

FROM GOOD INTENTIONS TO REAL RESULTS

Corporate Citizenship of Germany's DAX 30 Companies

- + **Relevance:** Why is Corporate Citizenship a CEO topic?
- + **Trends:** What are current and future expectations regarding Corporate Citizenship?
- + **Current practice:** How do DAX 30 companies engage in societal causes?
- + **Good practices:** What does good Corporate Citizenship look like?
- + **Advice:** How can you revise your own Corporate Citizenship approach?

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01 EXECUTIVE SUMMARY

*We consider Corporate Citizenship
as the contributions of businesses to society
through the combination of core business activities,
social investment and philanthropy, and
participation in the public policy process.*

(World Economic Forum, 2002)

The world is facing dramatic challenges ranging from social inequality and climate change to healthcare systems that are stretched to the limit. Recognizing these challenges, the United Nations with their Sustainable Development Goals (SDGs) are calling upon all members of society to play their part.

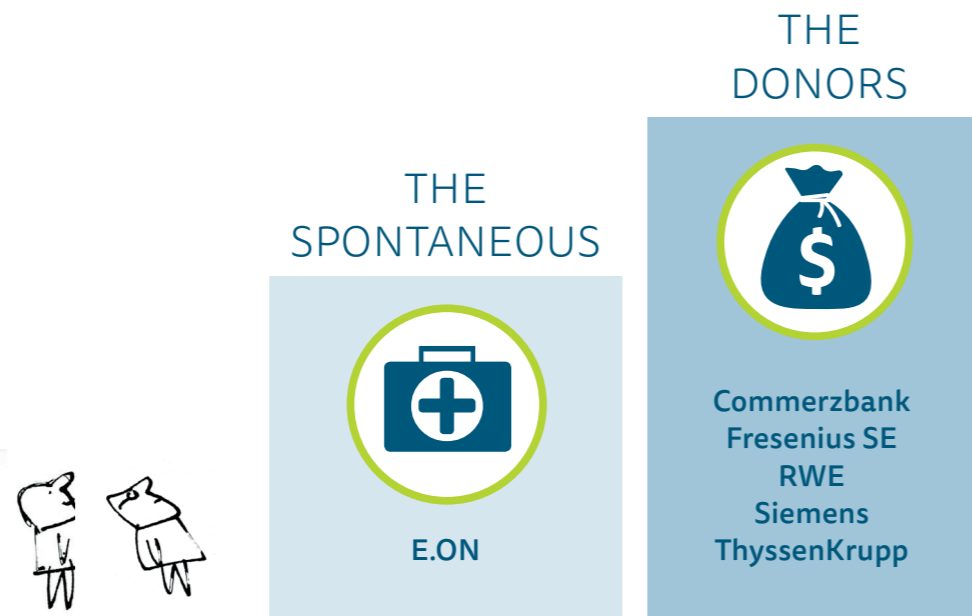
With their expertise and resources, companies can play a key role in addressing these societal challenges: the fact that the revenues of DAX 30 companies alone exceed the GDP of Canada shows the economic power companies possess. However, today most are not yet unlocking their full potential to foster positive societal change.

This is not only because companies are primarily focused on maximizing their profit. Raising the bar is also a challenge because Germany has no established standards for good Corporate Citizenship – unlike the US, where a number of standards, e.g. the reporting standards from the Committee Encouraging Corporate Philanthropy (CECP) exist. Many

people from both the for-profit and non-profit sectors still argue that companies should focus on their business and limit their social activities to paying taxes and simply making donations to Non-Governmental Organizations (NGOs).

However, this view is slowly changing in different parts of the world, with new regulations being put in place to encourage and enforce a more active role of companies in addressing societal changes. For example: in India, any company with annual revenues exceeding ten billion Rupees (~ EUR 142 million) has to donate two percent of its net profit to charitable organizations (University of Oxford, 2016).

We share this evolving view and believe that Corporate Citizenship activities should be managed as professionally as a company's core business – assuming that Corporate Citizenship is not misused to “whitewash” any misconduct. In our view, good Corporate Citizenship should focus on a limited number of activities linked to the company's core business and area of expertise. It should leverage the company's full



range of resources, including financial and non-financial, and be driven by a dedicated organization with clear responsibilities to steer its activities. Furthermore, good Corporate Citizenship should be impact-driven and measured against the results the company intends to achieve.

According to this conviction, we analyzed the Corporate Citizenship activities of DAX 30 companies using similar parameters to those we would apply to analyze their core business. And we compared the Corporate Citizenship activities of DAX 30 companies with German and international good practice examples to illustrate the vast and yet often untapped potential of Corporate Citizenship in tackling today's societal challenges.

Our analysis shows that every DAX 30 company engages in Corporate Citizenship activities and is therefore in general aware of the need for corporations to contribute to society and help to resolve its current challenges. However, even though our analysis reveals that more than EUR 500 million are donated annually to societal causes, only a few DAX 30 companies take a strategic approach to Corporate Citizenship and fully leverage their resources and skills. 83 percent engage in three or more topics, showing a rather limited focus.

Another 83 percent engage in the area of education e.g. by financing a new building or a lecture series. Although certainly positive, this is not connected to the companies' core competencies and does not build on their strengths. Furthermore, only 17 percent report on the results of their activities with resilient key performance indicators (KPIs), indicating a lack of results orientation. One DAX 30 company even stated it was "not aiming at achieving so-called results".

Overall, only one company, E.ON, is classified as "Spontaneous", i.e. without a discernible Corporate Citizenship strategy. Five companies are categorized as "Donors", whose Corporate Citizenship approach is associated with a rather diluted focus, short-term resource planning and the assumption that their monetary donations are being used wisely by NGOs. Next to this group are 17 companies whose Corporate Citizenship approach can be considered "Committed". They are addressing a number of challenges long-term and have allocated considerable resources for this purpose. However, they tend to be not very ambitious when it comes to results orientation. Seven companies have a strategic Corporate Citizenship set-up with well-defined focus areas and an allocation of substantial resources that are geared towards achieving measurable results.

THE COMMITTED



Adidas
Allianz
Beiersdorf
BMW
Continental
Daimler
Deutsche Börse
Fresenius Medical Care
HeidelbergCement
Henkel
Infineon
Linde Group
Lufthansa
Munich RE
ProSiebenSat.1
Volkswagen
Vonovia

THE STRATEGISTS



BASF
Bayer
Deutsche Bank
Deutsche Post
Deutsche Telekom
Merck
SAP

THE INTEGRATED



However, none of the DAX 30 companies has fully integrated its Corporate Citizenship activities into its core business.

That it is actually possible to pursue a fully integrated Corporate Citizenship approach is illustrated by the international good practice example of Schneider Electric, which achieves substantial results and widespread recognition with a comparatively moderate financial outlay.

Providing affordable access to energy is at the heart of Schneider Electric's Corporate Citizenship strategy, which is directly linked to their core business. The company leverages different resources at its disposal, and orchestrates them all – skilled volunteering, technologies, investment funds and donations – to implement their strategy in their current as well as in emerging markets. In addition, Schneider Electric has developed its own measurement tool – the Planet and Society Barometer – and transparently reports activities and results.

To date, Schneider Electric has provided more than 3.3 million households with access to electricity, trained over 150,000 people in energy management and conducted over 1,300 corporate volunteering missions. In return, Schneider Electric

has been recognized as the industry leader of the Dow Jones Sustainability Index (DJSI, 2016) for the fourth year running, and ranks among the Global 100 Most Sustainable (Corporate Knights, 2016) and ethical corporations in the world (Ethisphere, 2016).

It is striking that Schneider Electric is able to pursue a highly integrated approach, despite of only donating approximately EUR 11.5 million annually (or just 0.4 percent of EBIT, way short of the "gold standard" of one percent (Weeden, 1998 and Walker, 2013)¹). This clearly demonstrates that good Corporate Citizenship is not a linear function of how many, but rather how wisely resources are invested.

In a way, Schneider Electric's approach captures many of our assumptions of what constitutes good Corporate Citizenship.

We know that our assumptions and overall approach will not be shared by everyone in the for-profit and non-profit sectors. However, we hope that the study will kick-start a constructive debate and ideas on how to take the Corporate Citizenship activities of DAX 30 companies and others to a new level, and eventually move the entire industry from good intentions to creating real results. ||

¹ Note: Weeden even suggested 2.5 percent of EBIT as "corporate social investment". However, this would also include product donations and other forms of payments to NGOs. The one percent EBIT "gold standard" builds on Weeden, but refers to cash giving only as an established industry benchmark. See also Walker, 2013.

02 CORPORATE CITIZENSHIP IN A WORLD OF SOCIETAL CHALLENGES

THE WORLD IS FACING UNPRECEDENTED CHALLENGES

What do unprecedented challenges mean in practice? To get an understanding of the magnitude and diversity of today's societal challenges, one ought to know that...



In 2015, **60 MILLION PEOPLE** around the world were displaced and fled their homes and countries – a number not seen since World War II (UNHCR, 2015)

Over **A BILLION PEOPLE** have no access to electricity (The World Bank, 2016)

More than **100 MILLION CHILDREN** lack basic education – 60 percent of them are girls (UN)

Almost **ONE IN FIVE UNDER-25s** in Europe is without a job (Statista, 2016)

Annually, **5.5 MILLION PEOPLE** die due to air pollution (The University of British Columbia, 2016)

Every minute, the equivalent of almost **50 FOOTBALL FIELDS** of forest is lost (WWF, 2017a)

If the current trend continues, the number of wild animals will be **REDUCED BY TWO THIRDS** by 2020 compared to the 1970s (WWF, 2017b)

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS³

SUSTAINABLE DEVELOPMENT GOALS



ALL MEMBERS OF SOCIETY HAVE TO CONTRIBUTE

This selection of challenges illustrates the urgent need for action. The United Nations (UN), as the prevailing global institution, has taken a lead: in 2015, the UN co-created the agenda of the Sustainable Development Goals (SDGs), and called upon all members of society to rally around 17 goals to end poverty, protect the planet and ensure prosperity for all.

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The agenda covers the Global South (emerging and developing countries) as well as the Global North (developed and industrialized countries) and is challenging governments, civil society² and the private sector alike. These three key stakeholder groups have different roles and bring different competencies, resources and responsibilities to the table:

Ideally, government designs and enforces laws and regulations and thereby defines "the rules of the game", which have

significant influence on societal development. Depending on the system and capacity of the government, it addresses market failures, directly or indirectly presides over massive resources and is ultimately accountable to its people as the fundamental source of its legitimacy and power.

Individuals address societal challenges in everyday life, and civil society organizations combine forces of individuals to address challenges more effectively. In doing so, civil society plays a crucial role in holding both the public and private sector to account. In their undertakings, individuals and civil society organizations are unfortunately more often than not inadequately resourced and, by extension, only a few civil society organizations have reached significant scale.

The private sector with its small, medium and large enterprises has expertise in identifying demands, creating solutions to address these demands, and providing these solutions efficiently at large scale. The sector's strength is exceptional: for example, the combined revenue of Germany's 30 largest publicly listed companies (EUR 1,446 billion) exceeds the gross domestic product of Canada (EUR 1,429 billion). >>

² Civil society includes non-governmental organizations (NGO), academia and others
³ Note: Beyond Philanthropy and goetzpartners support the SDGs

DAX 30 REVENUES COMPARED TO THE GROSS DOMESTIC PRODUCT OF CANADA

ALLIANZ | ADIDAS | BASF | BAYER | BEIERSDORF | BMW | COMMERZBANK
CONTINENTAL | DAIMLER | DEUTSCHE BANK | DEUTSCHE BÖRSE
DEUTSCHE POST | DEUTSCHE TELEKOM | E.ON | FRESENIUS
FRESENIUSMEDICALCARE | HEIDELBERGCEMENT | HENKEL | INFINEON
LINDE | LUFTHANSA | MERCK | MUNICH RE | PRO7SAT.1 | RWE
SAP | SIEMENS | THYSSENKRUPP | VOLKSWAGEN | VONOVIA

€1,446bn

DAX 30
REVENUE

€1,429bn

CANADA
GDP

RISING EXPECTATIONS DIRECTED AT CORPORATES

The degree of corporate responsibility expected of the private sector has seen much change over the last few decades. In the 1970s, it was generally expected that companies focus on their business – following Milton Friedman’s claim that the business of business is business (Journal of Business Ethics, 1986) – and limit their Corporate Citizenship to occasional donations.

However, in recent years expectations have been rising continuously:

• **CONSUMERS**, in particular those with high disposable incomes, are becoming increasingly demanding about where the goods and services they purchase come from, and how they were produced (IZNE, 2015). Instances such as the collapse of the Rana Plaza garment factory in Bangladesh or the CO₂ emission scandal in the German automobile industry have further raised consumers’ awareness and preferences to buy from a good Corporate Citizen.

• **EMPLOYEES** represent another group of Corporate Citizenship stakeholders that companies need to take into consideration. Highly qualified and sought-after talents, in particular the Millennial generation, expect employers to do more than just regular business. Although studies show that Corporate Citizenship is not the dominating factor in decisions about choosing an employer, it is nonetheless a very relevant building block of a company’s reputation (The Economist, 2015).

• Lastly, **GOVERNMENTS** in different parts of the world are introducing new Corporate Citizenship regulations to encourage and enforce a more active role of companies in addressing societal changes. For example: in India, any company with annual revenues exceeding 10 billion Rupees (~ EUR 142 million) has to donate 2 percent of its net profit to charitable organizations (University of Oxford, 2016). But also closer to home, regulation relevant to Corporate Citizenship is changing, as illustrated by the EU Directive on Non-Financial Reporting (European Commission, 2016) or the Social Public Procurement Provisions in Sweden (ILO, 2016).

THE UNKNOWN TERRITORY OF GOOD CORPORATE CITIZENSHIP

Most companies have responded to these changing expectations and have increased their Corporate Citizenship efforts over the years. However, many are inevitably venturing into unknown territory: unlike in the US, where corporate citizenship focused reporting standards exist, e.g. from the Committee Encouraging Corporate Philanthropy (CECP), Germany has not widely established criteria for good Corporate Citizenship yet.

Many people from both the for-profit and non-profit sectors still argue that companies should focus on their business and limit their social activities to paying taxes and simply making donations to NGOs. Others, however, demand that business plays a more active role. ||

03 METHODOLOGY OF THE STUDY

PURPOSE OF THE STUDY

We share the view that companies should be active corporate citizens and we believe that they should bring the same rigor to their Corporate Citizenship as they do to their core business, revising their approach to Corporate Citizenship from good intentions to creating real results.

We are aware that our assumptions on what constitutes good Corporate Citizenship are not unanimously shared in either the for-profit or non-profit sector. But with this study we hope to encourage a debate on the status of good Corporate Citizenship and criteria to measure its quality by...

- **ANALYZING** the current Corporate Citizenship of Germany's DAX 30 companies as the most prominent sample of Germany's economy,
- **SHARING** good national and international Corporate Citizenship practices and
- **PROVIDING** guidance for good Corporate Citizenship.

SCOPE

Our definition of Corporate Citizenship excludes pure PR and marketing-related sponsoring, e.g. of cultural events or sports teams. All other activities are included in our analysis, although we believe that three different kinds of Corporate Citizenship have to be distinguished:



- 1 REACTIVE CORPORATE CITIZENSHIP**
includes activities in response to requests for support, mainly from the local community, such as donations to regional events or clubs. While this kind of engagement certainly does good, the long-term impact orientation remains limited.

- 2 TRADITIONAL CORPORATE CITIZENSHIP**
encompasses all classic tools at hand to engage socially, including financial and in-kind donations, as well as corporate volunteering.

- 3 INNOVATIVE CORPORATE CITIZENSHIP**
includes new forms and levers of social engagement by companies with a clear impact orientation, such as inclusive business models, impact investing, advocacy and campaigning activities or the creation of an NGO by the company.

APPROACH

The methodology of this benchmarking study derives from the combined consulting experience of Beyond Philanthropy, a Corporate Citizenship and philanthropy advisor, and goetzpartners, a Strategy, M&A and Transformation advisory, and was developed and refined in a process of ongoing stakeholder involvement and feedback. The analysis of DAX 30 companies presented in this report is based on data from three different sources to provide the most holistic and comprehensive picture possible⁴.

- Information gained through extensive **DESKTOP RESEARCH**,
- questionnaires sent to DAX 30 **INVESTOR RELATIONS DEPARTMENTS**, especially for areas with limited publicly available information, and
- discussions with **SECTOR EXPERTS**, including heads of sustainability departments of global corporations, leading researchers in the field, and representatives from the foundation sector and civil society.

The analysis is based on twelve guiding questions in four dimensions, aiming to capture all relevant aspects in order to provide a holistic picture of Corporate Citizenship.

STRATEGY

1	Are activities clearly focused on a limited number of topics?
2	How are activities connected to the company's core business?
3	Are activities integrated into a social value chain?

RESOURCES

4	How high is the company's financial giving in the form of cash donations?
5	How are the company's employees involved through corporate volunteering?
6	What amount and quality of in-kind donations does the company provide?

IMPLEMENTATION

7	How is the organizational structure for Corporate Citizenship activities set up?
8	Are clear procedures and responsibilities defined?
9	Are KPIs defined and reported regularly and transparently?

RESULT

10	How strongly does the company engage in awareness-raising for its chosen cause?
11	How does the company engage in topic-specific networks and collaborations?
12	What impact is achieved and is the impact measured systematically?

⁴ Criteria were excluded from the assessment in cases where no data was available

Every company is assessed individually and given a score between one (weak) and five (strong) for each of the twelve guiding questions. The definitions of what is "weak" or "strong" are based on academic findings, expert discourses and our sector experience. For instance, a company that takes stewardship of one clearly defined societal challenge scores five points, while a company that lacks focus and engages in a variety of different activities encompassing for example health, education, refugees, environment, culture, sports and others scores only one point.

CORPORATE CITIZENSHIP TYPOLOGY

The results of the four dimensions were aggregated to a final score, and each DAX 30 company was categorized as one of five Corporate Citizenship types:

- 

THE SPONTANEOUS provide opportunistic financial donations that do not have a specific strategic focus
- 

THE DONORS show a somewhat diluted focus and short-term resource planning with donations directed towards NGOs
- 

THE COMMITTED address some long-term challenges and has allocated appropriate resources for this purpose, yet is not explicitly oriented towards results and impact
- 

THE STRATEGISTS display a focused strategy and has a clear orientation to results and impact
- 

THE INTEGRATED integrate Corporate Citizenship fully into the company's daily business and social value chain

While we consider the existing activities of each DAX 30 company as valuable contributions, we are convinced that a more strategic and integrated approach will create greater impact with the resources invested – both for society as well as for the company itself. ||

04 CORPORATE CITIZENSHIP OF DAX 30 COMPANIES⁵

GENERAL OBSERVATIONS

STRATEGY

The Corporate Citizenship strategy sets the scene for all related activities and is essential for successful Corporate Citizenship engagement. In our view, best-in-class Corporate Citizenship strategies exhibit a distinct focus on a core subject matter. This core topic and its related activities are connected to the company's core competencies to ensure the best possible leverage of skills and resources, and are embedded in an effective overall social value chain that includes other members of society.

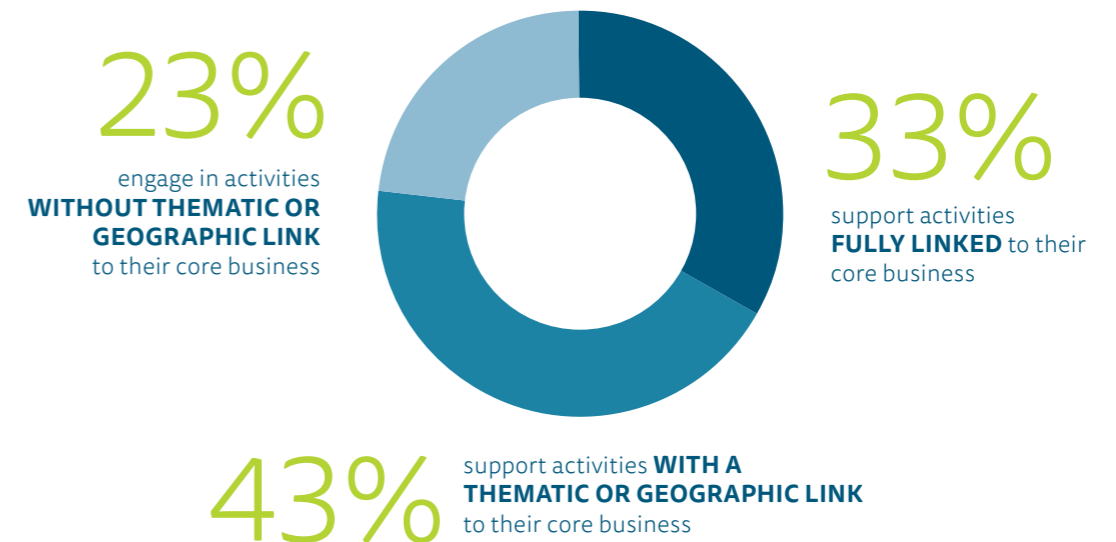
Some companies are hesitant to engage in areas close to their core business as they fear that this engagement could be interpreted as "greenwashing" or "whitewashing". Obviously, Corporate Citizenship may not be misused to "whitewash" any misconduct. However, we encourage companies to engage in areas they have the most expertise in to improve people's lives as effectively as possible. We also suggest companies should show a high level of transparency on their engagement to demonstrate that their activities are legitimate.

Looking at the results of our analysis, it is apparent that most companies have not yet strategically planned their Corporate Citizenship approach. In general, they appear to work in areas of engagement adopted over time, as opposed to strategically choosing them.

Missing link between corporate expertise and social engagement

Despite their potential to leverage knowledge and expertise to foster social change, we see that two thirds of DAX 30 companies engage in activities that are unconnected to the company's strengths and characteristics. For instance, an expert in technology solutions supports the installation of musical objects, while another DAX 30 company active in the mobility sector funds dancing classes. These activities certainly represent positive societal contributions, yet the bottom line is that they fail to draw on the company's core competencies and thereby fail to unlock the full potential to achieve social impact. >>

LINK OF CORPORATE CITIZENSHIP ACTIVITIES TO DAX 30 COMPANIES' CORE BUSINESS⁶



⁵ All information used in this analysis was derived from extensive research of publicly available data and information, namely corporate publications such as press releases, annual reports and sustainability reports, and complemented by the results of an investor relations survey of all DAX 30 companies.
⁶ Rounding differences

Compared to their core business, DAX 30 companies seem to take a less consequent approach to their Corporate Citizenship activities.

ARMIN RAFFALSKI
Partner, goetzpartners

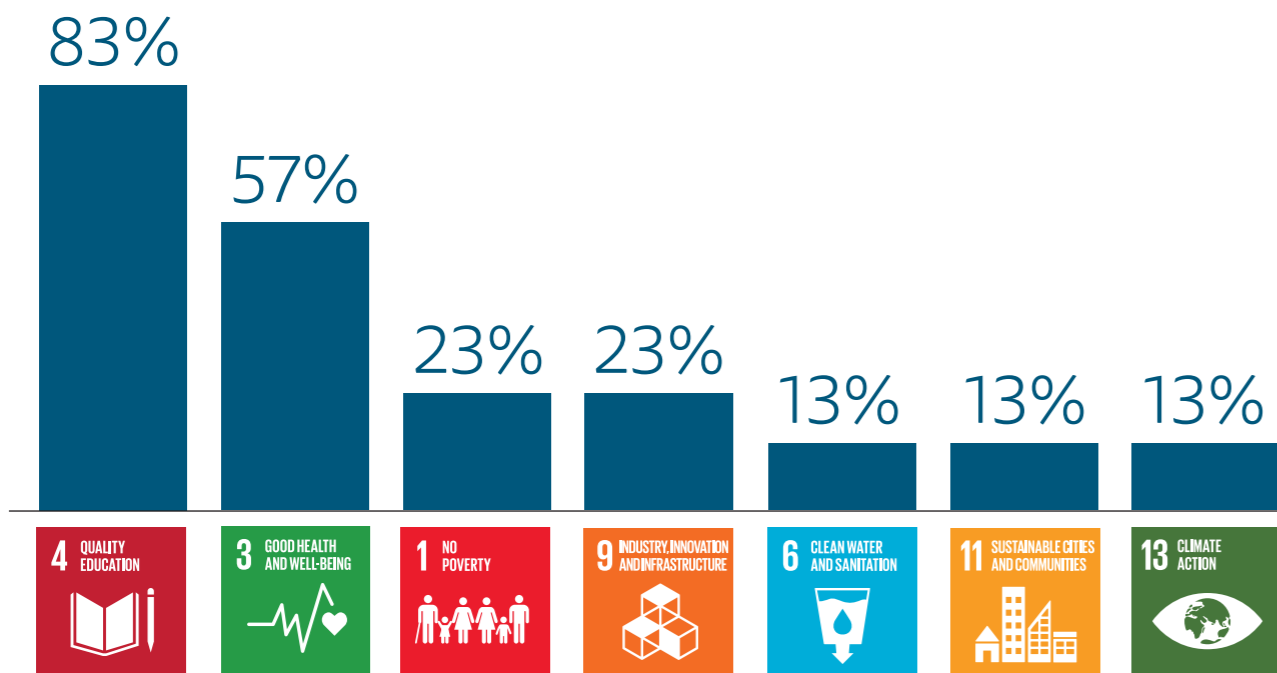
By contrast, Fresenius Medical Care is a prime example of a DAX 30 company that clearly focuses its Corporate Citizenship engagement on its area of expertise. As one of the world's leading providers of products and services for people with chronic kidney failure, Fresenius Medical Care dedicates its global Corporate Citizenship engagement to improving the quality of life of kidney patients. To do so, Fresenius Medical Care cooperates globally with social associations and institutions in the field, develops its own initiatives and supports scientific conferences and training programs for dialysis specialists. Examples of Fresenius Medical Care's engagement include the Fundación Fresenius in Colombia, a corporate foundation promoting health and well-being of kidney patients, or its support for World Kidney Day, a global awareness campaign.

Moreover, the company has aligned its disaster relief activities with its global Corporate Citizenship focus. In the event of crisis or emergency situations, Fresenius Medical Care provides dialysis machines, medical supplies and a global crisis team to institutions or situations requiring support.

Easily accessible causes

During our analysis, we matched the companies' focus areas to the SDGs and noticed that most DAX 30 companies support the SDG "Quality Education" (covered by 83 percent of DAX 30) or the SDG "Good Health and Well-Being" (covered by 57 percent). While these SDGs are highly important, they are also easily accessible but often do not build on most companies' strengths: for example, it is certainly positive to provide funding to schools or universities by financing a new building or supporting a lecture series, but this financing could be provided by anybody.

UN SUSTAINABLE DEVELOPMENT GOALS ADDRESSED BY DAX 30 COMPANIES⁷

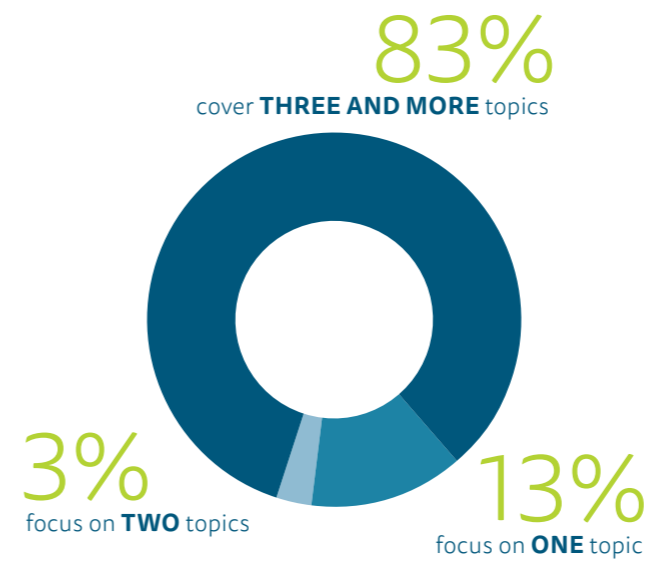


⁷ Seven most commonly covered SDGs shown; multiple focus areas per company possible

Activities lack a clear focus

Furthermore, the global Corporate Citizenship activities of DAX 30 companies appear somewhat unfocused. Only 16 percent actually focus on one or two major Corporate Citizenship topics, while the remaining 83 percent engage in three or more topics that are often unrelated.

NUMBER OF DAX 30 COMPANIES FOCUS TOPICS⁸



Companies that address so many different and unrelated topics tend to struggle in truly developing expertise in their respective fields of engagement and positioning themselves as a relevant actor for their specific causes.

By contrast, Deutsche Telekom is an example of good practice in focused Corporate Citizenship: their focus lies on digitalization and digital communication with a particular link to literacy and media skills. As a leader in the information and communications technology (ICT) sector, Deutsche Telekom is working to drive the transformation towards a digital society.

They contribute their expertise in projects on digital education, such as Teachtoday, an initiative to promote safe media use through educational materials. Other examples include a partnership with "Deutschland sicher im Netz" (Germany safe online), an initiative serving as a point of contact on IT security and data privacy matters. Moreover, Deutsche Telekom offers free broadband Internet to all 34,000 general and vocational schools in Germany, and equips refugee reception centers with free WiFi.

⁸ Rounding differences

⁹ Five out of the 19 reporting companies included in-kind donations and time donations in their donation number and are hence taken out of this comparison

RESOURCES

Companies can contribute a variety of resources to tackle society's challenges. Next to financial resources, companies can also provide human or in-kind resources (products and services). In our view, a best-in-class Corporate Citizen uses a combination of all three resource types for its social engagement. In terms of financial resources, we advocate the industry "gold standard" of contributing at least one percent of earnings before interest and taxes (EBIT) (Weeden, 1998 and Walker, 2013). In terms of human and in-kind resources, the ideal engagement in our view takes the form of a structured corporate volunteering program with regular and strategic donation of products and services to NGOs and social projects.

However, our analysis has shown that DAX 30 companies do not contribute as much as they are capable of by means of cash, products or services – and if they do, resources are rarely donated in a strategic way.

EUR 500 million plus spent in 2015

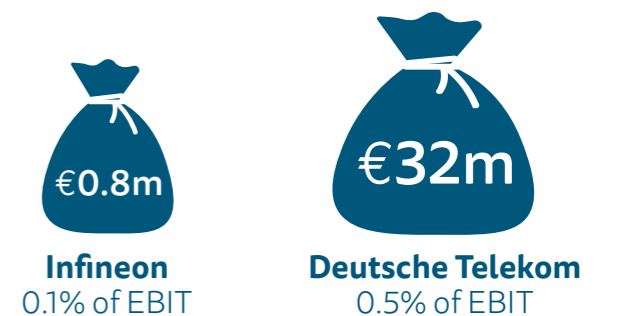
Only 63 percent of DAX 30 companies make a qualified statement on their societal contributions. This might initially appear surprising, but makes more sense when one considers the lack of results orientation outlined in the "Results" section of this study.

In total, these 19 reporting companies give more than

EUR 500 MILLION

in cash, in-kind and time donations. Their cash donations range from EUR 0.8 million by Infineon (0.1 percent of EBIT) to EUR 32 million contributed by Deutsche Telekom (0.5 percent of EBIT) in 2015.⁹

LOWEST AND HIGHEST AMOUNT OF CASH DONATIONS



At this juncture, it is worth mentioning that Volkswagen, a company that encountered severe disruption in its business in 2015, quadrupled its charitable giving in the same year. A similar reaction could be observed in 2008, when Siemens founded the Siemens Stiftung (Foundation) in a year of turbulence with an endowment that totals EUR 390 million – the highest endowment of all DAX 30 corporate foundations.

Microsoft is an example of good practice when it comes to providing resources: the company efficiently leverages a mixture of all corporate resources – money, products and expertise. In 2015, the multinational technology company gave a total of USD 922 million in product donations including Microsoft hardware and software. Providing free licenses to more than 120,000 non-profit and educational organizations helps the beneficiaries to work more efficiently and effectively, and thus contributes to the development of the social sector. At the same time, these donations help to expand Microsoft's user group and promote its own products.

Additionally, Microsoft provided grants of USD 135 million (0.7 percent of its EBIT) through its philanthropic program, which aims at promoting digital skills and access to computer science education. This contribution has been supplemented by matched employees' donations in addition to 650,000 employee volunteer hours. Again, the company strategically aligns Corporate Citizenship activities with its core business and thus benefits through the education and training of qualified future staff.

Heterogeneous use of volunteering programs

Corporate volunteering is one of the key formats in the classic Corporate Citizenship portfolio; only Vonovia and Fresenius do not disclose any information on actively engaging their employees. The remaining 28 DAX companies pursue a variety of volunteering approaches, from supporting private volunteering initiatives of employees to organizing dedicated volunteering programs that deploy their employees' core competencies. Only 40 percent of DAX 30 companies offer structured volunteering programs to maximize impact and also to reap benefit from the volunteering activities of staff.

The amount of time invested varies significantly between DAX 30 companies, from ten minutes per employee and year at Munich RE to three hours per employee and year at SAP.

REPORTED ANNUAL VOLUNTEERING TIME



With more than 260,000 volunteering hours in 2015, SAP is an example of good practice for engaging employees in Corporate Citizenship activities. It offers various volunteering formats, including the SAP social sabbatical and an annual month of service:

- **SAP SOCIAL SABBATICALS** are four-week assignments of SAP teams that provide support to social enterprises in emerging markets. These sabbaticals are not only provided to create social impact, but also to develop the team members' own abilities such as leadership and business skills as well as intercultural competencies.

- **THE ANNUAL MONTH OF SERVICE** takes place every year in October and enables employees worldwide to volunteer in their local communities, connecting SAP to the people at its local sites. Employees dedicate their time and skills to support people in need, thereby delivering local impact.

IMPLEMENTATION

With a dedicated Corporate Citizenship strategy and the required resources in place, the next step is to take the strategy into action.

We believe Corporate Citizenship should be implemented with the same rigor and seriousness as any other function within a company, in particular since we regard Corporate Citizenship not as a supporting function like Communications or Marketing but as an inherently strategic topic. This means that clear responsibilities for Corporate Citizenship need to be assigned, and the topic should be given prominence in the corporate hierarchy. Ideally, a Corporate Citizenship department has a reporting line to the CEO with defined guidelines for social engagement and regular KPI-based reporting.

Unclear Corporate Citizenship governance

Every DAX 30 company obviously has a sustainability or corporate (social) responsibility department. However, in our sample group, it is not clear how exactly Corporate Citizenship is operationally embedded in overall corporate governance.

Based on our analysis and confirmed by our project experience, Corporate Citizenship is in most cases the responsibility of Communications (to position the company positively in the public domain), Human Resources (to improve employee engagement in volunteering activities), or Investor Relations (to satisfy legal reporting and transparency standards). Responsibilities are often spread across different departments and reporting lines to markets and divisions are rarely clearly defined.

This missing link to core functions and lack of group-wide coordination often turns out to be a limiting factor in implementing Corporate Citizenship strategies.

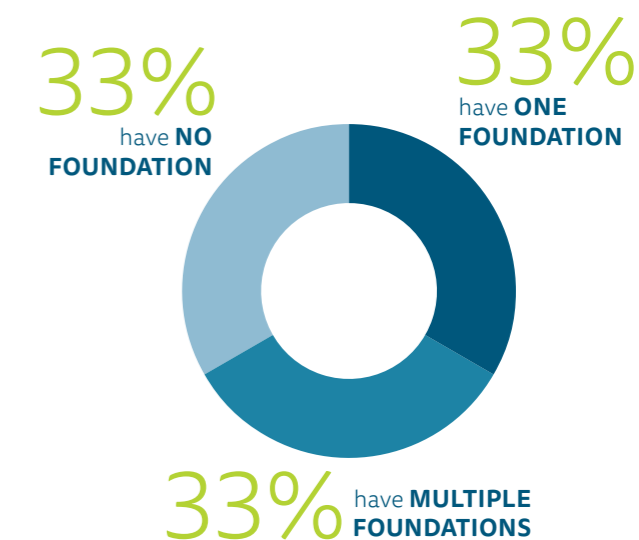
At Unilever, another good-practice example, Corporate Citizenship is considered to be a core strategic topic. Alongside climate protection, it is one of the main pillars of the "Unilever Sustainable Living Plan", and CEO Paul Polman has made the connection of business and

sustainability his number one priority. Responsibility for Corporate Citizenship lies with a member of the Unilever Leadership Executive team, and regular reporting ensures implementation and delivery quality. Since Unilever's core business and Corporate Citizenship are fully interlinked, Corporate Citizenship is provided with both the visibility as well as authority for taking decisions to drive ambitious social change goals – such as assisting more than one billion people in improving their health by 2020.

Excursus: Corporate foundations as a vehicle

Corporate foundations are a commonly employed Corporate Citizenship vehicle: 67 percent of DAX 30 companies run corporate foundations in parallel or as complements to their Corporate Citizenship activities. While one third of companies runs one corporate foundation, Allianz runs as many as 14, covering issues such as environment, culture, finance coaching, animal welfare, traffic awareness and helping children in need.

NUMBER OF FOUNDATIONS OF DAX 30 COMPANIES¹⁰



The capital endowments of the DAX 30 corporate foundations differ significantly, ranging from less than EUR 100,000¹¹ to up to EUR 390 million, with only five DAX 30 foundations exceeding an endowment of EUR 100 million.

¹⁰ Rounding differences

¹¹ The exact amount is not publicly communicated

SMALLEST AND LARGEST FOUNDATION ENDOWMENTS¹²



Deutsche Bank
(local foundations)

While large endowments suggest independence due to sustainable financing, the current low-interest rates are putting tremendous pressure on the endowment-based funding models favored by many German corporate foundations. As a consequence, companies are required to provide substantial transfer payments to their foundations to keep them viable while large capital endowments remain locked, a development we currently see among a variety of corporate foundations, albeit without having conducted a statistically valid evaluation.

What is noticeable is that all DAX 30 companies pursue Corporate Citizenship activities in parallel to or to complement their foundations. According to German legislation, charitable corporate foundations are fully independent entities. This makes it difficult to steer Corporate Citizenship through these entities, although most foundations benefit from or are dependent on regular company donations, and 50 percent of DAX 30 corporate foundations have company representatives on their advisory boards.

Although there is no universal ideal approach to set up a corporate foundation, some companies use their foundations more effectively than others:

• **SIEMENS STIFTUNG**, for example, represents a charitable entity that acts as clearly focused center of competence for Science, Technology, Engineering and Mathematics (STEM) education and thus contributes to a field that is also of crucial importance to the company itself.



Siemens
(Siemens Stiftung)

• A further example of good practice is the **BMW FOUNDATION HERBERT QUANDT**. BMW merged its two foundations in 2015 to focus its engagement and pool resources and competencies. As part of the new strategy, the BMW Foundation will also employ a fund dedicated to impact investing for social causes, applying new and innovative formats to foster societal change.

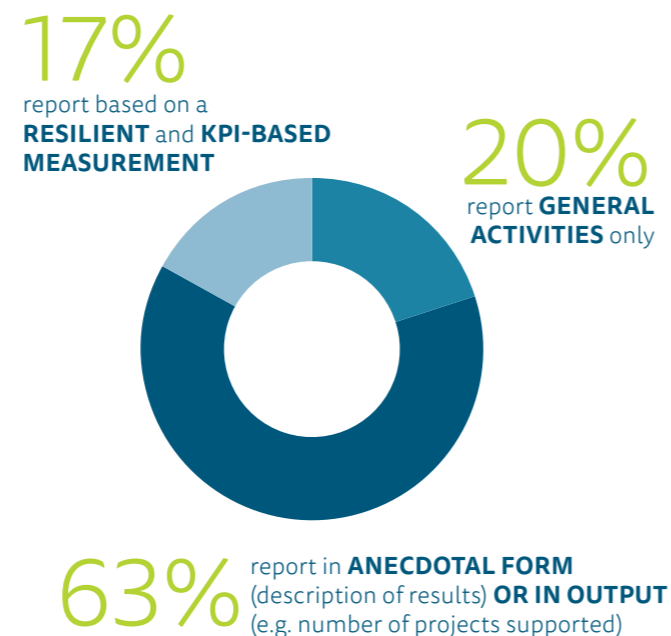
RESULTS

We believe that the aim of every Corporate Citizenship activity should ultimately be to create the best results for society – because the challenges we are facing are tremendous. In our view, good results are generated when a company not only works on a specific topic, but also creates public awareness for this subject and engages further players (other companies or NGOs) through networks, ultimately achieving meaningful impact that is measured and tracked regularly.

Little result orientation for Corporate Citizenship activities

Surprisingly – considering the size of the organizations and the EUR 500 million-plus spent on societal causes – only 17 percent of DAX 30 companies report on their Corporate Citizenship activities based on resilient KPIs. Almost two thirds report anecdotally, giving summaries of certain projects or stating the number of projects supported. 20 percent only report on the general areas they are engaged in.

REPORTING OF CORPORATE CITIZENSHIP ACTIVITIES



¹² Fresenius Foundation with an endowment of EUR 2 billion is exempt since it is a holding foundation

Most surprising though was the reply of the investor relations department of one DAX 30 company:

We do not aim at achieving so-called results.

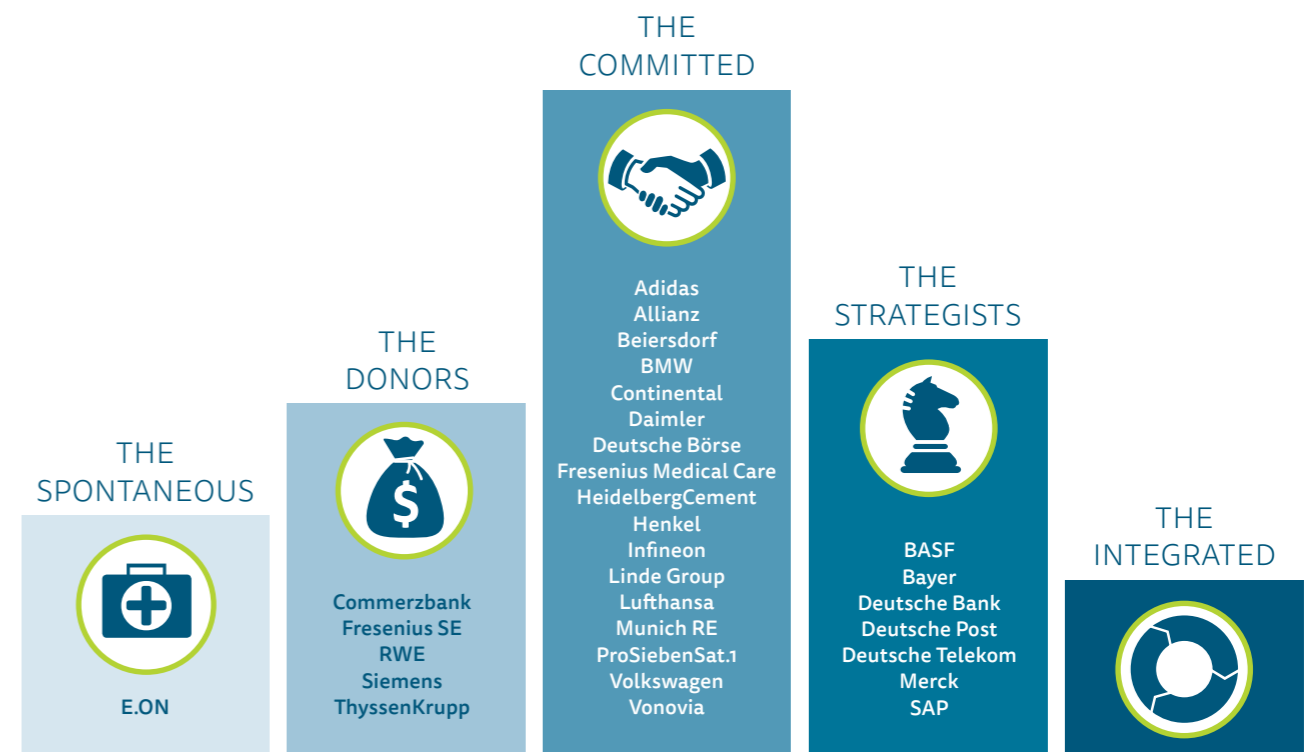
Merck is a good practice example for measuring and achieving strong impact. The company is very engaged in an area in which it has deep-rooted expertise: health. It focuses a significant amount of resources on fighting the worm disease schistosomiasis. By doing so, Merck is able to contribute specific expertise in the area, eventually creating substantial impact. Merck has set up a medicine donation program and cooperates with the World Health Organization (WHO), who manages, monitors and documents the project. To date, more than 500 million tablets have been donated and over 100 million people have been treated.

TYPOLOGY OF DAX 30 CORPORATE CITIZENSHIP

Every DAX 30 company engages in Corporate Citizenship activities and is therefore in general aware of the need for corporations to contribute to society and help to resolve its current challenges. However, the type of Corporate Citizenship which the DAX 30 companies utilize differs significantly. While roughly half of the DAX 30 companies represent “The Committed” type, less than one quarter currently employs a strategic Corporate Citizenship approach. None of the companies have implemented a fully integrated Corporate Citizenship approach as achieved for example by the French company Schneider Electric.

We know from our project experience that many companies are constantly striving for further professionalization of their activities. Yet, in most cases, there is still some way to go to achieve integrated Corporate Citizenship. ||

CORPORATE CITIZENSHIP TYPOLOGY OF DAX 30 COMPANIES



05 INTEGRATED CORPORATE CITIZENSHIP: SCHNEIDER ELECTRIC AS GOOD PRACTICE EXAMPLE

Schneider Electric demonstrates that an integrated approach can indeed be implemented and that it can be very successful:

With "Access to Energy", Schneider Electric has a highly focused strategy that is thematically and geographically linked to its core and emerging business. And as an energy management company, Schneider Electric can provide key competencies for and assume a vital role in the "Access to Energy" social value chain. Furthermore, Schneider Electric systematically deploys a wide range of Corporate Citizenship resources and tools, including skilled volunteering, technologies, investment funds and donations.

When it comes to employee engagement in particular, Schneider Electric goes beyond traditional corporate volunteering. The company has set up dedicated corporate impact investment funds, in which their employees can invest directly. As a result, employees have the opportunity to get a financial return, benefiting from a special tax exemption and eventually creating greater buy-in for the Corporate Citizenship mission among the entire workforce. This is certainly not a standard Corporate Citizenship tool, and illustrates the innovative and far-sighted approach Schneider Electric pursues in this field. And their approach does yield results, which Schneider Electric captures and reports in its own "Planet and Society Barometer" measurement tool.

SELECTED **RESULTS** OF SCHNEIDER ELECTRIC'S
CORPORATE CITIZENSHIP ACTIVITIES SINCE 2009

Providing more than
3.3 MILLION HOUSEHOLDS
with access to electricity

Training over
150,000 PEOPLE
from disadvantaged
communities in over **20** countries
in **ENERGY MANAGEMENT**

Conducting over **1,300**
CORPORATE VOLUNTEERING MISSIONS

These results and their integrated Corporate Citizenship approach do not go unnoticed, as evidenced by Schneider Electric's position as industry leader of the Dow Jones Sustainability Index for the fourth year running (DJSI 2016). The company also ranks among the Global 100 most sustainable corporations (Corporate Knights 2016) and is considered one of the most ethical companies in the world (Ethisphere 2016).

With EUR 24.7 billion in revenue, this French multinational energy management company has about half the revenue of the DAX 30 average (EUR 48.2 billion), demonstrating that good Corporate Citizenship does not depend on mere company size or available resources. ||

06 SUMMARY AND RECOMMENDATIONS

The world is facing fundamental societal challenges. With their economic strength and their capabilities, companies can and must play a key role in tackling these challenges.

Many companies in Germany and all DAX 30 companies engage in social causes. However, many of them are rather reactive with their Corporate Citizenship activities and support NGOs in safe and uncritical areas such as education and well-being instead of focusing on an area they have a particular expertise in, leveraging their strength and creating a profound impact.

It is obviously up to DAX 30 companies themselves where and how they engage in Corporate Citizenship activities. However, it is surprising that, despite an overall spend in excess of EUR 500 million, only 13 percent of DAX 30 companies spent the money with clear results in focus.

We believe the impact that could be created with the existing level of resources could be increased manifold if companies applied the same rigor to their Corporate Citizenship as they do to their core business. Accordingly, we recommend revising activities along the following

four questions:

- 1 ARE YOUR CORPORATE CITIZENSHIP** activities focused and linked to your core business and sector expertise, and do they help to build an effective social value chain?
- 2 ARE YOU COMMITTING** sufficient financial resources and do you leverage all the assets you have in terms of volunteering and in-kind donations?
- 3 ARE YOU RUNNING** an effective Corporate Citizenship organization with clearly defined processes and responsibilities as well as a tracking and reporting system?
- 4 ARE YOU RAISING** awareness about your focus area, are you engaging in relevant networks for collective impact and are you achieving the intended results?

As stated, we are aware we will certainly not have unanimous agreement with our take on what constitutes good Corporate Citizenship (in particular whether a company should engage in an area close to its core business and how much it should donate). Therefore, and since we aspire to contribute to constructive dialog about quality Corporate Citizenship and give pointers on how to get there, we hope this study can stimulate a much overdue debate.

Ultimately, we are convinced it takes an analysis of this nature and an open discourse to successfully support corporates in efforts to fully unlock their great potential in addressing societal challenges, while at the same time enjoying benefits that also have more immediate business value. We hope that our work contributes to the advancement of Corporate Citizenship, thereby encouraging the shift from good intentions to real results.

The world is facing unprecedented challenges, but an efficient collaboration between government, NGOs and companies can unlock tremendous potential to overcome many of these challenges.

MICHAEL ALBERG-SEBERICH
Managing Director, Beyond Philanthropy

07 ABOUT THE AUTHORS

About Beyond Philanthropy

Beyond Philanthropy is a specialized consultancy which helps businesses, foundations and individuals to maximize the impact of their CSR, philanthropic and social investing activities. Beyond Philanthropy supports clients with tailored services spanning research and analysis, strategy consulting as well as implementation services. With its international reach and multidisciplinary team, Beyond Philanthropy has served clients in more than 30 countries, working on more than 80 projects with a direct impact on more than EUR 100 million of social change funds.

About goetzpartners

goetzpartners is an independent advisory firm for all key issues of entrepreneurial activity: Strategy, M&A, Transformation. With more than 350 professionals operating out of 14 offices in 11 countries, we advise clients worldwide in all key industries.

The company ranks among the 10 best-performing German advisory firms (Lünendonk®). goetzpartners has received awards three years in a row as part of the "Best of Consulting" contest by the renowned German magazine "WirtschaftsWoche", most recently in the "Project Excellence" category (2016).

Our joint approach

In 2011, Beyond Philanthropy and goetzpartners formed a strategic partnership to pool knowledge and expertise from both management and strategy consulting as well as from the social sector. Our partnership has implemented numerous projects for blue chip clients and corporate foundations in Europe. Our joint approach mirrors our view of Corporate Citizenship explained in this publication: To bring together the for-profit and non-profit sectors to maximize impact for societal change.

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