

# Corporate Social Responsibility review n.2

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## CSR and businesses

Snam S.p.A. Investor Relations

### *Good practice for supply chain sustainability*

More and more businesses are considering management of the supply chain to be a strategic CSR asset. In particular, stricter environmental topics are gradually being introduced when choosing suppliers, as well as compliance with legislation and specific parameters regarding quality, environment, security and monitoring criteria. This is in addition to compliance with the advanced reporting guidelines of the Global Reporting Initiative (GRI-G4), currently observed by

Snam. In practice, there are plans to establish a mechanism to gradually introduce a greater awareness of the matters of energy saving and reduction of greenhouse gases through using research and monitoring tools (principally questionnaires) for the sustainability performance of companies forming part of the supply chain. Although in general for Italian companies the energy profile of suppliers is not currently a deciding factor for selecting suppliers, industry experts envisage

a scenario in the medium to long term where the "energy profile" and the "carbon footprint" of suppliers could form part of selection processes adopted by contractors.

### *Employee volunteering initiatives*

Regarding volunteering carried out by employees, "payroll giving", which is already a widespread practice in the Anglo-saxon world, is becoming increasingly common in the Italian public and private sectors. This involves donating one hour of work per month, or donating a salary equivalent to an

hour of work, to specific solidarity projects. The choice can be cancelled at any time, providing a quick, easy and transparent way of donating, as it is regulated by a dedicated organisation (unora.org), established by eight non-profit associations, which selects several different projects.

There are advantages for non-profits, as they can count on regular support, allowing it to plan long term activities, but also for companies, because the arrangement is free and the positive brand image costs nothing.

### *Deutsche Bank's Corporate Responsibility Diary*

Deutsche Bank Italia is particularly active in the field of CSR, with a series of initiatives and projects ranging from investment in social programmes to partnerships with the world of education, including environmental and art protection as well as volunteering. In line with these many commitments, the "Corporate Responsibility Diary 2010-2015", the new publication dedicated to the bank's social responsibility projects in Italy, was

recently presented as an example of excellence in this area. The Corporate Volunteering activities are particularly varied, aimed at supporting educational and social institutions, notforprofit bodies and micro-finance organizations ([www.db.com/italia/it/content/CR\\_Diary\\_Italia.html](http://www.db.com/italia/it/content/CR_Diary_Italia.html)).





## Finance and ethics

### Green bond

According to Bloomberg, the Green bond market (bonds associated with environmental projects or sustainability initiatives) has seen significant growth in 2014, with approximately USD\$38 billion securities issued, up from USD\$15 billion in the previous year. The first global issuer was the European Investment Bank (EIB) with bonds totalling USD\$5.5 billion, followed by the German development bank KfW (USD\$3.5 billion) and GDF Suez (€2.5 billion).

Looking ahead, the most significant contributions to the growth of this financial instrument are expected to come from China, whose government welcomes the use of green bonds to promote initiatives for reducing environmental pollution, as well as from major investment banks, such as Citigroup, Barclays, Goldman Sachs, Bank of America and Deutsche Bank. The latter, in particular, has just announced plans to invest €1 billion in green bonds, whilst Citigroup plans to issue USD\$100 billion in bonds by 2025.

### High yields for Ethical funds

From 73% to 105%: this is the performance achieved over three years by the top 20 international sustainable or ethical funds (source: Lipper/Thomson Reuters), which are investing in companies selected from those with the best CSR qualifications, as they guarantee high levels of transparency into management and relationships with stakeholders.

Shares in European companies are currently considered the most highly valued as investment targets, but some American businesses are paying increasing attention to matters of social responsibility. The ethical funds with the best three year performance results include JSS Sustainable Equity from Safra Sarasin Bank of Switzerland, the Robeco-Sam Sustainable Healthy Living fund, and the Italian Shareholder Ethics Fund from Ethics SGR (3 year performance of 86.6%), whose investment targets include Snam.

### Sovereign funds and Investment funds turn "green"

The Norwegian sovereign fund (managed by Norges Bank Investment Management), the largest fund in the world with assets of USD\$916 billion, announced that from 1 January 2016 it will terminate all its investments in mining and utilities companies that make 30% of their turnover from coal or that produce 30% of their energy from coal. This decision has had a significant impact, given that holdings in 50-75 companies could soon be sold. In Italy in particular, the holdings in Enel, Hera and Iren are potentially "at risk", whilst in the rest of Europe, holdings in RWE, E.ON, SSE and Vattenfall are up for discussion.

Turning "green" is becoming increasingly important for fund managers, including the French insurance firm Axa (manages over USD\$100 billion), which has announced that it will sell USD\$500 million in coal assets in the coming months and will make USD\$3 billion worth of investments in renewable energy by 2020.



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## The CSR review

### Last Call to Europe 2020

On 19 June this year, the international conference on sustainability, *Last Call to Europe 2020*, took place at the Expo in Milan. The event was organised by the Sodalitas Foundation in partnership with CSR Europe (a network of “responsible” companies) and under the patronage of the European Commission.

*Last Call to Europe 2020* was one of the main events at the Rho Exhibition, featuring some of the most advanced companies in Europe with regards to efforts aimed at developing the European agenda on sustainability. During the Conference, 3 workshops were held to present in detail some of the topics considered priorities for growth: digital innovation (*Growth is smart*), new economic models (*Growth is sustainable*) and employment and social inclusion (*Growth is inclusive*). The *Enterprise 2020 manifesto* was also presented, which aims to provide guidance on the priorities and commitments necessary to implement the European agenda on sustainability in 29 countries on the continent. The *Enterprise 2020 manifesto* will be the result of work developed with the involvement of more than 10,000 leading European firms in the field of CSR, as well as 41 organizations (in Italy, Sodalitas Foundation). Further information is available on the website: [www.sodalitas.it](http://www.sodalitas.it)

### G-7 climate summit – agreement reached on the environment

At the G-7 summit of heads of government (United States, Japan, Germany, Great Britain, France, Italy and Canada) held in Germany in early June, an agreement was reached to tackle climate change, including progressively decreasing the use of coal and petroleum.

The agreement, which will be subject to further controls and confirmation during the World Climate Summit in Paris next December, envisages a cut in greenhouse gas emissions of between 40% and 70% by 2050, compared to 2010 levels, in order to limit the increase in average global temperatures. The G-7 countries are therefore committed to transforming their own energy policies by 2050, with the use of innovative technologies, by setting national targets for emissions from 2020 onwards. This change of pace by governments follows an increasingly widespread, more “sustainable” and more environmentally friendly approach that has already been embraced by many consumers, investors and businesses worldwide. In 2014, for the first time in history, this resulted in economic growth unaccompanied by an equivalent growth trend in emissions, which have remained unchanged since 2013 (as reported by AIE, the International Energy Agency).

### New opportunities in the “Sharing economy”

The sharing economy represents a new model of consumption, which is becoming ever more widespread in the habits of customers globally. It is a system where you do not need to own goods and services, but use them only when you need them, paying as you go.

One of the first theoreticians of this new form of global economy is Jeremy Rifkin, who in “The Age of Access” (published in 2000), imagined a civilization in which access to goods and services would replace the concept of ownership.

With the expansion of the sharing economy, in addition to sectors where sharing is easiest (car and bike sharing, co-working, accommodation, car rides, music), more sophisticated areas are progressively becoming involved, such as scientific collaboration (through leasing of researchers and laboratories).

According to recent Ipsos research on the level of penetration of the sharing economy in Italy, the sharing economy is known to 75% of those interviewed, 67% identify it with goods and services, 57% predict widespread penetration, 38% associate it with convenience and savings, and 26% with environmental sustainability, as it gives value to the un-used or under-used capacity of specific goods and services, contributing to the fight against waste.

The penetration of this consumer model also has inevitable consequences for businesses in several ways. For those producing consumer goods, market re-positioning might be necessary but, more generally, the potentially more obvious direct impact could concern employee mobility, through the promotion via various initiatives of a new type and quality of movement, including most notably car-sharing managed through the company portal (currently also being studied by Snam).



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