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FIFA's corruption scandal holds reputation risk for sponsors

Paul Severin



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The latest FIFA corruption scandal holds reputation risk for sponsors. Many sponsors continue to prioritise the advertising value over the responsible organization of events. Improvements will only happen if sponsors insist on new, transparent rules.



Dominik Benedikt, Senior ESG-Analyst der Erste Asset Management

The most recent corruption scandal of the World Football Association (FIFA) holds big reputation risks for sponsors, as Dominik Benedikt, ESG analyst of Erste Asset Management, has pointed out. "The corruption scandal may do considerable damage to the reputation of the sponsors", says Benedikt. Some sponsors have apparently already announced to re-evaluate their sponsorship after the arrest of several important FIFA officials. The sustainability expert doubts that the association would draw up a new set of rules for itself. "There would probably only be reactions within FIFA if lots of sponsors were to insist on new rules with regard to awarding procedures and their transparency, sponsoring agreements etc.", as the expert explains. "But at the same time we may also see the odd sponsor withdraw in response to the investigations just launched."

Sponsors also subject to criticism

However, the expert does not only criticise FIFA, but also the sponsors: "In view of the advertising value that can be achieved, many sponsors still turn a blind eye to the responsible, sustainable organisation of large-scale sports events." In this area the sponsors also have to do their homework. "Large sports events sometimes convey the impression that sponsors as well as organisers are quite happy to outsource and divide the responsibility for the event to other stakeholders up to a point where eventually no single party is comprehensively responsible anymore but everyone is

still making a profit," says Benedikt.

Investors entering into dialogue with companies

Last year in the run-up to the 2014 World Cup finals Erste Asset Management had asked World Cup sponsors what chances they thought there were to organise large sports events in a more sustainable fashion. The reactions were mixed. Some companies reacted immediately to the engagement efforts from Erste Asset Management. These companies were obviously aware of the fact that they would be associated with the World Cup Finals in Brazil and that this status came with a certain degree of responsibility. Other companies made it clear from the start that they did not wish to discuss this issue. Erste Asset Management wants to call on investors: "Investors with a sustainable focus have to enter into a thorough dialogue with the stakeholders of large sports events", as Benedikt points out. As far as the current situation at FIFA is concerned, Sony and Adidas, among others, have already called for improved corporate governance at FIFA; Erste Asset Management was entertaining a constructive dialogue about these topics with both companies a year ago.

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Paul Severin

Paul Severin has worked at Erste Asset Management since April 2008. Until 2012 he was responsible for the company's product management; he has directed communications and PR activities since April 2012. From 1992 to 2008, he was director of equity fund management and deputy director for institutional funds at Pioneer Investments Austria in Vienna.

His career in the securities business began in 1992 at Constantia Privatbank as a portfolio manager and analyst. He worked as primary analyst at Creditanstalt Investmentbank in Vienna from 1994 to 1999.

He studied international business at Innsbruck University and Marquette University in Milwaukee, WI, USA. Before his university studies, he worked at Dornbirner Sparkasse in letters of credit and export financing.

Paul Severin is a member of the board at ÖVFA (Austrian Association for Financial Analysis and Asset Management) and a CEFA charter holder.