The gap between rich and poor is soaring and it emerges as the top agenda for corporations and government.
Drastic increase and results reflected social interest on corporate social philanthropy and charity.
Regulatory Changes

- Framework Act on Low Carbon, Green Growth
- Monopoly Regulation and Fair Trade Act
- Act on the Promotion of Collaborative Cooperation between LE and SMEs
- Financial Investment Services and Capital Markets Act

- ✓ Expansion of environmental disclosure of companies
- ✓ Maximum 5% penalty on internal trades of companies restricted mutual investment
- ✓ Restriction on production of goods & services by large companies, to protect SMEs
- ✓ Disclosure of remuneration of CEO and Board of Directors (individual level)
Growing trend on average social philanthropy costs compared to business profits with regard to long-term performance.

(Source: FKI, 2012)
Corporate Philanthropy Expenditures

- Accelerated Bandwagon Effects
- Emergence of Integrated Reporting

(Source: Korea Productivity Center, GRI)
Snapshot of Corporate Philanthropy

- Average spending – 64 billion KRW (USD 63 million)
- Lower-revenue, higher expenses

Average time per year

**11.8 hours**

CEO ‘interest’

78 %

Employee participation rate

85 %

Weekday vs. Weekend

78 % (weekend)

Active CEO participation

33 %

Person in charge

2.5 persons
Volume of Social Dimension in Reporting

Social Dimension

54.1%

Corporate Philanthropy

8.1%
Materiality Issues related to Philanthropy

- Social philanthropy related issues: 10.1%
- Economic, Environmental, Social: 91.9%

Average materiality issues: 20.5 EA
Corporate philanthropy related: 2.1 EA
Corporate Philanthropy & Business Strategy

- Corporate Wide Strategy: 78.1%
- Business Link: 43.8%

2013 GLOBAL CONFERENCE ON SUSTAINABILITY AND REPORTING
Corporate Philanthropy & Business Strategy

Measurement Disclosure

19%

Corporate philanthropy related

less than 5% (IMPACT)
Philanthropy KPI & Commitment

- Only 44% report with KPIs
- And 59% Committed for the future plan
Leak of Information Quality

Information Gap (in Max’)

31 %

Corporate Philanthropy Expenditure

(Source: Bloomberg, Sustainability Report, Survey, Korea Productivity Center 2012)
Eyes of Information Tracker

We measure our social contribution performance in terms of several metrics, such as the frequency of media coverage, the number of disputes and complaints from local communities, satisfaction of participating employees and the number of assistance recipients. In addition, we analyze the ROI of our social contribution programs to evaluate their effectiveness and devise plans for the future.

Source: GS E&C SR 93 page

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Unit</th>
<th>Division</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social contribution spending</td>
<td>KRW 100 million</td>
<td>Department Store / Mart</td>
<td>123</td>
<td>152</td>
<td>157</td>
</tr>
<tr>
<td>Number of volunteer groups</td>
<td>No. of groups</td>
<td>Department Store / Mart</td>
<td>76</td>
<td>100</td>
<td>139</td>
</tr>
<tr>
<td>Number of employee volunteers</td>
<td>Persons</td>
<td>Department Store / Mart</td>
<td>6,006</td>
<td>6,644</td>
<td>10,636</td>
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<tr>
<td>Volunteer hours of employees</td>
<td>Hours</td>
<td>Department Store / Mart</td>
<td>19,403</td>
<td>25,167</td>
<td>51,718</td>
</tr>
</tbody>
</table>

Source: Lotte shopping SR 55page
Current Issues on Corporate Philanthropy

✓ Social Cohesion (rich & poor gap) and Stakeholder Pressures push companies to invest vast amounts of resources.

✓ Thus, Philanthropy Activities & Programs, Time (Volunteers, Pro bono), and Donations (In-kind / Cash) are increasing in part of sustainability report.

✓ However, due to a lack of data quality, corporate wide strategy, and performance measurement schemes, companies are facing a strong criticism in terms of “Coloring the Report”. (Blue-washing)

✓ Now, stakeholders ask for philanthropy targets & level of commitment, and Investors are asking for business benefits/advantages.

✓ Do we have common ground? Does sustainability report help companies overcome these issues? Can CSV be an answer? How sustainability reporting can add value?
Thank you

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