Corporate social responsibility: An opportunity to stand out

swissVR Monitor I/2020
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### About the survey
This is the seventh edition of swissVR Monitor and is based on a survey of 429 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board members attitudes to the outlook for the economy and business and corporate governance issues. This edition also focuses specifically on the topic of corporate social responsibility.

The swissVR Monitor survey was conducted by swissVR in collaboration with Deloitte AG and the Lucerne University of Applied Sciences and Arts between 16 December 2019 and 17 January 2020. A total of 429 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. 35% of participants are from large companies, 34% from medium-sized companies and 31% from small companies.

The aim of swissVR Monitor is to offer Board members a benchmark for comparing the issues facing their own Board with those facing their counterparts on other company Boards. SwissVR Monitor also aims to share with the wider public the ways in which Board members perceive their role and the current economic situation.

### A note on the methodology
When comparing survey results over time, please note that the sample may have changed. Percentage figures are rounded to add up to 100. Company size is determined by workforce: small companies have between 1 and 49 employees, medium-sized companies have between 50 and 249 employees, and large companies have 250 or more employees.
Foreword

A large majority of Board members surveyed think corporate social responsibility (CSR) makes a company more attractive, enhances its reputation and creates competitive advantage. They rate the responsibility of companies to their employees and customers, and their responsibility for the ethical conduct of their business as the most important aspects of CSR. However, the strategic planning and systematic and sustainable implementation of CSR remain a major challenge, with many companies perceiving a conflict between the costs and benefits of CSR.

Dear reader,

We are delighted to bring you swissVR Monitor I/2020, a survey conducted jointly by swissVR, Deloitte and the Lucerne University of Applied Sciences and Arts. For this edition, we surveyed 429 members of Boards of Directors across Switzerland. The findings reflect their attitudes to the economy and the outlook for business and to relevant areas of their own role. The special focus topic in this seventh survey is corporate social responsibility.

swissVR Monitor I/2020 provides a number of insights:

• Compared with the previous survey (swissVR Monitor II/2019), fewer Board members rate the economic outlook for the Switzerland as positive. However, their rating of the outlook for their sector and their own company remains positive and largely unchanged.

• They prioritise what might be termed ‘internal CSR’ (such as companies’ responsibility to employees and customers) over ‘external CSR’ (such as responsibility towards their location or to nature and the environment).

• A large majority (81%) see CSR as an integral part of their company’s corporate strategy, but more than one-third report that they do not have the resources and expertise within the Board to implement it successfully. Only half say their Board takes the time it needs to discuss the topic.

• A further strategic challenge for Boards is defining the priority topics for their company’s social engagement, setting CSR targets and devising indicators to measure achievement in meeting these targets.

• Overall, CSR is clearly seen as an opportunity for companies to differentiate themselves and stand out from their competitors, making them more attractive as an employer (92% of respondents), enhancing their reputation (87%) and achieving competitive advantage (85%).

• The perceived conflict between the costs and benefits of CSR is more marked in SMEs than in large companies. 40% of respondents from small companies and 30% from medium-sized companies report that social engagement involves costs that either drive down profits, make products more expensive or reduce employees’ salaries; just 26% of those from large companies believe this is the case.

• Digitalisation, robotics and automation remains the top issue for Boards of Directors, followed by formulating a new corporate strategy and improving efficiency/optimising internal processes. CSR is not one of the top ten issues for Boards.

We would like to thank all Board members who participated in this swissVR Monitor survey. We hope you will find this report an informative and enjoyable read.

Cornelia Ritz Bossicard
President swissVR

Reto Savoia
CEO Deloitte Switzerland

Prof. Dr. Christoph Lengwiler
Lecturer (External) IFZ/Lucerne University of Applied Sciences and Arts
Summary and key findings

**Weaker economic outlook, but no change in business prospects**
For the fourth half-year in a row, the percentage of Board members rating Switzerland’s economic outlook as positive has fallen. At 20%, it is now lower than two years ago (swissVR Monitor I/2018 – 67%) and one year ago (swiss VR Monitor I/2019 – 28%). However, Board members’ rating of the prospects for their sector (34%) and for their own company (55%) remain unchanged compared with swissVR Monitor II/2019.

**The strategic challenges of CSR**
A majority of Board members surveyed (81%) report that CSR is already an integral part of their company’s corporate strategy. However, almost two-fifths say that their Board does not have adequate resources and expertise to implement CSR successfully. Just over half of respondents say their Board has defined the key topics of their company’s social engagement and that their Board takes the time it needs to discuss CSR, while only just over one-third say that their Board is setting CSR targets and measuring their achievement.

**Employees, training and health more important CSR topics than data protection or climate change**
Employees, diversity and integration, and remuneration are companies’ top priority in their social engagement (69% of responses) followed by opportunities for training (59%) and health and well-being (48%). Responsible consumption/production (42%), privacy and data security (37%) and climate change mitigation/environmental footprint (31%) are lower priorities.

**CSR makes companies more attractive, strengthens their reputation and creates competitive advantage**
The overwhelming majority of Board members (92%) think that CSR makes the company more attractive as an employer and increases employee loyalty. 87% think that CSR strengthens the company’s reputation and helps it acquire customers and partners. Almost as many (85%) think that CSR is not just about marketing and public relations, but is an important tool for differentiating the company from its competitors and achieving competitive advantage.

**Conflict between costs and benefits of CSR**
Around two-thirds of Board members stress the positive benefits of CSR. Some are more critical, however: 36% believe that companies should focus primarily on their business role and not invest time and money in CSR. Just over one-third believe that CSR involves costs that drive down profits, make products more expensive or reduce employees’ salaries. And one in four Board members believes that making profits and increasing the value of the company are the only real corporate responsibility companies have, while two in five think that their company is already taking enough social responsibility by creating jobs and paying taxes.

**Top three Board priorities unchanged**
As in swissVR Monitor I/2019, digitalisation, robotics and automation is the most important issue that Boards have had to tackle over the past 12 months (37% of responses). 34% of respondents cite formulating a new corporate strategy as the most important issue, moving this issue from third to second in the list. Improving efficiency/optimising internal processes slips from second to third place (32% of responses). The top three priorities are unchanged from six months ago. However, talent management is now rated much more important than before: it occupies fourth place, with three out of ten Board members citing this as the most important issue their Board has had to tackle over the last 12 months.
Economic, sector and business outlook

There is little change from swissVR Monitor II/2019 in terms of Board members’ rating of the economic, sector and business outlook over the next 12 months. However, the differences between these individual aspects have become slightly more marked. Board members are more pessimistic about the prospects for the Swiss economy than they were six months ago, but their rating of the prospects for their sector and their own company remains unchanged (see Chart 1).

20% of respondents rate the outlook for the Swiss economy as positive, down 7 percentage points from swissVR Monitor II/2019. Over the same period, the percentage rating the country’s economic outlook as neutral has risen from 67% to 72%, and the percentage rating it as negative is largely unchanged. The country’s economic outlook is, however, the weakest since the Survey was launched three years ago (swissVR Monitor I/2017).

There is only a minor change in the proportion of respondents rating the sector outlook as positive (34%, down from 36%). 15% now rate it as negative, broadly unchanged from the previous survey.

Board members remain most optimistic about their company’s business outlook: 55% rate it as positive, 38% as neutral and 7% as negative, largely unchanged from the findings of the previous survey (swissVR Monitor II/2019).

Board members in the information and communications technology (ICT) sector are most positive about their sector’s business outlook: an above-average 73% rate it as positive, down slightly from 76% in swissVR Monitor II/2019. 70% of Board members in the pharma, life sciences, medtech and health sector also report above-average expectations. This is in marked contrast with swissVR Monitor II/2019 when a below-average 49% of respondents from this sector rated the business outlook as positive. Board members in the corporate services sector out-perform the average, with 65% rating the sector’s business outlook as positive, up from 56% six months ago. However, only 43% of Board members in the manufacturing and chemicals sector are positive about the business outlook, up slightly from 40% in swissVR Monitor II/2019. Other sectors reporting below-average expectations for the business outlook include financial services (48% of respondents, down from 49% in swissVR Monitor II/2019) and commerce and consumer goods (39%, down from 48% in swissVR Monitor II/2019). 55% of Board members in the construction sector rate their sector outlook as positive, in line with the overall average but down from swissVR Monitor II/2019, when an above-average 62% of respondents rated the outlook as positive.

Chart 1. Rating of prospects for the next 12 months

Question: How do you rate the prospects for the Swiss economy/your sector/your company’s business over the next 12 months?
Note: The remaining percentages that add up to a hundred are made up of neutral answers.
Focus topic: Corporate social responsibility (CSR)

Corporate social responsibility can be defined as a set of ethics relating to a company's business, social, environmental and digital responsibility and to different stakeholders (including shareholders, employees, customers, suppliers, partners and the local population). CSR is based on the notion of sustainable growth, but the form it takes may vary considerably from company to company. It includes not only the company's contributions to achieving positive social impact but also the measures it takes to reduce negative impact.

The most important aspects of CSR

Asked how important different aspects of CSR are for the company, almost all Board members list responsibility to employees as the most important aspect (99%), followed closely by responsibility for ethical business practices (98%) (see Chart 2). Respondents list health and safety at work, fair working conditions and remuneration, as well as compliance with legislation, fair competition, quality standards, and ethical business practices with regard to suppliers and partners as the most important aspects of CSR for their company.

Nine out of ten Board members also rate responsibility to customers, responsibility for the impact of digitalisation and responsibility for nature and the environment as important aspects of their company's CSR. Most rate providing customers with information on product manufacture or origin and data protection, and on climate change mitigation as important or fairly important. Nonetheless, it is surprising that environmental aspects of CSR feature so far down the ratings, given the amount of publicity that climate change is currently attracting. The proportion of respondents

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**Chart 2. Most important aspects of CSR**

**Question: How important are the following aspects of corporate social responsibility for your company?**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Important</th>
<th>Fairly important</th>
<th>Fairly unimportant</th>
<th>Unimportant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility to employees (e.g. health and safety at work, fair working conditions and remuneration)</td>
<td>89%</td>
<td>10%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Responsibility for ethical business practices (e.g. compliance with legislation, fair competition, quality standards, ethical business practices in relation to suppliers and partners)</td>
<td>84%</td>
<td>14%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Responsibility to customers (e.g. information on product manufacture or origin, consumer protection)</td>
<td>64%</td>
<td>28%</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>Responsibility for the impact of digitalisation (e.g. data protection and data security, social impact)</td>
<td>51%</td>
<td>38%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Responsibility for nature and the environment (e.g. environmental sustainability, climate change mitigation, energy efficiency and conservation of resources)</td>
<td>47%</td>
<td>44%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Responsibility to the company’s location (e.g. making use of local capacity, creating training places and jobs)</td>
<td>34%</td>
<td>49%</td>
<td>15%</td>
<td>2%</td>
</tr>
<tr>
<td>Responsibility to the state (including use of training institutions, infrastructure, statutory framework, etc.)</td>
<td>22%</td>
<td>51%</td>
<td>24%</td>
<td>3%</td>
</tr>
</tbody>
</table>
rating responsibility to customers (28%), responsibility for the impact of digitalisation (38%) and responsibility for nature and the environment (44%) as fairly important is somewhat higher than those rating responsibility to employees and responsibility for ethical business practices as fairly important (10% and 14% respectively).

Compared with the five most important aspects of CSR, responsibility to the company’s location and responsibility to the state are rated as less important by Board members. Making use of local capacity or creating training places and jobs in the local community are rated as fairly unimportant (15% of responses) or unimportant (2% of responses). Just under one-quarter of Board members (24%) rate a company’s responsibility to the state providing the infrastructure and statutory framework that supports business as fairly unimportant aspect of CSR, with a further 3% rating it as unimportant.

**CSR and strategy**

Four-fifths (81%) of Board members somewhat agree or strongly agree (45% and 36% respectively) that CSR is an integral part of their company’s corporate strategy. Just under one-fifth (19%) somewhat disagree or strongly disagree (17% and 2% respectively) (see Chart 3). Sectors more likely than the average to somewhat agree or strongly agree are the financial services sector (88% of respondents) and commerce and consumer goods (84%). Board members in the construction and ICT sectors, by contrast, are the least likely to agree that CSR is an integral part of corporate strategy (77% and 69% of respondents respectively).

The fact that the companies surveyed almost all integrate CSR in their corporate strategy is a positive finding. However, they face strategic challenges in doing so, particularly with regard to implementing CSR sustainably.

Three-fifths of Board members (61%) say that their Board does not have sufficient resources and expertise within the Board to implement CSR successfully (19% strongly agree and 42% somewhat agree). Board members in the financial services sector are more likely than the average to somewhat agree or strongly agree (66% of respondents), and Board members representing large companies are more likely than those from SMEs to somewhat agree or strongly agree (70%). Respondents in both the construction industry and the manufacturing and chemicals sector are less likely than the average to somewhat agree or strongly agree (54% and 57% respectively). Board members in small companies are much more likely to report that they do not have the resources and expertise they need (51%), compared with 62% from medium-sized companies, almost exactly the average. Across the sample, almost four out of ten respondents somewhat disagree or strongly disagree (31% and 8% respectively), demonstrating that there is room for improvement on many Boards.

Just over half of respondents somewhat disagree (36%) or strongly disagree (10%) that their Board has defined the key topics of corporate social responsibility for their com-

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**Chart 3. CSR and strategy**

Question: How do you rate the following statements on corporate social responsibility and strategy?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Somewhat agree</th>
<th>Somewhat disagree</th>
<th>Strongly disagree</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate social responsibility is an integral part of our company’s corporate strategy.</td>
<td>36%</td>
<td>45%</td>
<td>17%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>We have sufficient resources and expertise within the Board to implement corporate social responsibility successfully.</td>
<td>19%</td>
<td>42%</td>
<td>31%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>We have defined the key topics of corporate social responsibility for our company.</td>
<td>19%</td>
<td>35%</td>
<td>36%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Our Board of Directors takes the time it needs to discuss corporate social responsibility.</td>
<td>14%</td>
<td>40%</td>
<td>40%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>We have set short-, medium- and long-term ambitions and goals as part of our corporate social responsibility and measure their achievement.</td>
<td>9%</td>
<td>27%</td>
<td>43%</td>
<td>21%</td>
<td></td>
</tr>
</tbody>
</table>

- Strongly agree
- Somewhat agree
- Somewhat disagree
- Strongly disagree
pany. This rises to more than half in the construction sector (55% of respondents) and to three-fifths in the ICT sector (61%). Board members from small and medium-sized companies are more likely than large companies to somewhat disagree or strongly disagree (57% from small companies and 51% from medium-sized companies as against 30% from large companies). Just one-fifth (19%) of all Board members surveyed agree that their Board has defined the key topics of CSR for the company. However, a clear focus on this issue is a prerequisite for implementing CSR successfully and sustainably.

Responses to the statement that the Board of Directors takes the time it needs to discuss CSR also point to room for improvement. Just 14% of respondents strongly agree and 40% somewhat agree. Just under half somewhat disagree (40%) or strongly disagree (6%), with markedly above-average responses from the construction industry and the ICT sector (54% and 63% respectively). These findings mirror those of earlier editions of swissVR Monitor: since the survey began three years ago (swissVR Monitor I/2017), the issue of sustainability/corporate social responsibility has never featured among the ten most important issues that Boards of Directors have had to tackle over the last 12 months (see Chart 8 on page 12).

There is also clear room for improvement in the strategic control of CSR. Almost two-thirds (64%) of respondents report that their company has not set short-, medium- or long-term ambitions and goals as part of their company’s corporate social responsibility and do not measure the achievement of CSR. The greatest shortfall in this area is in the corporate services sector (66% of respondents), ICT (67%), construction (71%) and manufacturing/chemicals (71%). A rather more positive picture emerges from the responses from the pharma, life sciences, medtech and health sector and from commerce and consumer goods, where 50% and 40% of respondents respectively strongly agree or somewhat agree that their company has defined CSR goals and measures their achievement (an average of 36% of all respondents).

Key CSR topics

Board members were asked how important various CSR topics are for their company.

A substantial majority (69%) report that employees, diversity and integration, and remuneration are the top priority for their company’s social engagement (see Chart 4). The sectors giving the highest priority to these topics are the pharma, life sciences, medtech and health sector (82% of respondents) and the corporate services sector (74%). The commerce and consumer goods industry and the construction sector are much less likely than the average to rate these topics as important (58% and 63% of respondents respectively).

Chart 4. CSR topics

Question: Which of the following topics are given priority in your company’s social engagement? [Please select up to four topics]

<table>
<thead>
<tr>
<th>Topic</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees / diversity and integration / remuneration</td>
<td>69%</td>
</tr>
<tr>
<td>Training opportunities</td>
<td>59%</td>
</tr>
<tr>
<td>Health and well-being</td>
<td>48%</td>
</tr>
<tr>
<td>Responsible consumption and production</td>
<td>42%</td>
</tr>
<tr>
<td>Privacy and data security</td>
<td>37%</td>
</tr>
<tr>
<td>Climate change mitigation/environmental footprint</td>
<td>31%</td>
</tr>
<tr>
<td>Corruption/Code of Conduct</td>
<td>31%</td>
</tr>
<tr>
<td>Gender equality</td>
<td>27%</td>
</tr>
</tbody>
</table>
The second and third most frequently cited topics also focus on human resources: training opportunities (59% of respondents) and health and well-being (48%). The ICT sector is more likely than the average to prioritise training opportunities (71%), followed by construction (68%). The commerce and consumer goods industry is least likely to prioritise training (50% of respondents). Respondents in the pharma, life sciences, medtech and health sector (70% of respondents) are most likely to cite health and well-being as a priority, with those in the corporate services sector least likely to do so (31%).

Two-fifths of Board members report that their company prioritises responsible consumption and production (42%)

CSR programmes

Board members were asked what programmes or initiatives their company organises or supports in the area of social engagement.

Exactly half cite the traditional area of sponsoring events as the most important CSR programme their company organises or supports (see Chart 5). Voluntary engagement in clubs, associations and social institutions comes a close second, with 48% of respondents. Board members in the financial services sector most commonly report sponsorship programmes (70% of respondents), while those in the corporate services sector are most likely to report voluntary engagement by companies (72% of respondents).

Alongside more ‘traditional’ CSR activities, corporate giving in cash or in kind and partnerships with training institutions to share know-how are cited by 40% and 35% of Board members respectively. A relatively small number of respondents report that their companies already have training partnerships compared with the much higher number identifying such opportunities as an important aspect of their CSR (see Chart 4 on page 8). This illustrates the gap already highlighted between aspiration and implementation in many companies. There are no significant differences between sectors in terms of corporate giving. However, 47% of Board members in the corporate services sector, 43% in manufacturing and chemicals and 42% in pharma, life sciences, medtech and health

Chart 5. CSR programmes

Question: What kind of programmes or activities does your company organise or support as part of its social engagement? [Please select up to five programmes or activities]

- Sponsoring events 50%
- Voluntary engagement in clubs, associations and social institutions 48%
- Corporate giving (in cash or in kind) 40%
- Partnerships with training institutions to share know-how 35%
- Providing human resources for social projects/corporate volunteering by employees 28%
- Impact investing in socially responsible companies or charity projects 23%
- Promoting/supporting political engagement by employees 21%
- Setting up public-benefit foundations or associations 18%
report partnerships with training institutions, all above the average.

Only a minority of companies organise or support more ‘modern’ forms of social engagement, such as corporate volunteering (cited by 28% of respondents) and impact investing (cited by 23%). The corporate services sector and ICT are most likely to organise or support volunteering, with 37% of Board members reporting their company supports both these categories. Impact investing is most common in the commerce and consumer goods industry (37% of respondents) and in financial services (35% of respondents).

Only one Board member in five reports that their company organises or supports the other two kinds of CSR programme listed: promoting/supporting political engagement by employees (21%) and setting up public-benefit foundations or associations (18%).

The impact of CSR

Board members were asked to respond to positive and critical statements about the impact CSR is having on their company.

Positive statements about the impact of CSR

Among the positive statements, one in two Board members (51%) strongly agrees that corporate social responsibility makes the company more attractive as an employer and increases employee loyalty. A further 41% somewhat agree. Only a small minority somewhat disagree or strongly disagree (7% and 1% respectively) (see Chart 6). There are no major differences here between sectors, but company size makes a difference: large companies (56% of respondents) and medium-sized companies (55%) are more likely to strongly agree than small companies (41%).

Just over two-fifths of respondents (43%) also strongly agree that focusing solely on economic performance no longer reflects society’s priorities and that the company needs to integrate social and environmental aspects more closely into its corporate strategy. Much the same proportion (40%) strongly agree that CSR strengthens the company’s reputation and helps it to acquire customers and partners. Almost 50% of respondents somewhat agree with both statements. Large companies are also more likely than small and medium-sized companies to strongly agree that focusing solely on economic performance no longer reflects society’s priorities (49%, compared with 41% of small companies and 39% of medium-sized companies). Companies in the corporate services sector are most likely to strongly agree (54%). There are no significant differences between companies of differing sizes in response to the statement that CSR strengthens the company’s reputation and helps it to acquire customers and partners. Board members from the corporate services sector are most likely to strongly agree (51% of respondents), followed by those in financial services and the pharma, life sciences, medtech and health sector (45% of respondents in both sectors).

Around one-third of respondents (34%) strongly agree with the statement that CSR is not just about marketing and public relations but is an important tool for achieving competitive advantage, and 51% somewhat agree. However, a minority somewhat disagree (13%) or strongly disagree

<table>
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<tr>
<th>Chart 6. Impact of CSR (positive statements)</th>
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<tbody>
<tr>
<td>Question: How do you rate the following statements on corporate social responsibility?</td>
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<tr>
<td>Corporate social responsibility makes the company more attractive as an employer and increases employee loyalty.</td>
</tr>
<tr>
<td>Focusing solely on economic performance no longer reflects society’s priorities, and the company needs to integrate social and environmental aspects more closely into its corporate strategy.</td>
</tr>
<tr>
<td>Corporate social responsibility strengthens the company’s reputation and helps it to acquire customers and partners.</td>
</tr>
<tr>
<td>Social engagement is not just marketing and public relations; it is an important tool for achieving competitive advantage.</td>
</tr>
</tbody>
</table>
Large companies are also more likely than small or medium-sized companies to strongly agree that CSR is an important tool for achieving competitive advantage (44%, compared with 23% of small companies and 34% of medium-sized companies). Board members in the pharma, life sciences, medtech and health sector are most likely to strongly agree (45% of respondents).

**Critical statements about the impact of CSR**

It is striking that between 60% and 80% of all respondents somewhat disagree or strongly disagree with each of the critical statements. The lowest level of agreement is with the statement that **making profits and increasing the value of the company are the only real corporate responsibility that companies have.** 24% of respondents strongly disagree and 51% somewhat disagree, representing three-quarters (75%) of all respondents (see Chart 7). In contrast, one in four Board members somewhat agrees or strongly agrees (22% and 3% respectively). Small and medium-sized companies are more likely to agree than large companies (28% and 27% of respondents respectively, compared with 22% of large companies).

However, the critical statement that **social engagements involves costs that drive down profits, make products more expensive or reduce employees’ salaries** attracts more agreement. 28% of respondents somewhat agree and 4% strongly agree, just under one-third of all Board members surveyed (32%). This points to the perceived conflict between the costs and benefits of CSR, an issue that many companies face, particularly small companies: 40% of small companies somewhat agree or strongly agree with the critical statement, compared with 30% of medium-sized companies and 26% of large companies. It is important to note that cost-benefit assessments also vary according to which elements are (or can be) assessed and according to the mismatch between necessary short-term investment (short-term cost) for long-term, measurable results (long-term benefit).

Responses to the critical statement that **companies should focus primarily on their business role and not invest time and money in social engagements** paints a similar picture. Just over one-third of all Board members surveyed (36%) somewhat agree (31%) or strongly agree (5%). The figure for medium-sized companies is 38%, only slightly higher than for small and large companies (36% and 32% respectively).

In contrast, two-fifths somewhat agree or strongly agree (36% and 4% respectively) that **companies are already taking enough social responsibility by creating jobs and paying taxes.** Small and medium-sized companies are more likely to agree with this statement than large companies (42% and 45% respectively, compared with 33%). Just 18% of those surveyed strongly disagree.

<table>
<thead>
<tr>
<th>Chart 7. Impact of CSR (critical statements)</th>
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<tbody>
<tr>
<td><strong>Question:</strong> How do you rate the following statements on corporate social responsibility?</td>
</tr>
<tr>
<td><strong>Note:</strong> The colour scale has been reversed for better readability.</td>
</tr>
<tr>
<td>Making profits and increasing the value of the company are the only real corporate responsibility companies have.</td>
</tr>
<tr>
<td><img src="image" alt="Chart showing responses" /></td>
</tr>
<tr>
<td>Social engagements involves costs that drive down profits, make products more expensive or reduce employees’ salaries.</td>
</tr>
<tr>
<td><img src="image" alt="Chart showing responses" /></td>
</tr>
<tr>
<td>Companies should focus primarily on their business role and not invest time and money in social engagement.</td>
</tr>
<tr>
<td><img src="image" alt="Chart showing responses" /></td>
</tr>
<tr>
<td>Companies are already taking enough social responsibility by creating jobs and paying taxes.</td>
</tr>
<tr>
<td><img src="image" alt="Chart showing responses" /></td>
</tr>
</tbody>
</table>
Strategic and structural issues facing the Board of Directors

Key issues for the Board of Directors

As in previous editions of swissVR Monitor, Board members were asked to choose from a list of topics the five most important issues that their Board of Directors has had to tackle over the last 12 months and will have to tackle over the next 12 months.

Digitalisation/robotics/automation remained the top issue over the last 12 months, with 37% of respondents naming this as one of the five most important issues. This is almost exactly the same figure as in swissVR Monitor I/2019 (see Chart 8).

This was closely followed by formulating a new corporate strategy (34%), up from third place (30%) in swissVR Monitor I/2019. Ranking third, and down one place, is improving efficiency/optimising internal processes (32%). Since the survey was launched three years ago (swissVR Monitor I/2017), these three issues have consistently been ranked as the top three issues, with just minor shifts in the order of importance.

Talent management has risen from seventh to fourth place, with 31% of respondents citing it as one of the most important issues over the last 12 months as against 25% a year ago.

Chart 8. Top 10 topics for the Board of Directors

<table>
<thead>
<tr>
<th>Rank I/2020</th>
<th>Rank I/2019</th>
<th>Next 12 months</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (37%)</td>
<td>1 (38%)</td>
<td>2 (37%)</td>
<td>Digitalisation/robotics/automation</td>
</tr>
<tr>
<td>2 (34%)</td>
<td>3 (30%)</td>
<td>7 (23%)</td>
<td>Formulating a new corporate strategy</td>
</tr>
<tr>
<td>3 (32%)</td>
<td>2 (35%)</td>
<td>1 (39%)</td>
<td>Improving efficiency/optimising internal processes</td>
</tr>
<tr>
<td>4 (31%)</td>
<td>7 (25%)</td>
<td>3 (34%)</td>
<td>Talent Management (recruitment, staff retention, etc.)</td>
</tr>
<tr>
<td>5 (30%)</td>
<td>4 (28%)</td>
<td>6 (24%)</td>
<td>Human resources challenges at management level</td>
</tr>
<tr>
<td>6 (29%)</td>
<td>6 (26%)</td>
<td>4 (32%)</td>
<td>Responding to market developments/behaviour by competitors</td>
</tr>
<tr>
<td>7 (23%)</td>
<td>4 (28%)</td>
<td>5 (28%)</td>
<td>Go-to-market issues (marketing and sales strategy)</td>
</tr>
<tr>
<td>8 (22%)</td>
<td>8 (24%)</td>
<td>12 (16%)</td>
<td>Corporate transactions (acquisitions, cooperation arrangements and mergers)</td>
</tr>
<tr>
<td>9 (20%)</td>
<td>9 (22%)</td>
<td>8 (19%)</td>
<td>Corporate culture</td>
</tr>
<tr>
<td>9 (20%)</td>
<td>14 (19%)</td>
<td>8 (19%)</td>
<td>Ensuring innovation/research and development</td>
</tr>
</tbody>
</table>

Strategic and HR
Organisation & processes
Human resources challenges at management level slipped one place (30%) in the rankings, while go-to-market issues slipped three places (23%).

Unchanged in the rankings are the two strategy issues responding to market developments/behaviour by competitors (29% of responses) and corporate transactions (22%). The HR issue of corporate culture, first introduced into the list in swissVR Monitor I/2019, is also regarded as important (20% of respondents).

Compliance and risk issues narrowly missed making it into the top ten issues this time: these include risk management (at 11th place in the rankings, with 19% of responses) and compliance (legislation and internal Codes of Conduct) at 12th place, with 17% of responses.

Comparing the most important issues over the last 12 months with those for the next 12 months, it is striking that a markedly higher proportion of Board members think their Board will be discussing improving efficiency/optimising internal processes in 2020 than in 2019 (39% as against 32%). The same proportion report that their Board will be discussing digitalisation/robotics/automation in detail (37%). The issues of talent management and responding to market developments/behaviour by competitors are likely to be slightly more important in 2020 than in 2019, with 34% and 32% of responses respectively, up from 31% and 29% respectively. In contrast, formulating a new corporate strategy and corporate transactions are now seen as considerably less important than a year ago (23% and 16% of responses respectively as against 34% and 22% in swissVR Monitor I/2020).
Changes in the operating environment for Board members

Many of the Board members surveyed report relatively marked changes over the past year in the environment in which the Board operates. As in earlier editions of swissVR Monitor, these include most notably the increased time commitment and greater interaction between the Board of Directors and management (see Chart 9).

More than half of all Board members (54%) report that the time commitment involved in a Board mandate has increased over the last 12 months. Just 3% report a decrease, with the remaining 43% reporting no change in the time commitment required. These findings are almost identical with those two years ago (swissVR Monitor I/2018). The breakdown by company size shows that Board members in medium-sized companies are more likely than those in small or large companies to report that the time commitment has increased (59% of respondents as against 51% and 52% respectively).

The picture is similar when it comes to interaction with management. 53% of respondents report an increase in interaction with management over the last 12 months, with 3% reporting a decrease and 44% no change. Here, too, the findings are unchanged from two years ago (swissVR Monitor I/2018).

Just over one-quarter of all respondents (27%) report an increase in reputational pressure over the last 12 months and just over one-fifth (22%) an increase in shareholder influence. However, a clear majority of respondents report no change in either of these areas. The findings in relation to changes in shareholder influence also follow much the same pattern as in swissVR Monitor I/2018. Large companies are more likely than small and medium-sized companies to report that shareholder influence has increased (26% of respondents, compared with 18% and 23% respectively).

Just 12% of respondents report an increase in interaction with external audit, and only 9% say their remuneration has increased. In most cases, remuneration for Board members has clearly not changed, despite evidence of a greater workload and additional challenges.

| Chart 9. Prioritising areas within the mandate of the Board of Directors over the past 12 months |
|---|---|---|---|---|---|---|
| **Question:** How has the importance of the following aspects of your mandate changed over the past year? | **Increase** | **No change** | **Decrease** |
| Time commitment | 54% | 3% | 43% |
| Interaction with management | 53% | 3% | 44% |
| Reputational pressure | 27% | 1% | 72% |
| Shareholder influence | 22% | 3% | 75% |
| Interaction with external audit | 12% | 3% | 85% |
| Remuneration | 9% | 3% | 88% |
Cooperation between the Board of Directors and management

Almost all the Board members surveyed report that the Board normally takes important strategic decisions after consulting management (96%) and only slightly fewer that the Board can assert itself against management (94%) (see Chart 10). Overall, the picture is almost identical with the findings of two years ago (swissVR Monitor I/2018): the only significant change is that the proportion of respondents strongly agreeing has risen while those somewhat agreeing has fallen.

A similar majority strongly agree or somewhat agree that there is a culture of open information and communication between the Board and management (65% and 30% respectively). Here, too, the proportion of respondents who strongly agree is up from swissVR Monitor II/2018, while a lower proportion somewhat agree. A similar picture emerges with relation to the current allocation of roles between the Board and management, with 60% strongly agreeing that it is appropriate and 31% somewhat agreeing. Roughly the same proportions strongly agree and somewhat agree that collaboration between the Board and management is characterised by great mutual trust (60% and 33% respectively).

Responses to the statement that the Board is sufficiently independent of management are more positive than two years ago (swissVR Monitor I/2018). A total of 49% of respondents strongly disagree, somewhat disagree or somewhat agree (5%, 12% and 32% respectively), down from a total of 54% two years ago.

There is greater agreement that the Board of Directors periodically assesses management’s performance and provides feedback and that there is a clear distinction between strategic and operational issues. 43% of all respondents strongly agree with the first of these statements, up from 38% two years ago, and 35% strongly agree with the second statement, up from 29% two years ago.

Chart 10. Cooperation between the Board of Directors and management
[swissVR Monitor I/2020 change from I/2018]

<table>
<thead>
<tr>
<th>Question</th>
<th>1/2018</th>
<th>1/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board normally takes important strategic decisions after consulting management.</td>
<td>62%</td>
<td>70%</td>
</tr>
<tr>
<td>Where necessary, the Board can assert itself against management.</td>
<td>57%</td>
<td>66%</td>
</tr>
<tr>
<td>There is a culture of open information and communication between the Board and management.</td>
<td>57%</td>
<td>65%</td>
</tr>
<tr>
<td>The current allocation of roles between the Board and management is appropriate.</td>
<td>49%</td>
<td>60%</td>
</tr>
<tr>
<td>The collaboration between the Board and management is characterised by great mutual trust.</td>
<td>49%</td>
<td>60%</td>
</tr>
<tr>
<td>The Board is sufficiently independent of management.</td>
<td>46%</td>
<td>51%</td>
</tr>
<tr>
<td>The Board periodically assesses management’s performance and provides feedback.</td>
<td>38%</td>
<td>43%</td>
</tr>
<tr>
<td>There is a clear distinction between strategic and operational issues.</td>
<td>29%</td>
<td>35%</td>
</tr>
</tbody>
</table>
Global corporate social responsibility

Paul Bulcke, Chairman of the Board of Directors of Nestlé

“As a consumer-facing company, we see no contradiction between doing well and doing good.”

Paul Bulcke has been Chairman of the Board of Directors of Nestlé S.A. since April 2017. He is Vice Chairman of L’Oréal (FR) and Board Member of Roche Holding Ltd. (CH). He is Chairman of the World Economic Forum’s Community of Chairpersons (WEF), member of the European Roundtable of Industrialists (ERT), the Board of Trustees of Avenir Suisse and J.P. Morgan International Council as well as Co-Chairman of the 2030 Water Resources Group.

With a career in Nestlé spanning 40 years, he was Chief Executive Officer of Nestlé S.A. between 2008 and 2016, and just prior to this, held the role of Executive Vice President with responsibility for Zone Americas.

swissVR: How has your company defined CSR and made it part of your strategy?

Paul Bulcke: From Nestlé’s point of view, there is no split between company and societal objectives. This is encapsulated in the company purpose, ‘Enhancing quality of life and contributing to a healthier future’, and is operationalised through our Creating Shared Value approach. Creating Shared Value means that, in all company activities, value must be created for both the company and for society.

swissVR: Which approach is more likely to be successful in such a large and global company as Nestlé: a globally integrated CSR strategy or a series of CSR strategies adapted to local conditions?

Paul Bulcke: Nestlé’s Creating Shared Value approach is globally framed and led but is operationalised locally in the markets in which Nestlé operates. This combination of global and decentralised is essential in ensuring that Creating Shared Value remains relevant for the company as a whole but also for the communities and stakeholders impacted.

swissVR: How do you ensure CSR is implemented consistently throughout the company and that individual programmes produce the desired impact?

Paul Bulcke: Measuring and reporting on areas relevant to a company’s activities are important components of Creating Shared Value. Nestlé published its first annual global Creating Shared Value report in 2008, documenting its efforts and initiatives. Forward-looking commitments first published in 2012 ensure that all markets pull in the same direction and enable stakeholders to assess progress made.

swissVR: Which areas of CSR does your company currently see as posing the greatest challenges? How does Nestlé go about dealing with critical NGOs, and how does it ensure that these organisations recognise CSR programmes?

Paul Bulcke: Over the years, there has been a decline in trust in many sectors of society, including the private sector. To address this, Nestlé has for many years now engaged directly with its key stakeholders, including NGOs. In particular, we have regularly organised ‘stakeholder convenings’, which bring together key actors at country level to discuss specific challenges directly relevant to the company and also help us improve and set the priorities for our Creating Shared Value strategy. These meetings help generate increased levels
of trust and mutual respect. Outcomes are fed back to senior management through the Nestlé in Society Board. We also conduct a Nestlé stakeholder community survey annually with key opinion leaders so that we can understand evolving views on the company’s issues and reputation management.

**swissVR:** How can the Board of Directors help to ensure that CSR is not just a box-ticking exercise but actually makes the company a responsible partner and enhances its reputation among investors, customers and the public?

**Paul Bulcke:** As a consumer-facing company, we see no contradiction between doing well and doing good. ESG (environmental, social and governance) considerations inform our strategy, and if consumers value our sustainable products, this will be good for our business too. Plant-based proteins are a great example of where doing business sustainably can lead to sustainable value creation.

One of the most critical tasks for the Board of Directors is to ask the right questions and, in particular, questions that are closely linked to those that all our stakeholders in society are asking. This in turn is linked to having a diverse group of individuals within the Board, notably in terms of nationality, perspective, experience, expertise and competencies.
Responsible investment

Antoinette Hunziker-Ebneter, President of the Board of Directors of BEKB.

“The Board of Directors determines a company’s strategy and monitors how that strategy is implemented. It therefore both devises and guarantees a responsible business policy.”

swissVR: Why should companies concern themselves with CSR rather than focus on maximising their profits?

Antoinette Hunziker-Ebneter: Quite simply, because a sustainable business policy is relevant to increasing numbers of people. To put it another way, people are increasingly buying goods and using services only when those goods and services involve sustainable use of resources. Fair business practices, customer-oriented distribution channels, and a responsible sales policy are now the basic requirements for many companies’ competitiveness and economic success. It’s like going back 100 years: if you worked as a haulier and failed to switch from a horse and cart to a motor vehicle, you lost your place in the transport industry.

For me, companies naturally have a social responsibility and should also be using the world’s resources in a responsible way. Business activity is, after all, embedded in a socio-political context, and that in turn forms part of the global ecosystem. A healthy economy depends on a healthy society – and both are reliant on a healthy environment.

swissVR: What are the key CSR issues facing the financial sector? And how can individual companies stand out from the rest?

Antoinette Hunziker-Ebneter: Individual companies can differentiate themselves by means of the objectives they set themselves and how they implement them, ensure compliance with them and report on them.

The 17 Sustainable Development Goals (SDGs) form the core of the 2030 Agenda for Sustainable Development adopted by the United Nations in autumn 2015. The SDGs lay down social, economic and environmental milestones that countries around the world are working towards. Every sector and every company has a part to play in achieving the SDGs.

As a representative of the finance sector, early on BEKB created a framework for tailoring its sustainability management and its core business to the SDGs. As a regionally oriented bank, BEKB seeks, for example, to contribute particularly to SDGs 7 (“Affordable and clean energy”), 8 (“Decent work and economic growth”) and 12 (“Responsible consumption and production”). Large banks and global financial service providers presumably have other priorities and focus on sustainable project financing and investment.
**swissVR:** Ideally, what should be the role of the Board of Directors in the area of CSR? Where do you see the greatest challenges?

**Antoinette Hunziker-Ebneter:** The Board of Directors determines a company’s strategy and monitors how that strategy is implemented. It therefore both devises and guarantees a responsible business policy and is required to take HR decisions at the most senior level of management to ensure that the company can meet its objectives. By nature, management is responsible for managing a company’s operations, so it focuses primarily on commercial success. The Board of Directors therefore has to establish a good balance between performance-related remuneration for achieved annual results and the importance of long-term, over-arching corporate objectives.

Larger companies and multinationals often have a CSR committee to devise good ways the Board can tackle these challenges. For example, responsibility for sustainability should lie jointly with the CEO and a designated member of the Board. It is also important to have sustainability expertise on the Board of Directors.

**swissVR:** What role does socially responsible investment (SRI) play in the debate around CSR?

**Antoinette Hunziker-Ebneter:** Sustainable investment supports the flow of finance to robust companies that manage their resources responsibly. Sustainability should also be an integral part of the customer advice process. BEKB promotes the sale of sustainable goods and services, particularly in investment, and is continually expanding its sustainable product portfolio. It offers funds in all investment categories that reflect BEKB’s own approach to sustainability. Consistent implementation of a responsible sales policy also includes ensuring that customer advisers are aware of these topics and receive thorough initial and continuing training.

**swissVR:** To what extent can investors ensure that, through SRI, companies tackle corporate social responsibility better and actually behave more sustainably?

**Antoinette Hunziker-Ebneter:** Both investors and consumers need to send clear signals as to the direction they would like the company to take. They have great power; and – as already mentioned – expectations of sustainable business practices are increasing all the time. In the finance sector in particular, if you don’t keep up with the times, you will be left behind.
CSR in SMEs

Dorothea Baur, independent ethics expert.

“SMEs should see their flat decision-making structures as an opportunity to design a CSR policy that is more tangible for their employees and stakeholders than is the case in large multinationals.”

swissVR: How relevant do you think CSR is now? And how will it develop in future?

Dorothea Baur: Over recent decades, CSR has gone from being a purely philanthropic approach based on goodwill and a desire to ‘give something back’ to society to being an integral part of a convincing management strategy.

The proliferation of voluntary standards and certification means that CSR has increasingly become part of company practice. However, regulation is also increasing, and standards that were previously voluntary are now being enshrined in statute. For example, since 2017, the EU has required companies above a specific size to produce a sustainability report. Regulation also reflects the public’s lack of trust in businesses: more and more companies are making CSR an integral part of their corporate strategy, but too many economic players have ended up damaging public confidence.

I hope companies will think more holistically in future and consider not just the financial aspects of their business activities but also the non-financial aspects. The trend towards Integrated Reporting is a positive step in this direction. Companies can halt greater regulation in its tracks only if they can show convincingly that they consistently take account of social and environmental issues regardless of the statutory penalties for not doing so.

swissVR: Some companies view CSR as ‘nice to have’. How great is the risk that when times are difficult, companies will reduce their CSR programmes on grounds of costs? And what impact might that have?

Dorothea Baur: If CSR is no more than a philanthropic add-on to the core business, there is a significant risk that companies will see it purely in cost terms. And if individual CEOs are the driving force behind CSR topics, there is a risk that when the CEO changes, these topics disappear as rapidly as they appeared.

Companies can reduce this risk by integrating CSR into their strategy and focusing on important and specific issues that are economically relevant to the company and actively supported by stakeholders. It is also important that CSR topics are firmly embedded in operations and form part of the company’s day-to-day routines. For example, if a company tailors its storage of chemicals to an ISO management system that grants certification, that creates accountability.
swissVR: What differences and similarities do you see between SMEs and large companies when it comes to planning and implementing CSR strategies and programmes?

Dorothea Baur: There are major differences between small and large companies in terms of CSR governance. Larger companies have a greater division of work and are often able to delegate responsibility for CSR and sustainability to specialists who report back to senior management; for them, CSR is an official company function that is systematically planned and implemented. External stakeholders – including, increasingly, shareholders – demand a professional approach of this kind. In SMEs, however, CSR is more informal, and a lot depends on personal ethos. How important is CSR to the CEO? Are employees involved and proactive in driving the issue forward? I also see more and more SMEs that supply large companies being required to comply with ever-higher CSR standards imposed by those companies. If large companies commit to transparent supply chains, small suppliers are then put under pressure to provide evidence of the traceability of their raw materials. If they are to be efficient in providing this evidence, CSR has to be part of supply chain management. In other words, large companies require SMEs to plan their CSR professionally and that comes at a greater cost in terms of workload: there is a sort of trickle-down effect.

swissVR: What do you see as the success factors for SMEs in terms of taking corporate social responsibility seriously? And how can the economic benefits of CSR programmes be demonstrated?

Dorothea Baur: SMEs should see their flat decision-making structures as an opportunity to design a CSR policy that is more tangible for their employees and stakeholders than is the case in large multinationals. SMEs can strike a more personal note than large companies that have dozens of policies. They are usually less heterogenous and find it easier to reach a consensus on relevant issues. SMEs also enjoy greater continuity in their senior management, so the personal ethos of the boss is very important. And they are not subject to the pressure of quarterly reporting or shareholders. However, SMEs are often guilty of understatement when it comes to CSR. They are not good at communication; they lack the know-how or the resources. A large company can, for example, boast in its CSR report about how many apprentices it is training, but training apprentices is something that SMEs do without thinking about it and that they do not perceive as having anything to do with CSR.

It is difficult to demonstrate the economic benefits of CSR because it is not always clear what is correlation and what is causality. CSR should never be made wholly reliant on economic benefit but should be seen as ‘the right thing to do’. And there should be as much scrutiny as possible of the benefits it brings. For example, employee or customer satisfaction ratings, staff turnover rates and numbers of industrial accidents could all be indicators of the benefits of CSR. However, it is usually easier to measure impact in environmental areas – you can quantify exactly how much water and energy you’ve saved.

swissVR: Do you think we need greater regulation in Switzerland to force companies to improve their corporate social responsibility? What regulatory changes do you think are coming down the line?

Dorothea Baur: I don’t see regulation as positive in and of itself, so greater regulation is not good or bad per se. It all depends on the aim of the regulation. For example, I’m in favour in principle of regulation that increases transparency through reporting requirements. Transparent CSR and sustainability reporting enable stakeholders to gain an overview and understand the non-financial impact that businesses have. Do I as a shareholder want to go on investing in a company whose CO₂ emissions are continually rising? What does it mean for me as a customer if a particular fashion chain switches to organic cotton? I see the number of transparency requirements increasing. And ‘joined-up thinking’ is increasingly underpinning legislation. There are signs that in the not too distant future, the requirement to compile a sustainability report will be linked to the classification of sustainable activities under the EU Commission’s 2018 ‘Action Plan for Financing Sustainable Growth’.

In terms of further regulation, we are at a crossroads. Will business be able to win back the public’s trust and prove that it takes its social and environmental responsibilities seriously even without the ‘big stick’ of legal sanctions? Just saying ‘regulation is harmful’ is not enough. CSR-aware companies will have to demonstrate convincingly that they are doing everything they can – and differentiate themselves from other companies in their sector that take only a superficial approach to CSR. Otherwise, there is a risk of drowning in legislation on the statutory duty of care that brings civil or even criminal implications with it.
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Front page: istock.com / Phonix_a

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