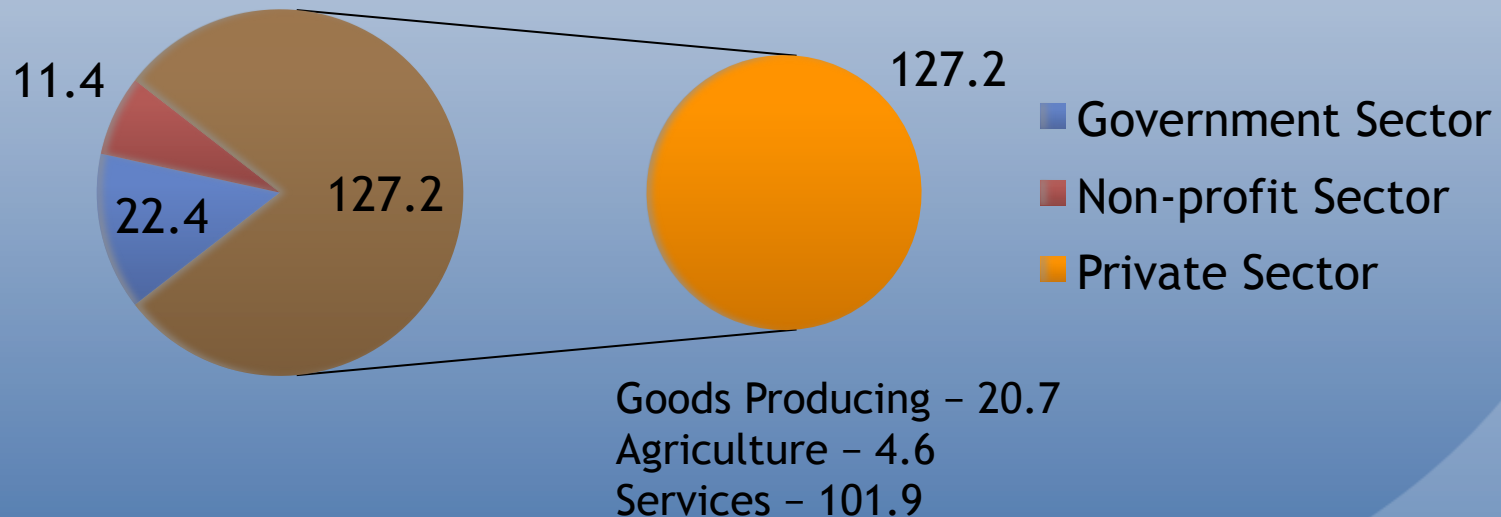


Corporate Social Responsibility and Civil Engagement

Richard Zacaroli
Business Executive
November, 2019

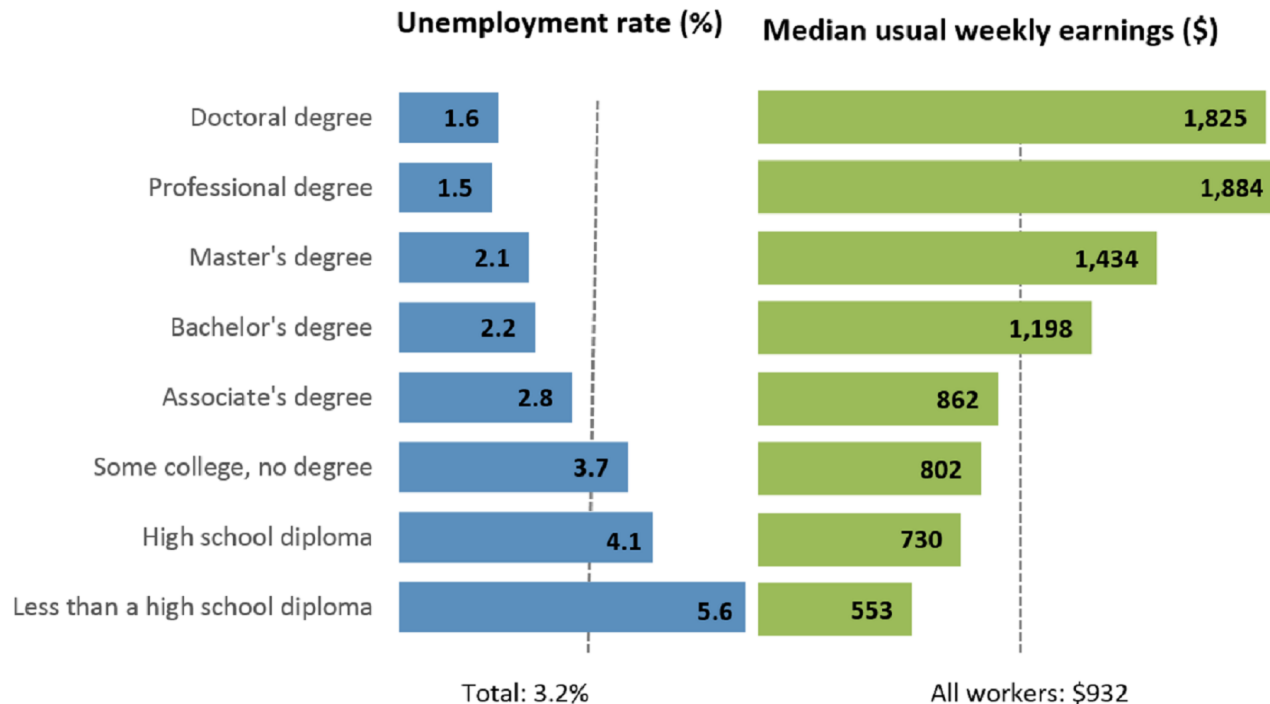
Like 80% of the population, there is a 4-in-5 chance that you will take a job in the Private Sector (Industry, Agriculture, Services)

U.S. Employment Millions of People



There is a direct correlation between educational attainment and career opportunities and earnings

Unemployment rates and earnings by educational attainment, 2018



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

Source: U.S. Bureau of Labor Statistics, Current Population Survey.

You are doing the right thing by being here!

Agenda

- Corporate Social Responsibility (CSR)
- Civic engagement

What is Corporate Social responsibility (CSR)?

- CSR is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public.
- By practicing CSR, also called corporate citizenship, companies can be conscious of the impact they are having on all aspects of society, including economic, social, and environmental.
- To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them.
- CSR is a broad concept that can take many forms. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands.

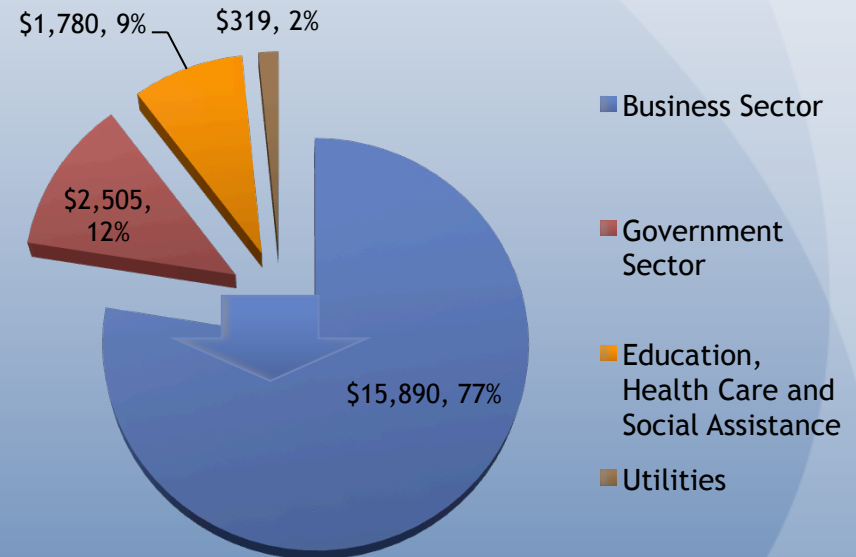
Four aspects of CSR we will focus on today

- Philanthropy/charitable giving
- The Environment
- Income equality
- Prioritization of CSR initiatives

Why must the Business Sector be responsible to society?

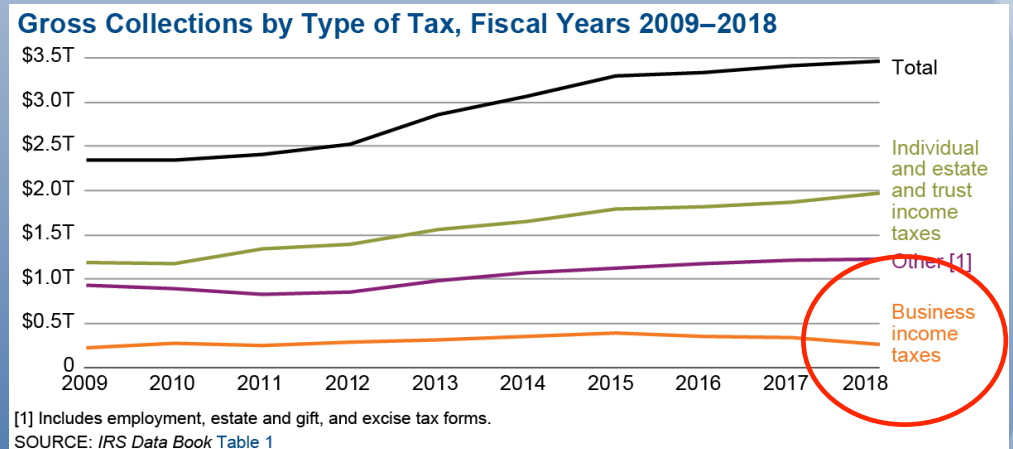
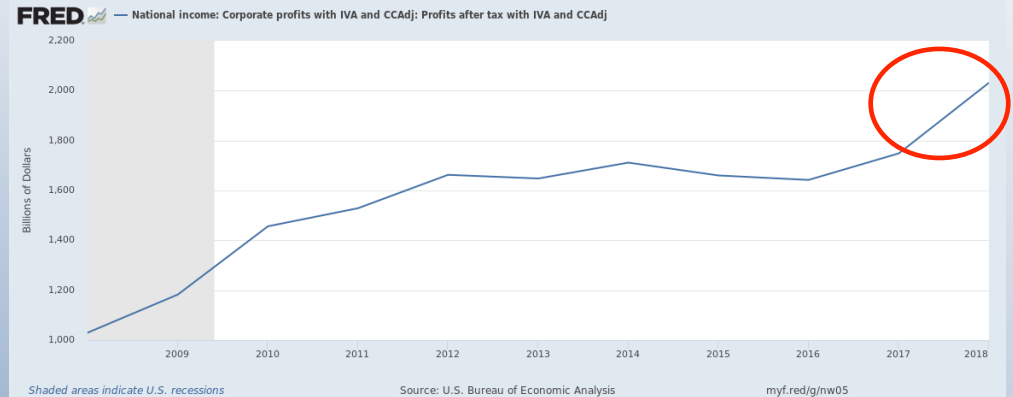
- **Gross Domestic Product (GDP)** is the monetary value of all finished goods and services made within a country during a specific period
- The Business Sector represents nearly 80% of the Gross Domestic Product in the U.S.
- Consequently the Business Sector has the greatest impact on the U.S. Economy and, therefore, a responsibility to contribute to its social welfare

2018 GDP \$ in Billions
Source: U.S. Dept. of Commerce



Corporations are paying less taxes while profits are increasing

- The 2017 **Tax** Cuts and Jobs Act reduced the income tax rate on U.S. corporations from 35% to 21%
- Corporations and their shareholders are benefitting from increased profits due the reduction in the tax rate, while the burden on individual taxpayers is increasing

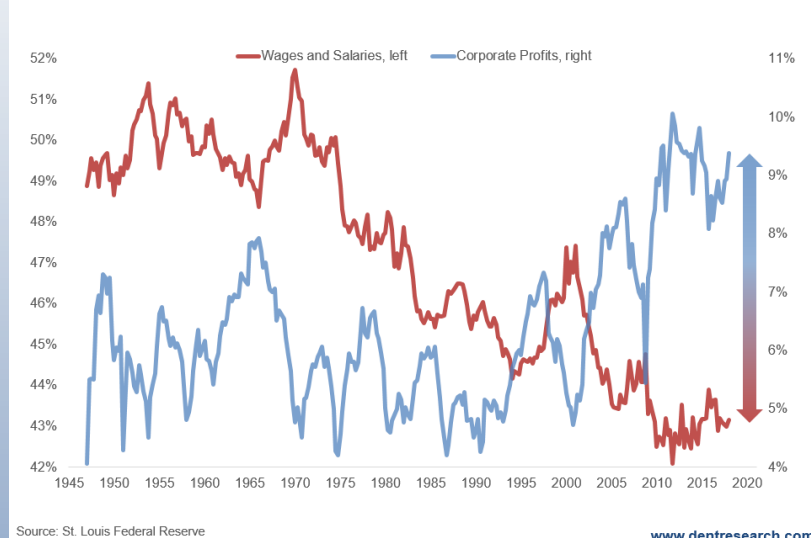


Corporate Profits vs. Total Wages as % of GDP

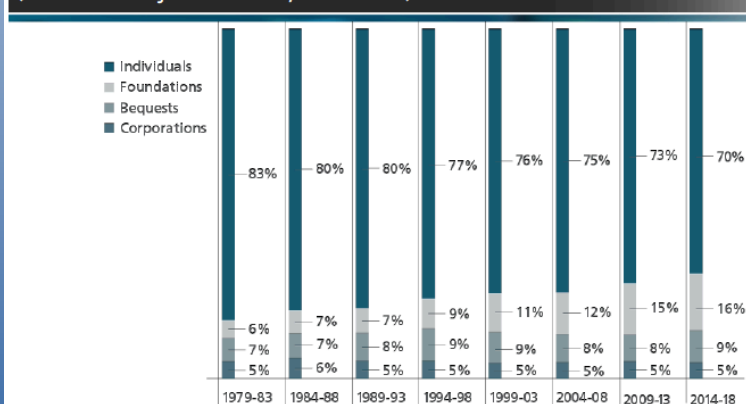
- Corporate profits have been rising while total wages have been declining as a % of GDP
- Yet corporate giving to charities and social causes has remained flat at 5% of total giving
- Individuals continue to be the greatest source of charitable giving

Wages Falling Since 1970, Profits Rising Since 1986

Percent of GDP

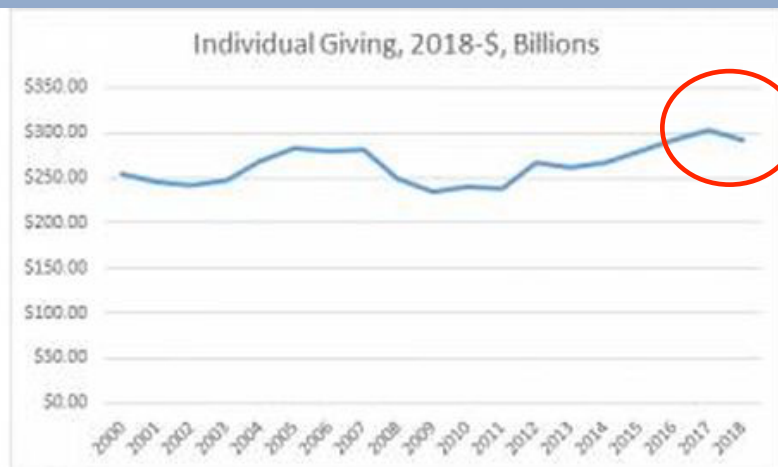


Giving by source: Percentage of the total in five-year spans, 1979-2018 (in inflation-adjusted dollars, 2018=\$100)

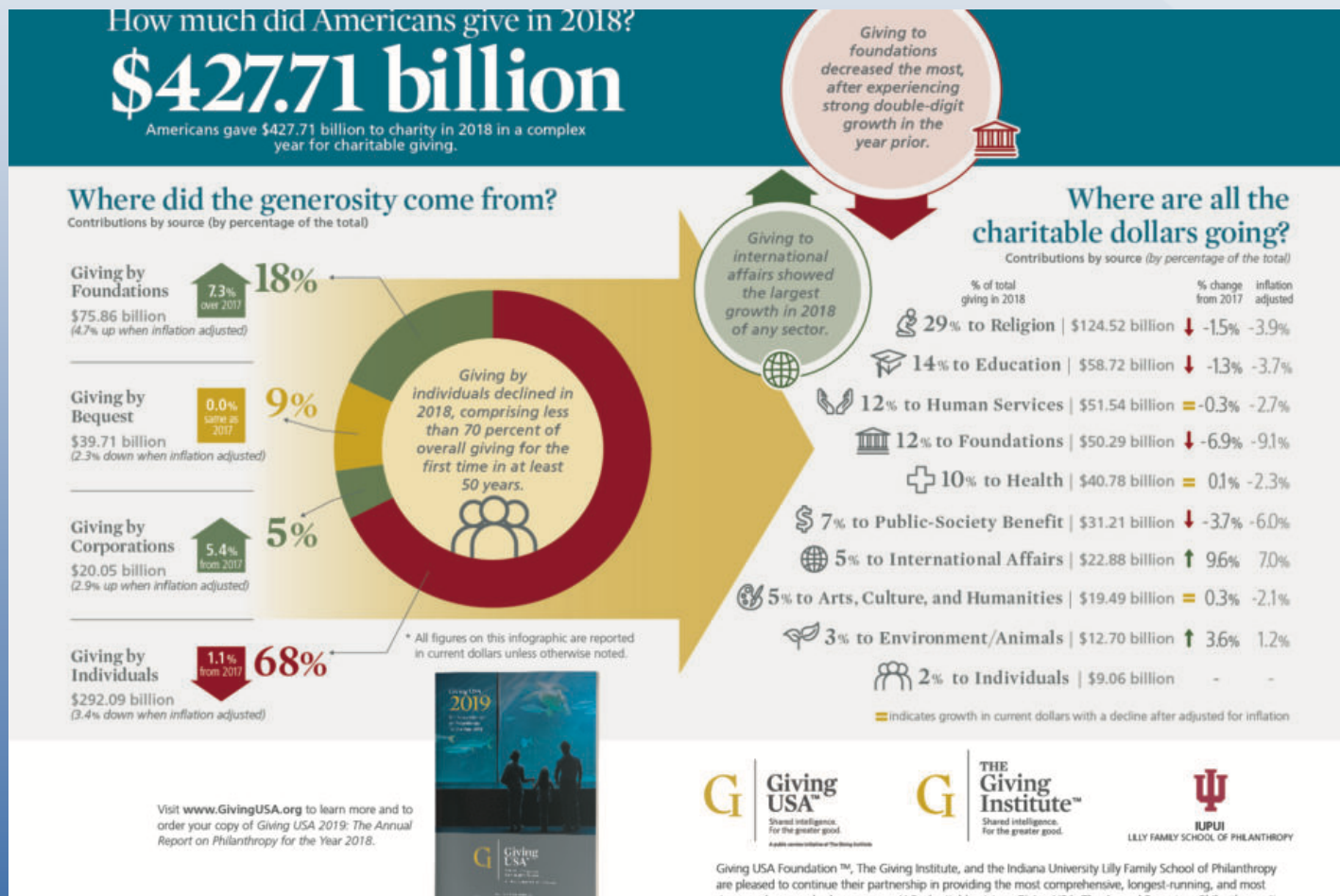


However, individual giving may be on the decline...

- The 2017 Tax Bill made it less practical for individuals to give to charitable causes
 - Fewer individual taxpayers can itemize and deduct expenses, including charitable giving, to reduce their tax liability
 - 18 million (12%) in 2018, down from 46.5 million (30%) in 2017
- In 2018 individual giving declined for the first time since the Great Recession
- Corporations are still able to use charitable giving to reduce their income tax liability



- In 2018 a 5% increase in corporate giving partially offset the reduction in individual giving
- Corporations could do more given that corporate profits have increased significantly

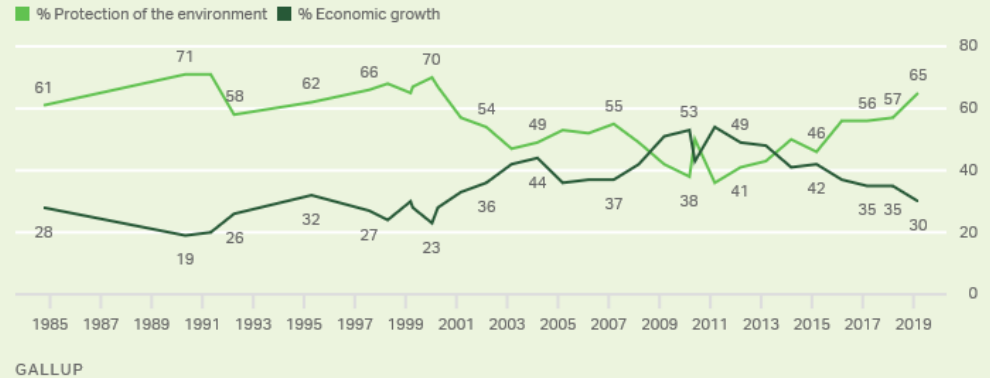


The Environment

The majority of Americans agree that more should be done to protect the environment

Environmental Protection vs. Economic Growth

With which one of these statements do you most agree -- protection of the environment should be given priority, even at the risk of curbing economic growth (or) economic growth should be given priority, even if the environment suffers to some extent?



49 35 84
ROLLBACKS COMPLETED ROLLBACKS IN PROCESS TOTAL ROLLBACKS

	Air pollution and emissions	10	12	22
	Drilling and extraction	9	9	18
	Infrastructure and planning	12	1	13
	Animals	8	2	10
	Toxic substances and safety	3	2	5
	Water pollution	4	3	7
	Other	3	6	9

Yet since 2017 the US Government has been **easing** environmental standards and regulations, which runs contrary to the national will

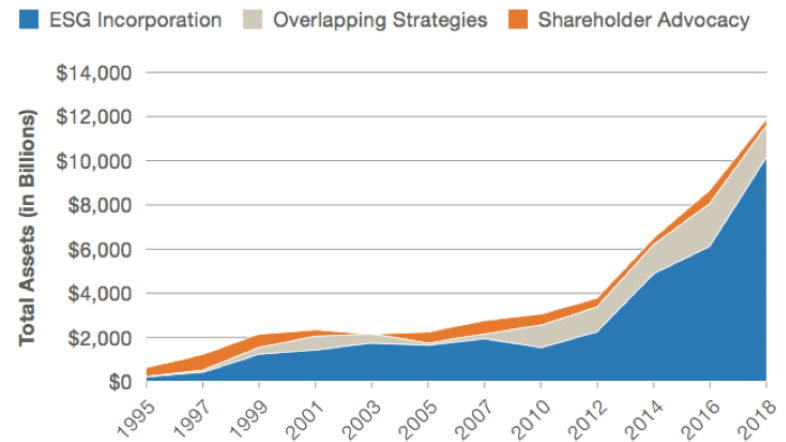
The Environment

U.S. Corporations have significantly ramped up Sustainable and Responsible Investing (SRI)

Investments in SRI are growing at 35-40% per year

FIGURE A

**Sustainable and Responsible Investing in the United States
1995–2018**



SOURCE: US SIF Foundation.

Examples of ESG Criteria
Used by Sustainable Investors



US SIF
FOUNDATION
The Forum for Sustainable and Responsible Investment

Environmental initiatives are a main pillar of SRI

More can and should be done by corporations to be responsible stewards of the environment in the absence of Government leadership

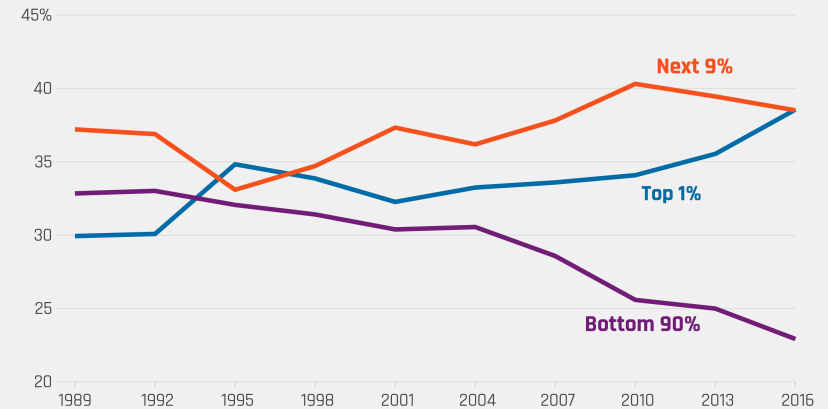
Income Inequality

Income inequality in the U.S. has increased dramatically in the past 30 years

U.S. Corporations could do more to contribute to the better distribution of wealth with working folks and those living in poverty

The wealthiest Americans own an increasing share of wealth

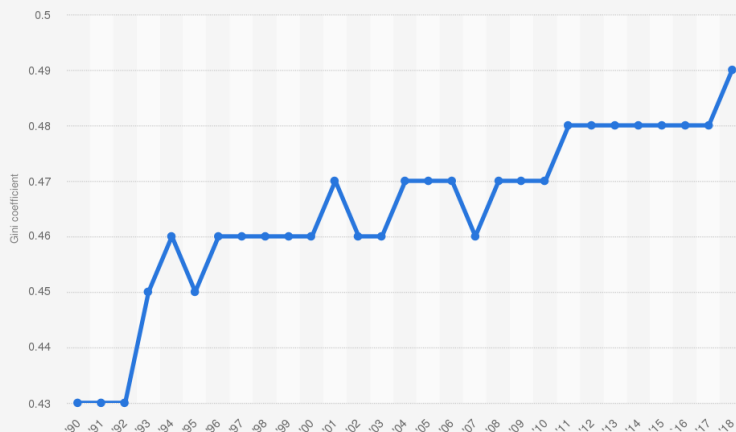
Shares of wealth in the United States by wealth percentiles, 1989-2016



Source: Authors' calculations using Federal Reserve Board, "Survey of Consumer Finances" (2017)

Equitable Growth

U.S. household income distribution from 1990 to 2018 (by Gini-coefficient)



Source
US Census Bureau
© Statista 2019

Additional Information:
United States; 1990 to 2018

The **Gini index coefficient** is a statistical measure of income distribution

A society that scores 0.0 on the **Gini** scale has perfect equality

The higher the number, the higher the inequality

According to World Bank, the U.S. is ranked 99th out of 158 countries evaluated

The Bottom Line....

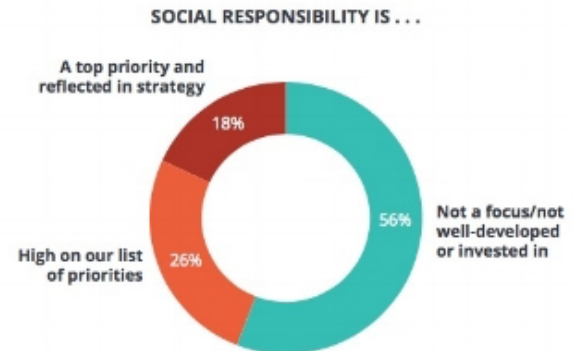
Only 18% of respondents consider CSR to be a top priority in their companies reflected in corporate strategy

Following a robust period at the end of the Great Recession the number of CSR projects reported by corporations has leveled off or declined

ARE ORGANIZATIONS WALKING THE TALK?

While 77 percent of global respondents cited citizenship as important, only 18 percent said that it was a top priority reflected in organizational strategy.

Figure 1. Description of organization's social responsibility programs

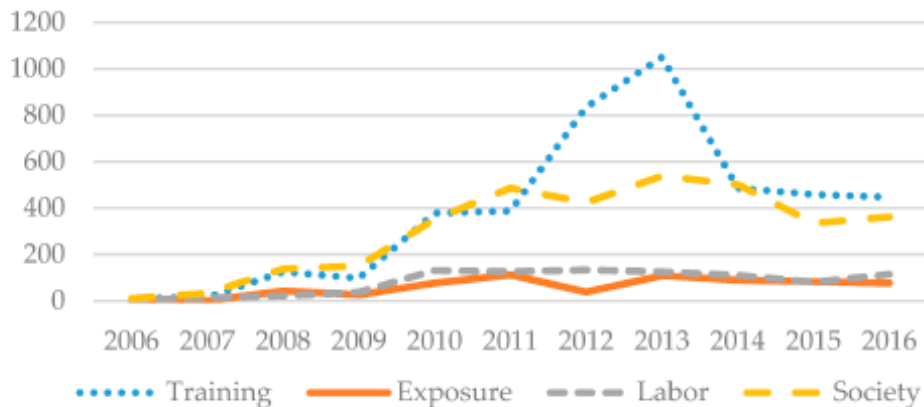


n = 11,069

Source: Deloitte Global Human Capital Trends survey, 2018.

Deloitte Insights | deloitte.com/insights

Number of CSR projects on Social Responsibility 2006 – 2016



More can be done by the business sector to invest in focused and purposeful CSR initiatives

What can you do now, until you are in a position to influence corporate strategy and decision making?

- ✓ As consumers and stakeholders we can make an impact on corporate decision making now
 - ✓ Buying decisions – buy from socially responsible companies that “walk-the-talk”
 - ✓ Environmentally progressive
 - ✓ Fair labor practices
- ✓ Engage civically and politically
 - ✓ Exercise your right... **your responsibility**... to vote

Americans are broadly dissatisfied with the direction of the U.S.

Satisfaction with the direction of the U.S.
Gallup Poll updated on October 13, 2019

Satisfaction With the Way Things Are Going in the U.S.



GALLUP

Economic
Recessions

Lowest satisfaction
of any non-
recessionary period
in past 40 years

Public is broadly pessimistic about the future of America

% saying ...



When the public looks to the future of the U.S. over the next 30 years, they see ...

A country declining in stature on the world stage

The U.S. will be **LESS** important in the world

60%

The U.S. will be **MORE** important in the world

31%

A widening gap between the haves and the have-nots

Gap between rich and poor will **GROW**

73

Gap between rich and poor will **GET SMALLER**

19

Growing political polarization

Country will be **MORE** politically divided

65

Country will be **LESS** politically divided

26

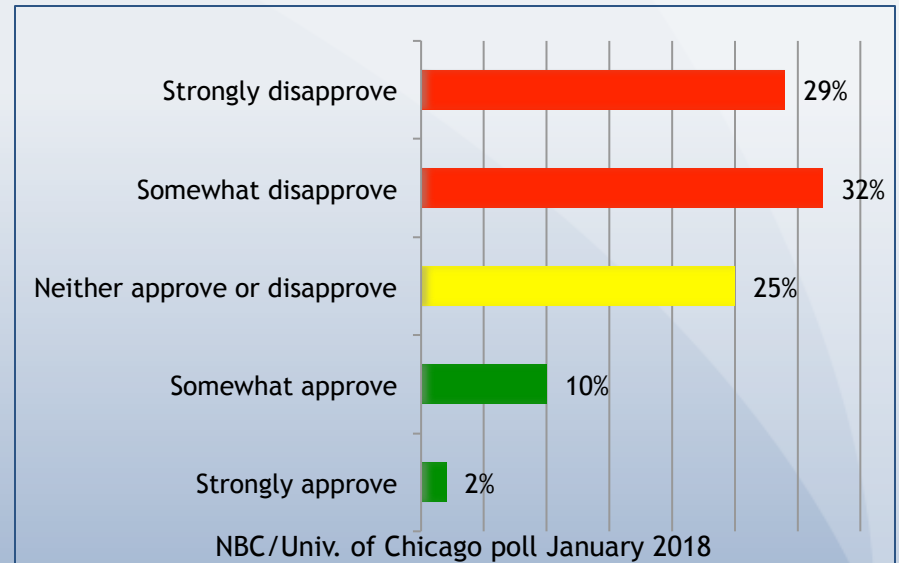


And they are worried that the country's political leaders are not up to the challenge

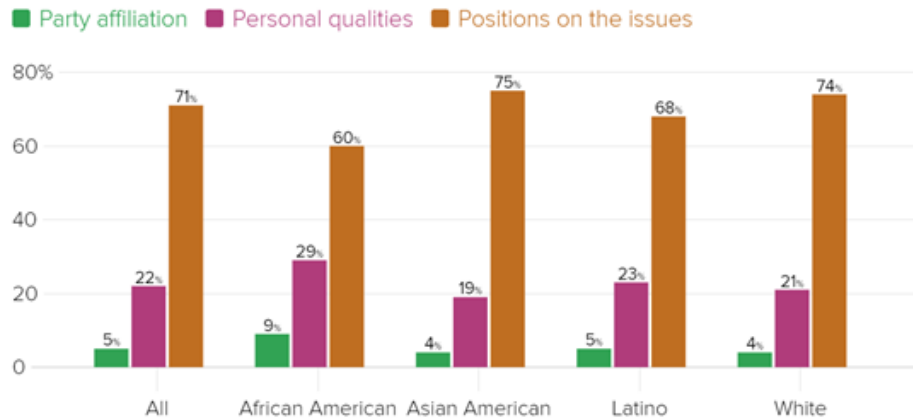


NBC News and GenForward at the University of Chicago Survey conducted in January, 2018 among adults ages 18-34, recruited and administered by NORC at the University of Chicago.

At 12%, the Congressional job approval score among 18-34 year olds is even lower than the national average of 22%



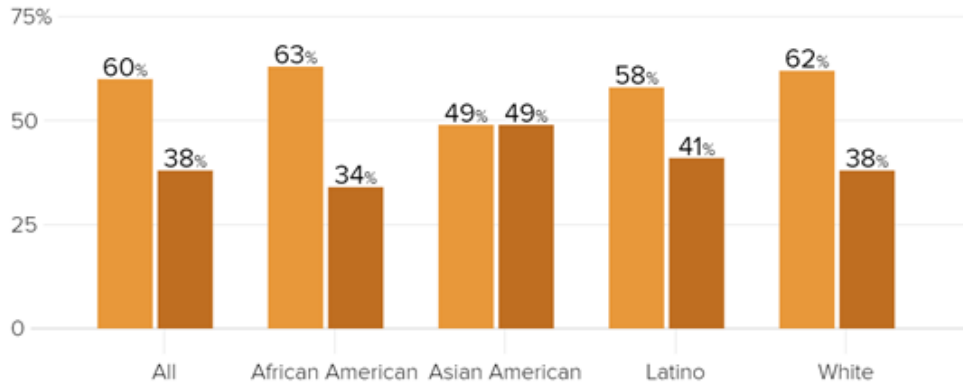
Most Important in Deciding Which Candidate to Vote for...



18-34 year olds believe that a candidate's position on the issues is the most important factor in their voting decision

"I Have the Skills & Knowledge to Participate in Politics"...

Agree Disagree



NBC NEWS | genFORWARD

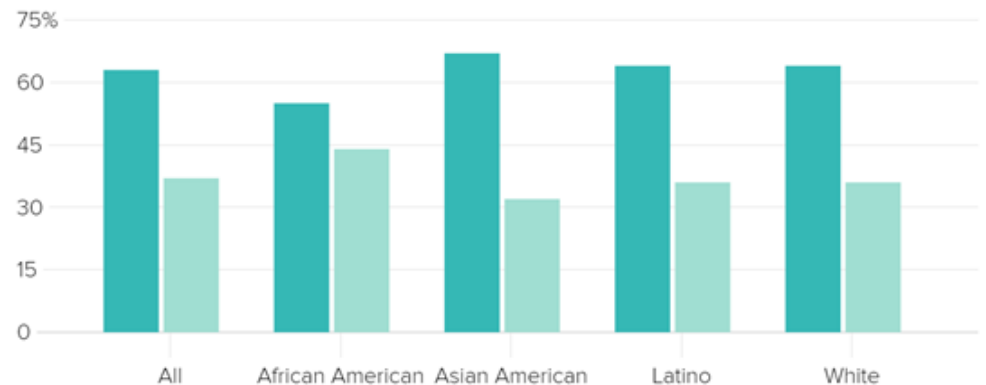
Data: NBC News/GenForward at the University of Chicago survey; 1/3-1/16/2018

The majority of 18-34 year olds believe they have the skills and knowledge to participate in the political arena...

... and they believe that, by participating in the political process, they can make a difference

"By Participating in Politics, I Can Make A Difference"...

Agree Disagree



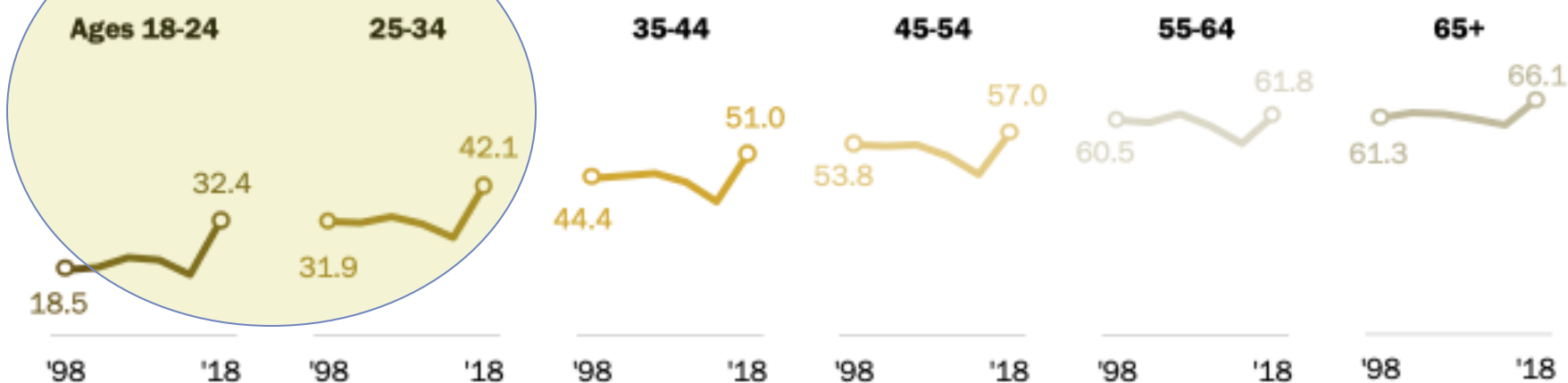
NBC NEWS | genFORWARD

Data: NBC News/GenForward at the University of Chicago survey; 1/3-1/16/2018

Yet the 18-34 age group that has the most at stake in the issues votes the least, and allow those who have the least at stake to decide their future!

Voter turnout was higher in 2018 among adults of all ages – especially younger adults

% of eligible voters who say they voted, by midterm election year



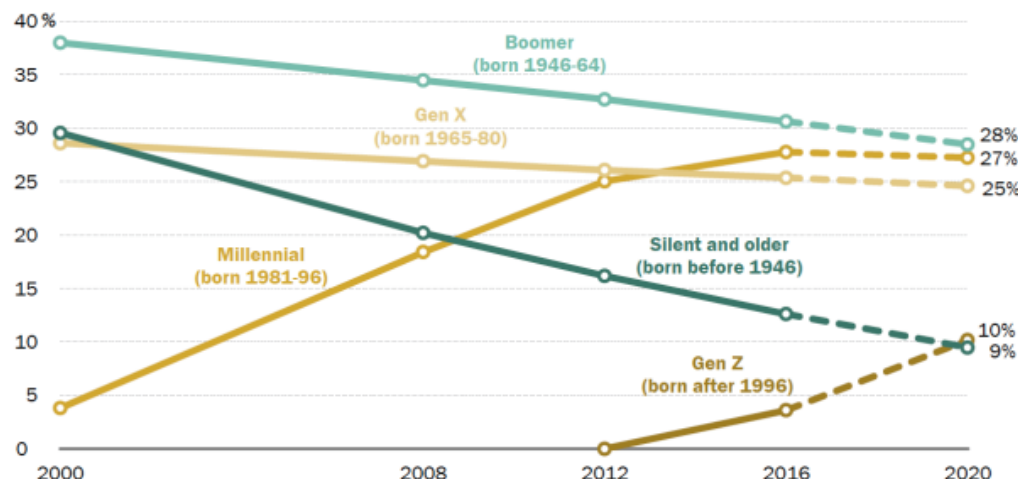
Note: Eligible voters are U.S. citizens ages 18 and older. Not adjusted to administrative voting records; see accompanying note.
Source: Pew Research Center analysis of the Current Population Survey, November Supplements, 1998-2018.

PEW RESEARCH CENTER

80 million Americans aged 18-34 combined represent the largest eligible voting block going into the 2020 elections

In 2020, one-in-ten eligible voters will be members of Generation Z

% of eligible voters by generation



Note: Eligible voters are U.S. citizens ages 18 and older.

Source: Data from 2000 to 2016 from Pew Research Center analysis of 2000 decennial census and 2008, 2012 and 2016 American Community Survey (IPUMS). Data for 2020 from Pew Research Center projections of the electorate based on U.S. Census Bureau 2017 population projections.

PEW RESEARCH CENTER

The balance of voting power is shifting to Millennial and Gen Z voters!

Each 10% incremental increase in voter turnout for 18-34 year olds would equal nearly 8 million votes

The margin in the last eight presidential elections has been 8.2 million votes or less



“Let us never forget that government is ourselves and not an alien power over us. The ultimate rulers of our democracy are not a president and senators and congressman and government officials, but the voters of this country.”

Franklin D. Roosevelt, 32nd
President of the United States

VOTE!

Parting Word...

Fundamentals of *Sustainable* Success in the dynamic global workplace

1. Honesty and integrity
2. Embrace diversity
 1. In the workplace
 2. In the marketplace
3. Have a basic understanding of values and business practices in different cultures
4. Have a broader perspective of the business
5. Empathy
6. Collaboration
7. Build shareholder and stakeholder value – Encourage sustainable investing, social and philanthropic engagement
8. Be good listeners!