

Corporate Social Responsibility Impact on the Bottom Line

The social component of ESG is the broadest of the three factors, encompassing a wide range of stakeholder relationships, including those with employees, suppliers, surrounding communities and consumers. How well a company manages these relationships can contribute to the difference between success and failure in a competitive environment. As such, quality management teams view social factors as integral components of their business strategies.

CREATING GOOD PLACES TO WORK

Effective management teams seek to avoid the costs associated with high employee turnover and low levels of motivation. They create good places to work by prioritizing talent acquisition, development and retention; benefits and compensation; and safety and health.

Examples of positive workplace indicators include:

- programs for working parents
- paid time off for volunteering
- employee stock option plans
- efforts to promote a diverse workforce

Companies that also promote good labor practices throughout their supply chains are better able to mitigate reputational and operational risks that may arise from poor working conditions, such as strikes, factory accidents and inferior product quality.

FOSTERING CUSTOMER AND COMMUNITY TRUST

Without a customer, there is no sale. And without community support, customer loyalty may fade. High-quality companies seek to create positive reputations and build trust and loyalty in their brands by treating their customers and communities well. Companies that have rigorous product safety monitoring systems and abide by ethical sales and marketing practices are less likely to be affected by costly, damaging product recalls and liability lawsuits. Likewise, businesses that emphasize philanthropy and community service efforts are not only making a positive impact on surrounding communities, but are also protecting their social “license to operate.”



Watch for next month’s email, where we will discuss how governance ties into company risks and rewards.

Investment Risks & Disclosures

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