006) 136 final, p. 1.

[2] Issued in October 2011, this is available at http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_Fr.htm.

[3] A notable defender of this view was Milton Friedman, Nobel Laureate for economics in 1976, who in a now famous article with the expressive title *The Social Responsibility of Business is to Increase its Profits*, published in the New York Times Magazine on 13 September 1970 asserted that: "*there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits (…)*".

governance", has generally been subject to relatively little regulation. Indeed, as matters stand in Switzerland it is an area to which no specific legal obligations apply. Given this absence of normative standards, companies lay down their own rules ("micro self-regulation") with the intention of expressing their vision and setting CSR-related limits on their practice. Alongside such initiatives a whole series of non-binding instruments[4] have been issued at the initiative of private bodies ("macro self-regulation")[5], specifically for reporting purposes and verification of compliance. These different schemes are formally bodies of "soft law" in the sense that they are based on voluntary application by the economic operators concerned. However, it is impossible to ignore the fact that in practice these requirements are now generally considered to reflect how any company should behave: so much so that customers, investors and public opinion in general expect them to be adhered to by all firms, thus conferring a de facto mandatory character upon them.

The authors of the present article therefore felt it appropriate to review the current status of CSR in Switzerland, not in any abstract manner but on the very practical basis of what had been published by the end of 2013 by the ten largest Swiss companies listed on the SMI[6]. The relevant information is contained in reports specifically devoted to CSR, or in annual reports, codes of conduct, ethics charters or other forms of communication on the subject. Such empirical analysis notably makes it possible to look at whether there are constant themes that can be extracted from the practice of the corporations studied and, by the same token, Switzerland's business world. This can be said because these ten companies, representing as they do the major part of Swiss market capital and which are global leaders in their sector of activity in some cases, do exert a very significant influence on the market, as well as on civil society. How they behave can thus enable "good behaviour benchmarks" to be defined of which it is possible to believe that they are taking – or will take – other Swiss or even foreign firms along with them.

2. Governance

The elevation of social and environmental concerns to the same status as financial concerns clearly entails the involvement of the most senior levels in a company. This is so because if undertakings given on CSR are to be honoured and satisfactorily applied at every level in the organisation, it is crucial for the firm's CSR strategy to be initiated, supported and supervised from the highest possible level in the firm and therefore by its Board of Directors and senior managers. Obviously, no undertaking by company management is enough in itself. Any company attaching genuine importance to the issue of CSR needs to set up practical organisational arrangements for governance to enable its decisions in this area to be fully understood and effectively managed, along with the various risks and opportunities linked to CSR. The need for this seems now to be firmly established

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[4] Such instruments can take various forms, notably guidelines, general principles, guides to good practice, indexes and ratings.

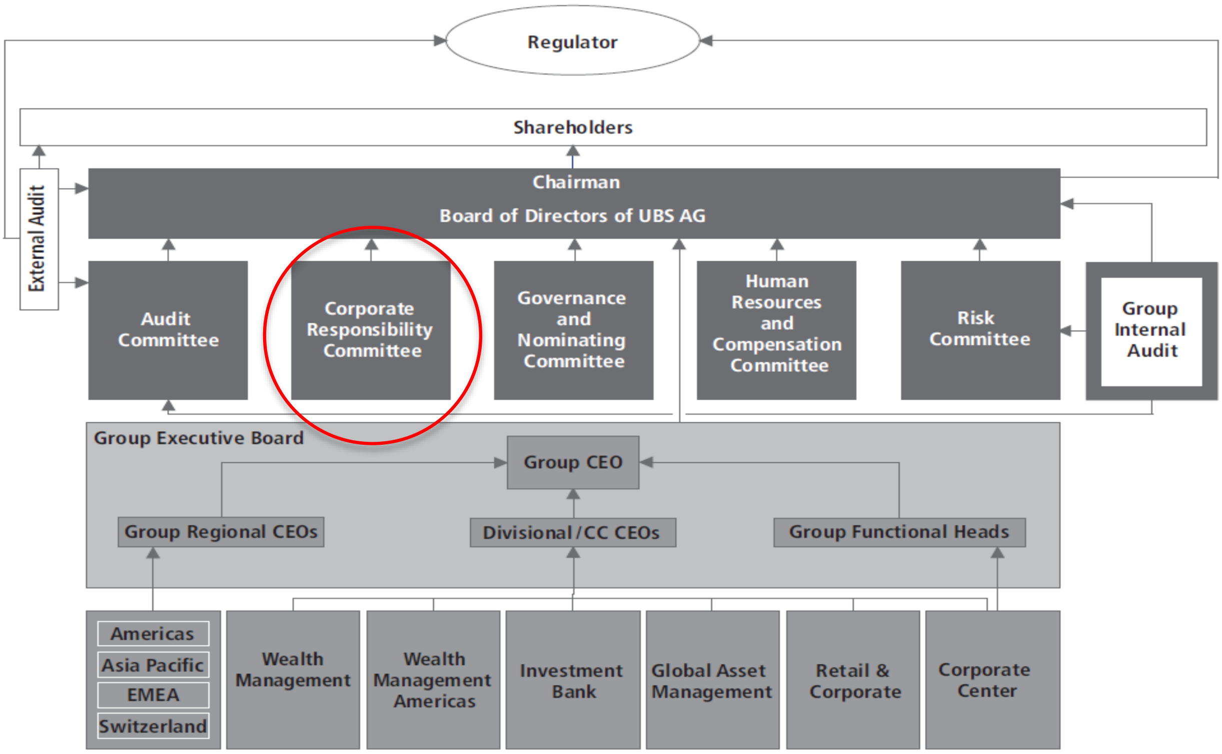
[5] For more details on this see most notably Mahmudur Rahim, Legal Regulation of Corporate Social Responsibility: A Meta-Regulation Approach of Law for Raising CSR in a Weak Economy, Berlin (Springer) 2013, p. 25 ss; Coglianese Cary and Mendelson Evan, Meta-Regulation and Self-Regulation (2010), in: Martin Cave, Robert Baldwin, Martin Lodge (eds.), The Oxford Handbook on Regulation 2010, U of Penn Law School, Public Law Research Paper No. 12-11; U of Penn, Inst for Law & Econ Research Paper No. 12-06. Available at SSRN: http://ssrn.com/abstract=2002755.

[6] Nestlé (20.9%), Novartis (19.3%), Roche Holding (18.1%), UBS (6.5%), ABB (5.1%), Compagnie Financière Richemont (4.4%), Crédit Suisse (4.1%), Zurich Insurance Group (3.9%), Syngenta (3.0%) and Swiss Re (2.1%).

and reflected in practical action: over half the companies studied have set up a committee responsible for CSR within their boards of directors, along the lines of UBS and its organisation charter reproduced below[7] (cf. *Table 1*).

Table 1

UBS Organisation Chart –CSR Committee



Board CSR committees are charged with establishing the company's strategy in the area of CSR and ensuring that it is adhered to: *"The new 'Governance, Nomination and Corporate Responsibilities Committee' will oversee our company's strategy and governance on corporate responsibility and key issues related to corporate responsibility that may affect the Company's business and reputation»*[8]. They also seek to ensure that the image and good reputation of the company are protected at all times and that communication between the company and its stakeholders is both actual and effective. Another approach is to entrust this responsibility to a specific committee within main corporate management. Thus: *"The Nestlé in Society Board, chaired by our CEO, oversees the strategic implementation of Creating Shared Value across our businesses. It also leads the development and evolution of our Creating Shared Value, environmental sustainability, and all societal objectives and strategies."*[9] The adoption of such solutions appears today to be established as a standard for good governance, to the point that it can be expected that firms that have not yet gone down this road will be deciding to do so in the near future.

It can also be seen to be essential for companies to designate clearly one individual or function charged with ultimate responsibility in this area; the term used in this connection is "accountability". As is attested by a study conducted internationally by KPMG, companies identifying precisely the

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7 https://www.ubs.com/global/en/about_ubs/corporate-governance/groupstructure/group.html.

8 Novartis, Corporate Responsibility Performance Report 2013, p. 36.

9 Nestlé in Society: Creating Shared Value and meeting our commitments 2013, p. 21.

person responsible for overall management of CSR achieve better results in terms of the implementation of their CSR strategy and the quality of their reporting[10]. All the companies studied have done this, designating the person concerned, in some cases by name. Depending on the type of governance organisation in place, this will be either a member of the executive committee or a member of the Board of Directors, or even in some cases its Chair him- or herself (*cf. table 2*). Indeed, it might be possible to justify linking part of senior management's compensation to their performance on CSR.

Table 2

Governance and accountability in the area of CSR: overview

	Senior manager(s) presenting CSR strategy	Formation of a specific BoD committee	Global Accountability
Nestlé	Chairman and CEO	✕	Chairman, CEO and Executive Board Members
Novartis	CEO and GHCR	√***	Senior Executive (GHCR)
Roche	✕*	√**	Corporate Sustainability Committee
UBS	Chairman	√	Corporate Responsibility Committee
ABB	CEO	✕	Executive Committee Member
Richemont	Chairman	√	CFO
Crédit Suisse	Chairman and CEO	✕	CEO**
Zurich Insurance	CEO**	✕	Group Executive Committee
Syngenta	✕*	√	Corporate Responsibility Committee
Swiss Re	Chairman and CEO	√	Chairman's and Governance Committee

* These two companies publish an "integrated" report, which probably explains why their management bodies do not repeat their CSR strategy in a part of the report devoted specifically to it.

** This information was not found in the reports examined here, but on the corporate website.

*** Novartis' 2013 annual report (p. 36) announces the setting up of a *Governance, Nomination and Corporate Responsibilities Committee* as of 1 January 2014.

3. Codes of conduct

The ultimate purposes of a code of conduct are to set out the company's visions and missions in the area of CSR, to establish the principles that guide accordingly the day-to-day management of its business in this domain and to formalise the commitments given by the company to its various stakeholders. It is appropriate in this connection to emphasise the importance of public announcements of the company's commitment, by which it will eventually be judged. Indeed, it is possible to see this as a form of social contract – the accepted term is now "societal" – where CSR is concerned. Novartis makes the following declaration: "Our Code of Conduct reflects our commitments to meet the expectations of our stakeholders as a responsible corporate citizen and contains the fundamental principles and rules

[10] KPMG International, The KPMG Survey of Corporate Responsibility Reporting 2013, p. 73.

concerning ethical business conduct."[11] All the companies studied have currently issued a Code of Conduct, making this practice a norm that is probably impossible to ignore[12].

3.1. The content of the various codes of conduct

The content of the code of conduct varies from company to company. Despite this disparity, certain themes are common to all. Obedience to the laws and regulations in force in the countries where the companies operate (compliance), along with integrity and regard for ethics in doing business seem to be the dominant themes: "A reputation for integrity is essential for our long-term success."[13] Other issues relating to the various stakeholders are also regularly addressed: one can point here, for example, to staff working conditions, adherence to social standards by suppliers and concerns relating to clients (*cf. table 3*).

[11] Novartis, Code of Conduct, p. 2.

[12] It is important to note that all the companies studied have a website on which information on CSR is readily available.

[13] Crédit Suisse, Code of Conduct, p. 6.

Table 3

The main topics addressed in codes of conduct

Business ethics	Staff	Partners
Legal compliance	Working conditions	Fairness in business dealings
Conflicts of interest	Discrimination & harassment	Fair competition
Data protection	Health & Safety	Adherence to values
Promotion of competition	Diversity & equality of opportunity	
Combating corruption	Protection of privacy	
Combating insider dealing		

Clients	Shareholders	Civil society
Quality, safety & innovation	Good governance	Investment in the community
Information & marketing	Transparency & honesty	Protection of the environment
Honest relationships and trust	Protection of assets	Promotion of sustainable development

These common themes are expressed and developed in accordance with the issues facing the company and the values it wishes to promote. In the financial sector (banking and insurance), the combat against economic crime is prominent, as is the security of confidential information, whereas these issues are of secondary importance in other sectors. In the biomedical domain particular emphasis is placed on innovation and protection of intellectual property: *"Roche is dependent on intellectual property rights and their efficient protection. (…).Roche supports initiatives which are designed to foster a legal and regulatory environment which protects intellectual property rights."* [14] It can be added in passing that the latter quotation also illustrates the fact that while companies may make commitments for altruistic reasons they undeniably also do so in some cases in their own interest. For more conventional manufacturing companies, the risk to their reputation entailed by association with less than scrupulous suppliers and business partners is a key concern. Some firms decide for this reason to widen the scope of their code of conduct to oblige their partners to follow it: "To protect and enhance ABB's reputation, we choose subcontractors who will act in a manner consistent with this Code of Conduct." [15] Others have decided to adopt in addition to their code of conduct various other codes specifically directed at their suppliers or other subcontractors: *"The Nestlé Supplier Code (…) defines the non-negotiable minimum*

[14] Roche, Code of Conduct, p. 33.

[15] ABB, Code of Conduct, p. 17.

standards that we ask our suppliers and their sub-tier suppliers (...) to respect and to adhere to."[16] Lastly, in one way or another all the companies take into account the environmental and social aspects linked to sustainable development, like UBS, which "is committed to acting in an environmentally responsible manner in all its business dealings and to promoting sustainable development."[17]

In other words, "one size fits all" is not a principle that applies to codes of conduct; every company must adjust the form and content of its code to match its own specific goals, issues and values. Given the number and diversity of the topics addressed, it seemed to us to be appropriate to draw up a checklist. This is presented here as a series of tables setting out for each stakeholder or protected interest the way in which the various themes are dealt with by each of the ten companies studied[18]. Where a theme of reference is clearly addressed by a company in its code of conduct, this is indicated by a tick: **√**. Where that theme is absent from the report or is dealt with in a manner that is less detailed or less clear[19], this is indicated by a cross: **X** (*cf. table 4*).

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16 Nestlé, The Nestlé Supplier Code, p. 13.

17 UBS, Code of Business Conduct and Ethics of UBS, p. 9.

18 Cf. supra, p. 5.

19 Some judgement was needed here. Absence of a theme is not negative as such. The topics addressed and developed by a company depend on the issues with which it is confronted and the values it wishes to promote. Omission of a theme may therefore be the outcome of good analysis of the relevant issues and may in fact be justified.

Tables 4

Analysis by stakeholder / protected interest

4.1 Business ethics

	Legal compliance	Combating conflicts of interest	Information security	Promotion of competition (antitrust measures)	Combating corruption	Combating insider dealing
Nestlé	√	√	√	√	√	√
Novartis	√	√	√	√	√	√
Roche	√	√	√	√	√	√
UBS	√	√	√	√	√	√
ABB	√	√	√	√	√	√
Richemont	×	×	×	×	√	×
Crédit Suisse	√	√	√	×	√	×
Zurich Ins.	√	√	√	√	√	√
Syngenta	√	√	√	√	√	√
Swiss Re	√	√	√	√	√	√

4.2 Staff

	Working conditions	Discrimination harassment	Health & safety	Diversity / Equality of opportunity	Protection of privacy
Nestlé	√	√	√	√	√
Novartis	√	√	√	√	×
Roche	√	√	√	√	√
UBS	√	√	√	√	×
ABB	√	√	√	√	√
Richemont	√	√	√	√	×
Crédit Suisse	√	√	√	√	×
Zurich Insurance	√	√	√	√	√
Syngenta	√	√	√	√	×
Swiss Re	√	√	√	√	√

4.3 Partners

	Fair business dealings	Fair competition	Adherence to values[20]
Nestlé	×	√	√
Novartis	√	√	√
Roche	×	√	√
UBS	√	√	×
ABB	√	√	√
Richemont	√	×	√
Crédit Suisse	√	×	×
Zurich Ins.	√	√	√
Syngenta	×	×	×
Swiss Re	√	√	√

4.4 Clients

	Quality, safety & innovation	Information & marketing	Honest relationships and trust
Nestlé	√	√	√
Novartis	√	×	√
Roche	√	√	√
UBS	√	×	√
ABB	√	×	√
Richemont	√	×	×
Crédit Suisse	√	√	√
Zurich Ins.	×	×	×
Syngenta	√	√	×
Swiss Re	×	×	×

4.5 Shareholders

	Good governance	Transparency & honesty	Protection of assets
Nestlé	×	×	√
Novartis	×	√	√
Roche	×	√	√
UBS	×	×	√
ABB	×	√	√
Richemont	√	√	×
Crédit Suisse	×	×	√
Zurich Ins.	×	×	√
Syngenta	×	×	√
Swiss Re	×	√	√

4.6 Civil society

	Investment in the community	Protection of the environment	Promotion of sustainable development
Nestlé	√	√	√
Novartis	√	√	×
Roche	√	√	√
UBS	√	√	√
ABB	√	√	√
Richemont	√	√	√
Crédit Suisse	×	×	√
Zurich Ins.	×	√	×
Syngenta	√	√	√
Swiss Re	×	√	√

[20] Does the company require its business partners (suppliers, agents, subcontractors) to comply with the same principles and ethical values?

3.2. Adoption and accountability

With regard to the legitimacy of the codes studied here, all have been adopted at the highest level in the company concerned and are intended to be followed by all employees. In many cases formal declarations of adherence and compliance are required: "UBS requires its employees and Board members to adhere to the spirit and letter of this Code. The Code will apply in all circumstances."[21] Depending on the company's mindset and culture, codes may be accompanied by a preface, in some cases one signed by the Chair of the Board of Directors and/or the CEO. The codes of conduct of Nestlé and Crédit Suisse have for example been adopted by the Board of Directors and senior management. Those of Novartis, UBS and Syngenta are signed by the Chair of the Board of Directors and the CEO. Where the codes of Roche and Swiss Re are concerned, these have been signed by the CEO after being approved by the Board of Directors, while those of the Zurich Insurance Group and ABB refer neither to the Board of Directors nor to its Chair. Finally, Richemont's code of conduct has been adopted by its Board of Directors with no specific reference either to its Chair or to the CEO.

Although the principles are adopted at the highest possible level in the company, no norm seems yet to be emerging as to who should bear ultimate responsibility for obedience to them. That responsibility should logically be borne by the Board of Directors, followed by senior management. Along the lines of what is recommended by Ethos, it can also be seen to be appropriate for the Chair of the Board of Directors and the CEO to affirm their adherence to the code by signing its introductory paragraph[22]. This straightforward step is likely to enhance the credibility of such codes, strengthen corporate culture and assign primary importance to the company's undertakings on CSR.

3.3. Verification of application and whistleblowing

In order to help ensure adherence to the principles and therefore their application in practice, each of the codes studied provides for whistleblowing arrangements.

More or less sophisticated arrangements for notification – the term "whistleblowing" is generally used – are usually implemented in order to ensure that possible violations are reported. With its procedure for the notification of incidents involving ethical considerations (BEIR or Business Ethics Incident Reporting), Roche has a pioneering role here since it allows its Chief Compliance Officer to notify, depending on the exact circumstances, either the Executive Board or the Governance and Sustainability Committee of the Board of Directors where an incident has been observed. An entire page of its code is in fact devoted to its dedicated line (the "SpeakUp Line") enabling employees to notify suspected or actual violations of the code anonymously[23]. This communication channel is managed and administered by an independent third party and guarantees that the whistleblower will be protected, which has the consequent effect of increasing the confidence of employees who may, sometimes legitimately, have doubts as to the impartiality of an internal department of the company.

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[21] UBS, Code of Business Conduct and Ethics of UBS, p. 11.

[22] Ethos Engagement Paper, Stewardship Code, Contents and Implementation : Investors' Expectations, October 2013, p. 6 [in German or French].

[23] Roche, Code of conduct, p. 49.

Although all the companies considered have now put whistleblowing arrangements in place, the real difference between them is in fact to be found in the information provided on them in the code of conduct. Indeed, the code should provide sufficient and therefore practically useful details on the procedure to be followed, on the degree of materiality required to justify notification and the individuals or departments to be contacted. However, some companies appear to be less than rigorous on this point, as is the case perhaps for Swiss Re, whose code – although it runs to over sixty pages – is rather cryptic on this, simply asserting that: *"Good-faith reporting of illicit acts is encouraged and supported."*[24]

To conclude, if its code is to be implemented effectively, it is imperative that the company sets up a system of sanctions for violations – whether intentional or due to negligence – of the declared standards. These will generally be disciplinary measures possibly including dismissal of individuals in breach of the code's provisions (*cf. table 5*).

[24] Swiss Re, Group Code of Conduct, p. 9.

Table 5

Implementation mechanisms for codes of conduct

	Adherence & compliance	Whistleblowing arrangements	Competent department	Anonymity	Reprisals against whistleblower	Sanctions for violations
Nestlé	No details given	Whistleblowing call line	Internal	Guaranteed	Specific protection	Disciplinary measures (dismissal)
Novartis	Condition of hiring	Whistleblowing call line	Internal	Guaranteed	Specific protection	Disciplinary measures (dismissal)
Roche	No details given	SpeakUp Line	Independent third party	Guaranteed	Specific protection	Disciplinary measures (dismissal)
UBS	Explicitly required	No details on whistleblowing procedure	Internal	Guaranteed	Specific protection	Disciplinary measures (dismissal)
ABB	No details given	Business Ethics Hotline	Internal	Guaranteed	Specific protection	Disciplinary measures (dismissal)
Richemont	Explicitly required	Email address	Internal	Guaranteed	Specific protection	-
Crédit Suisse	Explicitly required	Integrity hotline	Internal	Guaranteed	Specific protection	Disciplinary measures (appropriate)
Zurich Ins.	Annual personal declaration	-	-	Strict confidentiality	Specific protection	Disciplinary measures (dismissal)
Syngenta	Condition of hiring	Syngenta Compliance Helpline	Independent third party	Guaranteed	No guarantees	Disciplinary measures (appropriate)
Swiss Re	Explicitly required	-	-	No guarantees given	Specific protection	Disciplinary measures (appropriate)

3.4. Desirable improvements

Although the companies seem now to have understood and taken on board the importance of having a code of (good) conduct, a number of improvements are obviously still possible and, indeed, desirable, in terms of both content and implementation. While all the core topics are covered by most of the codes studied, goals and issues related to the environment and sustainable development – topics whose importance is self-evidently on the rise – could be given more specific treatment by some of the companies. This leads on to the observation that a code of conduct is a fundamental instrument of a company's governance and culture, and as such it must be a document open to change and regularly updated. Despite this, it is surprising to note that over half of the codes studied were adopted before 2010 and have apparently seen no revision since[25]. Responsibility for this task should again devolve primarily to the Board of Directors, followed by senior management. From the standpoint of implementation, although all the companies provide means for notifying irregularities that appear effective on the face of it, in some cases the procedures are despite this less than completely clear.

[25] Nestlé (2007), Novartis (2011), Roche Holding (2010), UBS (2012), ABB (2013), Compagnie Financière Richemont (2007), Crédit Suisse (2010), Zurich Insurance Group (2009), Syngenta (2009), Swiss Re (2013).

4. CSR reporting

Today, the need to communicate on CSR has become impossible to ignore for any company of significant size. This is so because it is important – and is increasingly required by public opinion – for the various stakeholders to have access to information sufficient in quantity and quality as measured by generally accepted standards for CSR. In particular, that information must enable shareholders, bondholders and business partners to *"understand and evaluate the extra-financial performance"*[26] of the company in which they have invested or with which they may have a whole range of relationships (e.g. Nestlé's clients). They also allow the company to understand its own exposure to environmental, social, ethical and reputational risks. Extra-financial reporting can in this way be a genuinely effective management tool. It is also a way of promoting the company's image given that the esteem in which a company is held is undeniably directly correlated today with how it behaves with regard to CSR.

The consequence of this is that CSR reporting is increasingly frequently necessary and required, to the point that it is probably possible to assert today that no major company, and especially no listed company, can afford not to report on it in a manner compliant with the approach deemed to constitute the benchmark in this domain. This necessity is confirmed by analysis of the actual practice of all the companies studied.

In the absence of any specific legal requirements or even of any normative framework of reference, numerous private initiatives have emerged in this area. They all are aimed at improving the transparency of extra-financial information (specifically including CSR), along with its quality, honesty and comparability. This has led to the development of standardised sets of reference criteria for such reporting, the best known being that offered by the Global Reporting Initiative (GRI)[27], whose guidelines have now become the international reference in this domain[28]. With the exception of the Zurich Insurance Group, all the companies studied use or at least refer to them. The degree and quality of the application of GRI standards is however patchy, and the exhaustiveness and level of detail of the published data can in some cases vary fairly significantly between companies. It would for this reason be desirable in the relatively short term for Swiss companies to ensure the uniformity of the quality of their reporting in order to improve the comparability of the information.

4.1. A chapter in the annual report or a dedicated report?

Two trends can be observed in the approaches adopted: some companies issue dedicated CSR reports whereas others prefer to include this information in their annual reports. Of the companies considered here, eight publish a specific report devoted to CSR:

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[26] Ethos Engagement Pool, Themes and main results 2013, p. 11 [in German or French].

[27] Global Reporting Initiative (GRI): www.globalreporting.org.

[28] KPMG International, The KPMG Survey of Corporate Responsibility Reporting 2013, p. 30.

→ Nestlé in Society: Creating Shared Value and meeting our commitments (402 pages);

→ Novartis: Corporate Responsibility Performance Report (104 pages);

→ UBS: Corporate Responsibility (191 pages);

→ ABB Group: Sustainability Performance Report, A longer-term perspective (70 pages);

→ Richemont: Corporate Social Responsibility (78 pages);

→ Crédit Suisse: Corporate Responsibility Report (62 pages);

→ Syngenta: Our business enablers extended (incl. CR performance discussion) (42 pages)[29];

→ Swiss Re: Corporate Responsibility Report: Enabling sustainable progress (76 pages).

The other two companies studied (Roche and Zurich Insurance Group) have chosen to include their extra-financial information directly in their annual report, justifying this approach by a desire to make this information integral to their financial data with the intention of offering a holistic, forward-looking and homogeneous view of their company and its performance: *"In 2005 we set up a project to define Roche's 'Business Case for Sustainability'. The aim is to ensure that sustainability issues are fully integrated into our business to protect current company value and create future value."*[30] This approach, although now favoured by only a minority, has gained ground in recent years, driven by the International Integrated Reporting Council (IIRC), a global coalition of companies, investors, regulatory authorities, standards bodies, representatives of the accounting profession and NGOs, one of whose declared goals is notably to promote *"a more cohesive and efficient approach to corporate reporting."*[31]

Although UBS, Novartis, Richemont, Syngenta and Swiss Re all issue reports dealing specifically with CSR, they all also repeat the core of that information in a section of their annual reports. However, it is not possible to describe this as "integrated reporting" in these cases.

4.2. The content of the various CSR reports

The information contained in these companies' reports differs noticeably according to their business sector. Nevertheless, here again a number of common features can be discerned. A company's strategy on CSR, like the process implemented for achievement of the targets it sets itself, are usually given prominence. The inherent responsibility of their role as employers is also among their key concerns. And lastly, issues relating to sustainable development and to the protection of the environment are central to their reports. Such recurrent themes can be defined and summarised using cross-cutting analysis (*cf. table 6*).

[29] The information is repeated in its annual report but is more detailed here.

[30] Roche Annual Report 2006, p. 61. See also the 2013 annual report of the Zurich Insurance Group, p. 14 : "Corporate responsibility is integrated within Zurich's strategy 2014–2016", p. 14.

[31] See: http://www.theiirc.org/.

Table 6

The main topics addressed in CSR reports

Business integrity	Staff	Environment
Legal compliance	Young talent: attracting and retaining it	Environmental impact
Adherence to the code of conduct	Development & mobility	Energy expenditure
Good governance	Compensation & advancement	CO_2 and GHG emissions
Risk management	Diversity & equality of opportunity	Resource management
Transparency	Health, safety & wellbeing	Protection of the environment

Society	Products & services
Charity	Quality, safety & innovation
Donations	Responsible relationships
Sponsorships	Supply Chain Management
Education & training	Supplier checks

The quality of the information must of course be assessed in functional terms: provision of an image that is true and fair of the performance and the impact – positive or negative – of the company in social, environmental and ethical terms. In this sense, it is important that companies deliver information that is honest, useful and relevant, i.e. information focusing firstly on the real issues and risks with which their business is faced and, secondly, those that are likely to affect its various stakeholders or at least influence their decisions. This naturally requires the company to begin by identifying the components of its business that have a substantial impact on the legitimate expectations and interests of its principal stakeholders. Those components, which will vary according to its sector of activity, explain the disparities observed in the various reports studied.

Indeed, in the wake of the profound crisis that shook the financial markets after 2007, the issue of trust became particularly relevant in the banking sector: *"We are focused on gaining and retaining the trust of all our stakeholders alongside our goal of generating sustainable earnings and creating long-term shareholder value."*[32], as did risk management: *"It is essential that we display a high degree of risk awareness and operate responsibly in all areas of our business."*[33]. In the pharmaceutical business, represented in Switzerland by Roche and Novartis in particular, the promotion and development of access to healthcare is a topic of central

32 UBS, Annual Report 2013, Corporate Responsibility, p. 253.
33 Crédit Suisse, Corporate Responsibility Report 2013, p. 17.

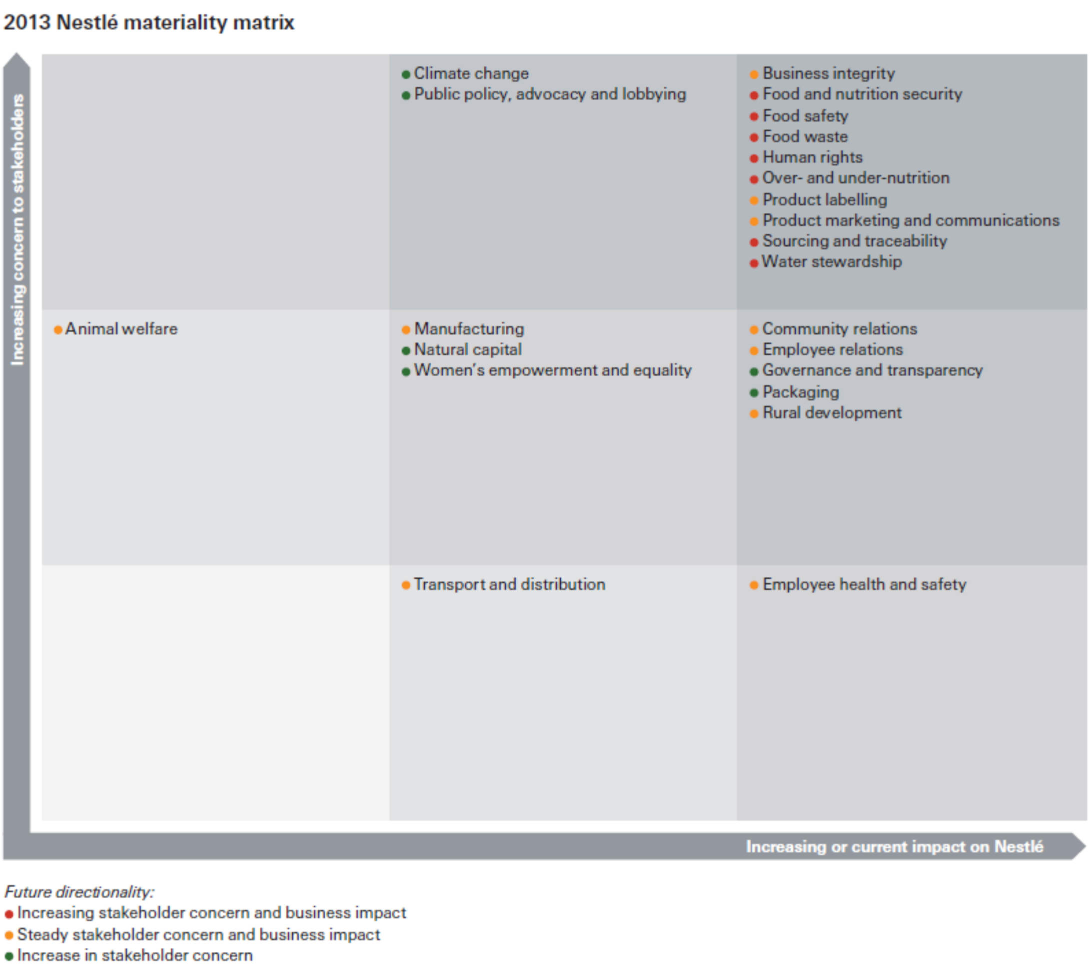
importance: *"We work to control and eliminate diseases such as malaria and leprosy, pioneer new business approaches to reach underserved patients, and find new treatments and adaptive solutions to improve health in developing countries."*[34] For Nestlé, the only representative here of the agrifood sector, issues relating to nutrition and health (product quality and safety specifically) are naturally of fundamental importance and dominate its sustainability report, as it does for Syngenta in agrochemicals. In the case of companies whose business is based on input from large numbers of suppliers, the promotion and application of the values they aspire to in their supply chains is a prominent issue. Sustainability is also among the declared aims of the ABB group: "*Improve sustainability performance in the supply chain through the Supplier Sustainability Development Program (SSDP)."*[35]

4.3. CSR Risk Mapping

These few examples show that the companies considered here take care to be aware of the genuine risks (and opportunities) they face and to ensure that they can identify them precisely and have a rational understanding of the possible impact that such ethical, environmental and social issues could have on their business, their stakeholders, their image and ultimately their financial results. In other words, as also in the financial sphere, every company needs to interest itself in the factors that might have a material impact on their societal responsibility. This criterion of material impact is self-evidently fundamental: the more a fact or a factor is capable of having a negative impact on a company (including its image – "name and shame"), the greater the need to intervene to avoid any occurrence of that impact. Companies deal with this in the area of CSR by employing the same methods they use for their financial risks, i.e. risk mapping, which involves identifying risks and determining, firstly, the probability of occurrence in each case and, secondly, their potential impact if it does occur. The CSR Materiality Matrix, notably used by Nestlé[36], is an illustration of this method of analysis (*cf. table 7*).

[34] Novartis, Corporate Responsibility Overview, p. 1.
[35] ABB Group, Sustainability Performance Report 2013, A longer-term perspective, p. 13.
[36] Nestlé in Society: Creating Shared Value and meeting our commitments 2013, p. 29.

Table 7



4.4. Dialogue with stakeholders

The establishment of a matrix of this kind requires the company to begin by identifying the relevant interests and risks from the CSR standpoint. For this reason companies must enter into an open dialogue with their main stakeholders**.** This may take the form of an internal or external survey, as in the case of ABB: *"In 2013, we undertook a further review with our stakeholders to update our assessment of material aspects and to seek their views on how best to report on our sustainability strategy, performance and progress. We engaged a third party to interview a total of 40 stakeholders from four broad categories: ABB employees, investors, customers and sustainability experts."*[37] But it can also take the form of discussions, round tables or forums to which stakeholders are invited in order to debate the issues to which the company needs to respond, this being the solution adopted by Nestlé for example: *"While we encourage our businesses to identify key stakeholders at a national level, our global engagement is coordinated centrally, through the Creating Shared Value Forum series and regular stakeholder convenings. Together, these are an important part of an engagement process that underpins our materiality assessment."*[38] Whatever approach is adopted, such exchanges of views are now essential if a company is to make any claim to confronting future social and environmental challenges while at

37 ABB Group, Sustainability Performance Report 2013, A longer-term perspective, p. 20.
38 Nestlé in Society: Creating Shared Value and meeting our commitments 2013, p. 26.

the same time improving its performance. In order to respond to the needs and expectations of their stakeholders, all the companies studied have for example put in place one or other of these methods of analysis, leading once again to the emergence of a new norm in this domain (*cf. table 8*).

Table 8

Methods of analysis of CSR issues:

	Identification of issues	Materiality Assessment	Stakeholder interests	Stakeholder dialogue	Materiality Matrix
Nestlé	√	√	√	√	√
Novartis	√	√	√	√	√
Roche	√	√	√	√	√
UBS	√	√	√	√	√
ABB	√	√	√	√	√
Richemont	√	√	√	√	×
Crédit Suisse	√	√	√	√	√
Zurich Ins.	√*	√*	√*	√*	√*
Syngenta	√	√	√	√	×
Swiss Re	√	√	√	√	×

* This information was obtained from the company's website and does not therefore come from its report.

5. CSR Audits

Lastly, and again with the aim of ensuring that the corporate approach to CSR is effective and credible, there is an increasing trend requiring companies to arrange for the review and certification of the social and environmental information they publish. Looking at the companies studied here, all call upon the services of independent auditors to ensure the accuracy, objectivity and if possible the clarity of the data published. Once again, that trend is also pointing to an emerging standard with which it is reasonable to believe all major companies will eventually be obliged to comply. This is a practice that should be welcomed, because it helps improve the quality and reliability of the information communicated and because it sends out a strong signal of allegiance to the new values promoted by the movement for CSR.

On the other hand, it will be noted that companies have not currently opted for "full audits" for CSR but for "limited reviews", by which is meant a review of their CSR information which, although duly performed, is still relatively superficial. It is likely and certainly desirable that things will change in this area as well, with a move towards more thorough audits.

6. Conclusion

Analysis of the information supplied by the ten biggest SMI-listed companies demonstrates that the question of Corporate Social Responsibility is now taken very seriously by the Swiss economy's opinion leaders. It is no longer seen as simply an exercise in style, but as an integral part of corporate values and overall strategy. It has become a significant factor in risk management as well as a way of seizing opportunities.

In the absence of legal requirements in this area, companies have adopted codes of conduct giving formal expression to their commitments and serving as a framework of reference affirmed by them as guiding their operations. The adoption of such codes continues to be voluntary. It is however undeniable that no company can get by without one, so much so that a code is now in principle a practical necessity. It is encouraging to note that such codes are for the most part of fairly high quality and that they generally address the entire range of issues relevant to the concerns of the individual company. The fact that these documents are adopted at the highest corporate level gives credibility to the approach and raises social and environmental concerns to the same degree of importance as financial concerns.

However, the practice is not always free of criticism and it cannot be denied that there is room for improvement. In particular, codes of conduct, insofar as they are important instruments of CSR, should be updated regularly and senior managers' commitments should be constantly and sincerely reaffirmed. Corporate culture is key in this regard. The collection and publication of social and environmental data thus become part of routine practice and appear unavoidable therefore for any company of importance.

Given that the need for CSR reporting is established in principle, attention is now shifting to the quality of the information reported. A study of the various reports demonstrates that they generally provide information that is relevant and of fairly good quality, reflecting the societal impacts of genuinely material importance relating to the company's operations and stakeholders. However, corporate practice cannot always escape criticism in this area. Despite the implementation of governance arrangements at the highest possible level, the process whereby companies identify relevant risks (risk mapping) and ensure that those risks are controlled and verified (risk tracking) is still opaque in some cases, or in any event inadequate.

Improvement of the transparency of the approaches adopted and the information provided continues to be an issue for the drafting of reports. Since this practice is relatively recent and constantly evolving, it may be hoped that companies will pursue their efforts to ensure that CSR is a genuine and essential component of their overall strategy, with the effect of creating a form of management that is ever more closely integrated in this domain and – sunlight being the best of disinfectants – that they will put in place a system of reporting that is unreservedly satisfactory.