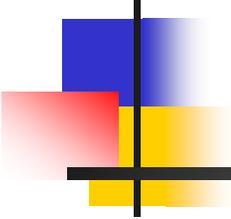
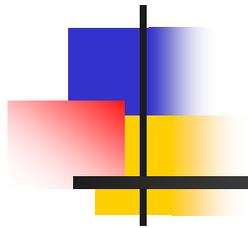


Responsible Business in a Time of Crisis



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Universitas Negeri Jakarta, October 2020



I. The Idea







THE CONSTANT GARDENER

THE HIGHLY ANTICIPATED INTERNATIONAL THRILLER FROM JOHN LE CARRÉ
& FERNANDO MEIRELLES THE ACADEMY AWARD® NOMINATED DIRECTOR OF *CITY OF GOD*





vodafone



m-pesa

Tax and our total contribution to public finances

The amount of tax paid by large companies is a matter of significant public debate and scrutiny.

Individuals and companies have legal obligations to pay tax; but those obligations do not extend to paying more than the amount legally required. Companies also have a legal obligation to act in the interests of their shareholders. Vodafone's shareholders include many of the investment funds relied upon by tens of millions of individual pensioners and savers.

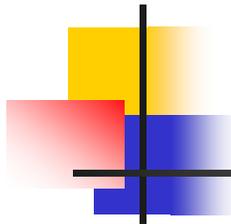
At the same time, individuals and companies must meet their responsibilities to contribute to the funding of public services and infrastructure, without which societies cannot operate effectively.

Achieving a transparent and effective balance between those obligations and responsibilities is therefore integral to operating sustainably.

£11.1 billion

In 2011/12, Vodafone contributed more than £11.1 billion in cash to the public finances in our countries of operation.

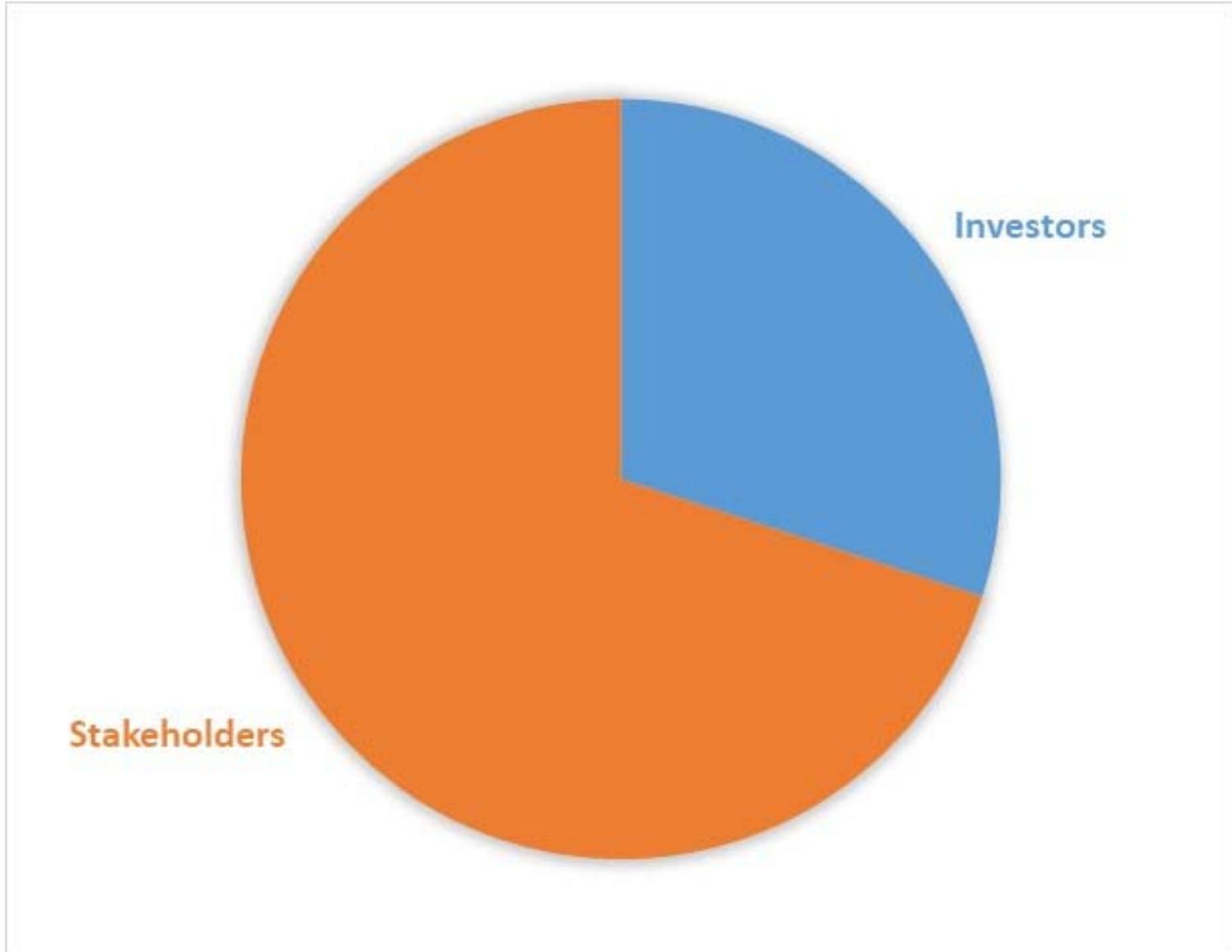
- Corporation tax is paid on profits, not on revenues. If a company makes little or no profit – for example, as a consequence of declining sales, competitive market conditions or a period of intense capital investment, particularly if funded through borrowing, it will generally incur lower tax charges than another similar company with higher profits. This approach is common to all countries as without it, companies enduring periods of low profitability would be faced with disproportionate tax demands and significant disincentives for investment in infrastructure. In a number of Vodafone's markets, including the UK, the cost of acquiring radio spectrum from the government, high operating costs, substantial levels of capital expenditure and sustained competitive and regulatory pressures have a significantly negative effect on the profits of our local businesses. In addition, in some markets, other taxes that are levied on revenue (together with non-taxation-based contributions such as spectrum fees) have the effect of depressing profit and so reducing corporation tax liabilities
- Taxation is local. Taxes generally fall due wherever profits are generated, and the tax liabilities that arise as a result are decided under the rules of the country that is host to the business in question. So, for example, a company operating

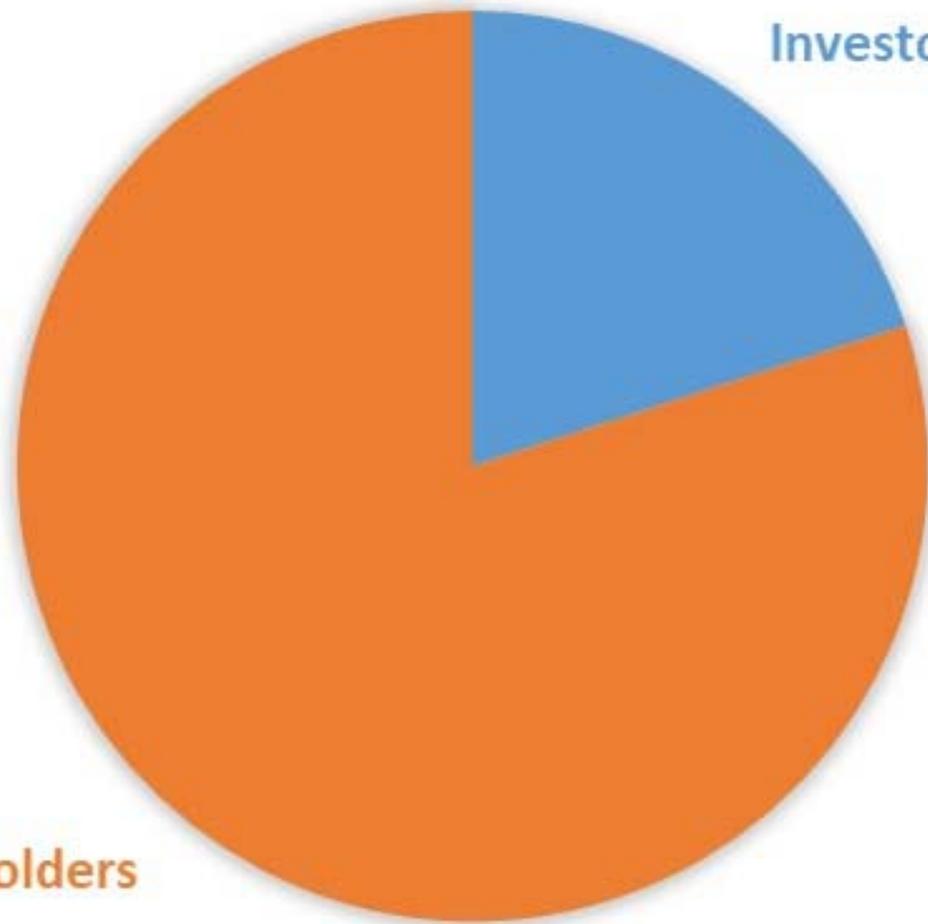
The logo graphic consists of a vertical black line on the left, a horizontal black line below it, and three overlapping squares: a yellow one at the top, a red one to the left, and a blue one at the bottom.

Vodafone

- Which of these decisions created most value for society?
- Which of these decisions, if not taken, would have led to most public outrage, or worsened Vodafone's CSR rating / reputation?

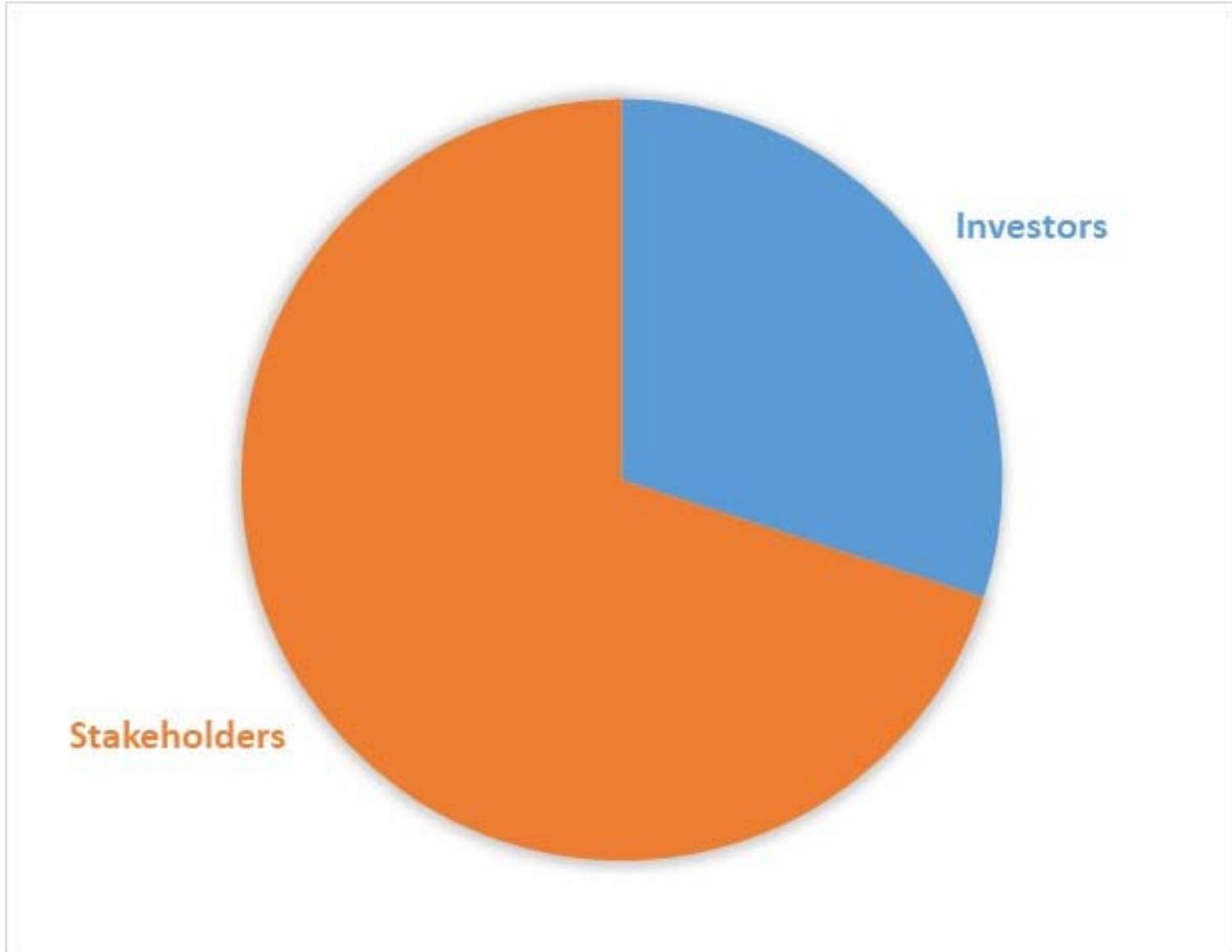




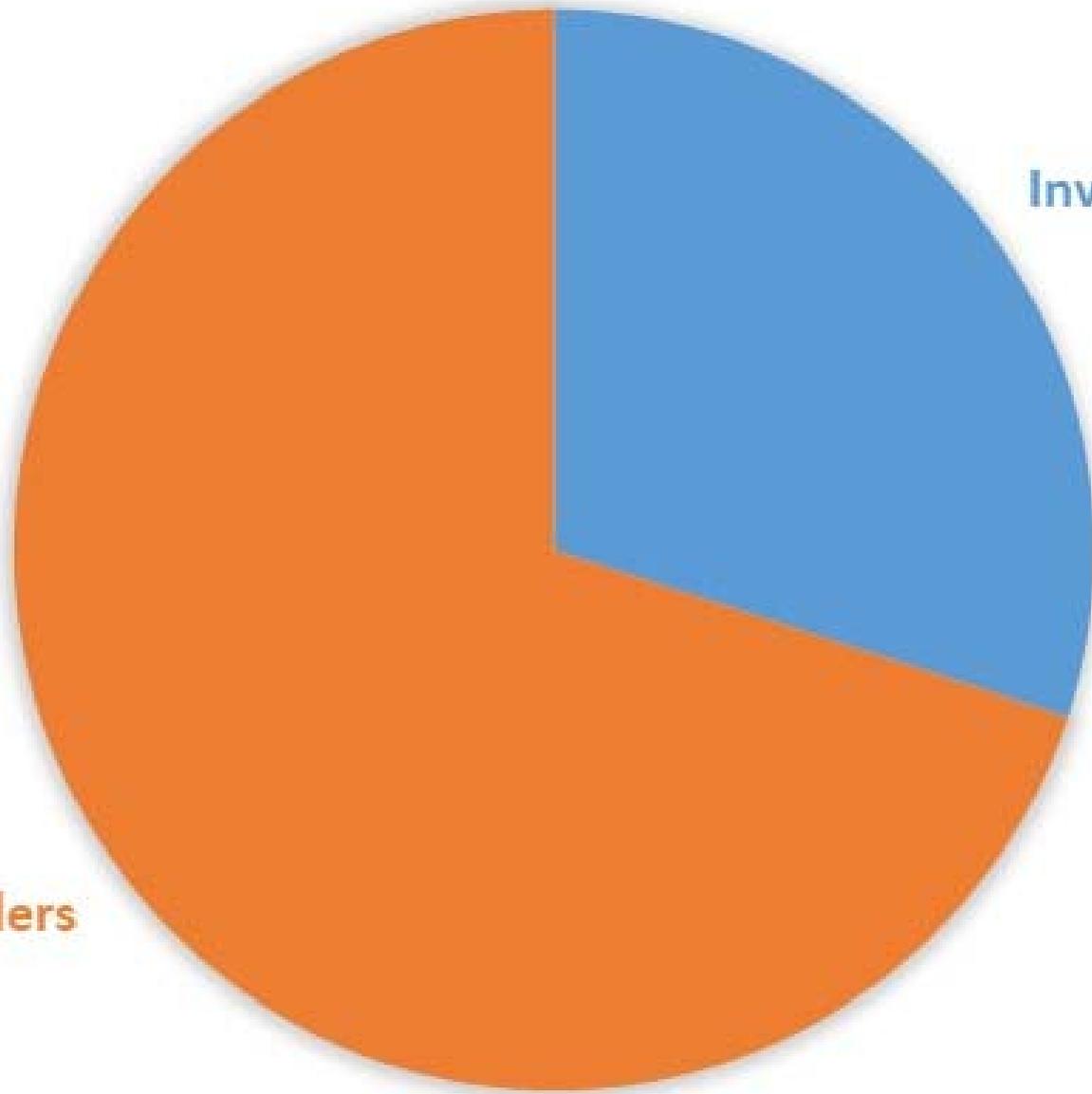


Investors

Stakeholders

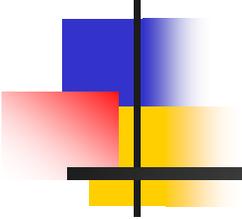


Stakeholders

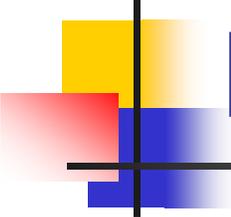


Investors

Pieconomics
creates profits only through
creating value for society



II. The Evidence



Beware Confirmation Bias

- People accept “evidence” if it confirms what people would like to be true
 - A particular issue with responsible business





Forbes

- “Companies that excel in their sustainability and responsibility programmes outperform their peers financially.”
- “That is the premise of a new report, and it is an accurate one, *judging by many conversations with those interested in better business, better corporate governance and a sustainable future.*”

THE 100 BEST COMPANIES TO WORK FOR FORTUNE

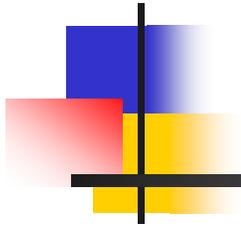
GOOGLITES
Yes, the
employees
really are this
happy.

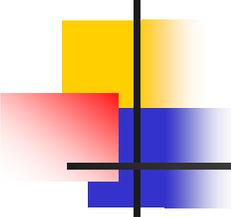


The “100 Best Companies to Work For in America” beat their peers by 2.3-3.8%/year over 1984-2011

(89%-184% cumulative)

III. Implications for Practitioners

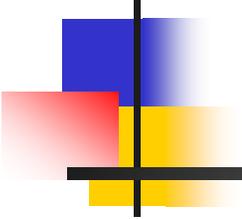




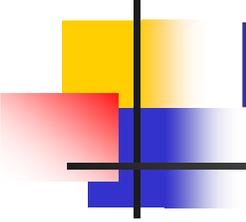
Implications for Practitioners

- Companies: Creating stakeholder value is an issue for CEOs, not CSR departments
- Investors: A company's stakeholder capital is a financial issue for all investors, not a non-financial issue for "socially responsible" investors





IV. Putting It Into Practice

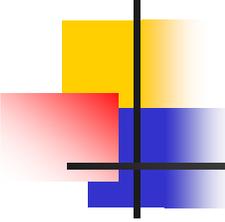


Decision Making Under Pieconomics

- Principle of multiplication
- Principle of comparative advantage
- Principle of materiality
 - “Our purpose is to serve customers, workers, suppliers, the environment, and communities while generating a returns to investors”
 - Engie’s closure of Hazelwood
 - Purpose is why an enterprise exists – who it serves, its reason for being and the role it plays in the world

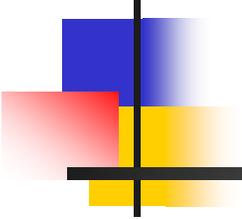
		Extractives & Minerals Processing	Financials	Food & Beverage	Health Care	Infrastructure
Dimension	General Issue Category [Ⓞ]	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions	Material		Material	Material	Material
	Air Quality	Material				Material
	Energy Management	Material		Material	Material	Material
	Water & Wastewater Management	Material		Material		Material
	Waste & Hazardous Materials Management	Material		Material	Material	Material
	Ecological Impacts	Material		Material		Material
Social Capital	Human Rights & Community Relations	Material			Material	
	Customer Privacy		Material			
	Data Security		Material	Material	Material	
	Access & Affordability		Material		Material	Material
	Product Quality & Safety			Material	Material	Material
	Customer Welfare			Material	Material	
	Selling Practices & Product Labeling		Material	Material	Material	
Human Capital	Labor Practices	Material		Material		Material
	Employee Health & Safety	Material		Material	Material	Material
	Employee Engagement, Diversity & Inclusion		Material		Material	

Sustainability Accounting Standards Board Materiality Map

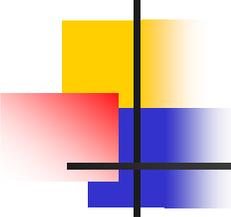


The Importance of Materiality

- Khan, Serafeim, and Yoon (2016):
 - ESG data from KLD (now MSCI ESG)
 - Firms that score high on all issues outperform by 1.5%/year, insignificant
 - Firms that score high on material issues and low on immaterial issues outperform by 4.83%/year

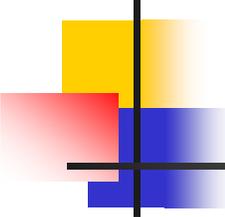


V. Application to the Crisis



The Coronavirus Crisis

- Pie-splitting actions
 - Executive pay
 - Workers
 - Customers
- Pie-growing actions: what is in your hand?
 - Companies in unrelated industries
 - Large companies hit by the crisis
 - Small companies



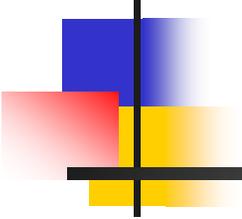
Citizens

The Pandemic

- Citizens' actions have shaped culture
 - Captain Sir Tom Moore; SpareHand

Post-Pandemic

- Activate the silent majority; create a tipping point; be the thermostat, not the thermometer
 - Treatment of support staff



VI. Further Reading

Further Reading

- “Grow the Pie: How Great Companies Deliver Both Purpose and Profit”
 - www.growthepie.net contains updates after book was completed
- Open Trolley, Periplus, Books & Beyond

