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# BEING SOCIALLY-RESPONSIBLE

A man's quest to contributing back to society and helping underprivileged children get a much-deserved education.

BY PASQUALE PISTORIO

In the 1970s, I was working for Motorola Semiconductors in various executive positions, based in Geneva, Switzerland, in the first part of the decade and in Phoenix, Arizona, in the later part of the decade. During that time the concept that the sole responsibility of a manager was the shareholders' value creation was largely diffused in the corporate world, both in Europe and in the US. It was assumed that complying with the laws of the various countries in which a corporation operated was adequate in order to take care of all the other stakeholders of the corporation. The idea of social responsibility beyond the compliance with these laws was considered more of a waste of time and money, and even the mark of a kind of a snobbish attitude of a manager, rather than an integral part of the managerial duties.

## DOING GOOD

At the time I was therefore part of a small minority of managers who believed (and who practiced as much as I could from my level of corporate hierarchy) that there is

no conflict between stakeholders and shareholders' value. On the contrary, I have always been convinced that the first amplifies the second, the reasons being:

- Because a company with solid ethical values and corporate social responsibility can attract, retain and highly motivate its people, on whom its short- and long-term success ultimately depends;
- Because a company that works with customers, partners and suppliers in such a way as to achieve reciprocal success, commands greater long-term loyalty;
- Because a company that demonstrates its commitment to the long-term development of the regions in which it operates will create a positive harmony with the local authorities and communities who will in turn facilitate the success of the company; and
- Finally because companies that are environmentally-friendly (a strong aspect of social responsibility) will be more competitive and therefore more financially successful than those who are not.

In 1980, I returned to Italy to become president and CEO of SGS (an Italian semiconductor company) that merged with Thomson Semiconductors (a French company) in 1987 to form what is today STMicroelectronics, of which I remained president and CEO until I retired in March 2005. Throughout all those 25 years as a CEO, it came naturally to me to put into practice my belief in the social responsibility of a corporation – a concept that had a central place in the corporate culture and became part of the DNA of STMicroelectronics. And of course this culture was essential for the success of the company: In 1987, when ST was formed, it was

basically a broken company, with US\$800 million in sales, US\$200 million in losses and US\$650 million in debt, and it was ranked 14 in the world semiconductor industry ranking. In 2004, my last year at the helm of the company, we were close to US\$9 billion in sales, over US\$600 million of net profit, no debt and a solid member of the top five in the world ranking. And the company value had moved from an estimated negative value in 1987 (the company was not yet publicly traded) to a market capitalization of close to US\$20 billion.

In 1993, STMicroelectronics launched a very rigorous environmental program with clear

targets for energy saving, water reduction, chemicals reduction, paper reduction, waste reduction and recycling, and the like, with the ideal objective of creating a company as close as possible to being neutral to the environment. This very ambitious program was published for the first time in 1995 with the title of "Environmental Decalogue" – and was the first document setting quantitative targets publically – certainly in the semiconductor industry and, to my knowledge, the first in the world manufacturing industry.

We took 1984 as the baseline and every year we published the progress achieved against

Carolyn Strover, a professional photographer, went to Thailand at her own expense as a volunteer to take photos of villages supported by the Pistorio Foundation. This photo is of the primary school building inaugurated in 2010 by the Pistorio Foundation.



the Decalogue targets and goals. By the time I retired, the company had achieved all its targets including a 5.2 percent energy reduction per unit of production continuously every single year, water consumption reduction by 10 percent per year per unit of production, chemical reduction, bringing waste landfill below 10 percent of the waste generated thanks to recycling (and in some plants reaching 100 percent recycling), and even more impressive, making money in the process.

By the year 2000, STMicroelectronics was making on average a yearly investment of US\$30 million in programs to reduce, reuse and recycle, and at the same time it was saving US\$100 million yearly thanks to the various reductions and energy savings. We were proving that environmental responsibility is also a source of profit. In the 11 years from 1984 to 2004, the company cumulatively saved over US\$900 million from the environmental programs, while investing some US\$300 million cumulative, or a net profit of US\$600 million! A clear demonstration that green is black!

In all regions where STMicroelectronics was present, including Singapore, Morocco, Malta, India, Malaysia, China – and of course in Europe and the US – we have established an “integrated” presence, investing not only in manufacturing but also in research and design centers, hiring engineers and forging ties with universities and local research institutions. These

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mutual relationships have proven to be win-win opportunities that help the company and also help the economic growth and development of the communities in which we operate.

Even when the motivation for other companies was to set up manufacturing activities in certain countries only in order to benefit from the low cost of labor, our objective was always to establish a long-term integrated presence. Furthermore at STMicroelectronics, we have always encouraged community service and for employees to be involved in charitable actions, whether it was fundraising to support victims of wars or natural disasters with STMicroelectronics often matching gifts, or regional offices helping out local charities by volunteering and doing community outreach work. For example, in Singapore, the Toa Payoh plant created hydroponic cultivations on their rooftops to distribute crops to needy families.

Over the years, STMicroelectronics has been a pioneer in corporate social and environmental-responsibility, and has been recognized by numerous prestigious institutions

and publications, winning tens of awards in this field. STMicroelectronics was one of the first companies to initiate an environmental management program and receive Eco-Management and Audit Scheme (EMAS) validation. By the end of 1997, it had also achieved ISO14001 certification for each of its 17 manufacturing sites. By the late 1990s, STMicroelectronics had been twice recipient of the Environmental Protection Agency Award. It also received the prestigious European Quality Award in 1997 and the Malcolm Baldridge Award in 1999.

Furthermore in 2000, it received the Akira Inoue Award for Outstanding Achievement in Environmental Health and Safety (EHS) in the Semiconductor Industry and in 2001, the company was awarded the Environmental Leadership Award by ‘Tomorrow Magazine’.

## FINDING MORE MEANING

In 2000, while at STMicroelectronics, I was invited to take part in the UN ICT Task Force, a committee set up by the then UN Secretary General Kofi Annan, to come up with ideas and solutions

to help bridge the digital divide – the huge imbalance between those who have access to information technology and benefit from it and those who do not – an alarming reality that marginalizes even more poverty-stricken populations and communities.

I took up the challenge launched by the UN, not only by actively participating in the work of the Task Force, but also by establishing the STFoundation to respond to this challenge in 2001. The idea was that STMicroelectronics would donate up to one percent of employee working hours and up to one percent of company profits to implement and fund the STFoundation projects aimed at helping to bridge the digital divide.

In all the regions where STMicroelectronics operated, the STFoundation set up computer labs and trainers such as teachers, administrative staff of local Governments and community workers to teach a basic IT literacy course developed and specially-designed by staff of STMicroelectronics. These trainers would in turn train the local community at large, who had never had access to IT tools, at computer labs set up by STMicroelectronics in universities, local Government offices, NGO centers and schools. Computer lab centers were made available to trainees (students of the basic IT program) in order to practice their newly acquired skills and to access the Internet. In only a few years, over 50 labs had been established worldwide and today the Foundation has provided basic IT literacy training, since its creation

in 2001, to over 100,000 people who previously had no access to IT. I am still currently the honorary chairman of the STFoundation.

### THE NEXT STEP

Upon retirement in 2005, I knew that I wanted to donate a part of my modest wealth to charity. The need to contribute to the rest of society was my primary motivation. At the same time I was disappointed with the high administration costs and lack of transparency of some existing charities. I wanted to bring efficiency and transparency to the sector, and at the same time decide on and know exactly how the money invested would be spent. That is why I decided to create my own charity and a charity that would operate at zero overhead or administrative costs – all available resources are invested on projects on location to directly benefit children in need.

The mission of the Pistorio Foundation, is to support underprivileged children in developing countries by providing basic education, basic nutrition and basic healthcare. To date, there are no administrative costs and no staff; all the auditing, overseeing and results assessment of projects and all fundraising are done by volunteers. As it is stated in our by-laws, should the Foundation grow substantially to require the need of administrative staff, our overhead costs will never exceed 10 percent of our budget.

The Foundation has three basic principles: (1) no or very low

overhead cost; (2) we operate in partnerships with local NGOs that share our values, and principles including operating at no or very low overhead costs; and (3) the Foundation has no political or religious affiliation and will always operate in accordance and compliance with the local authorities.

The Foundation currently has projects in five countries (including Tibet, Thailand, Cambodia, Morocco and Burkina Faso) and supports 1,668 underprivileged children. The initial capital of the Foundation came from my end of career package but has grown through continuous fundraising efforts from volunteers to support the Foundation's mission. We also believe that in order to help children, we must also help mothers to become more educated and financially-independent, and help develop the social environment (family, school and village) in which the children grow up.

We are very well aware that no matter how successful our efforts will be, they will represent a drop in an ocean of needs. However, for the people who we can materially assist, we believe that any contribution will be valuable in impacting positively on their lives and future. We are currently living in a world where a few hundred people control an amount of wealth that is higher than the GNP of several medium-sized countries. At the same time, there are nearly three billion people (half of the world's



Tibetan child of nomad family in Lithang (China) carrying his younger sibling.

population) living on less than US\$2 per day and more than one billion of those people live with less than US\$1 per day. We tolerate that some 30 million people, of which six million are children, die every year directly or indirectly from starvation or malnutrition, and that in various parts of the world there are recurrent cases of genocide, deportation, destructive pandemics such as HIV or malaria, niches of slavery, human trafficking and finally, widespread abuse of women and children, even in rich countries. As human beings, we should all be proud of our technological and economic achievements, but we

should also be very ashamed of the imbalances and tragedies that exist in the world.

I ask myself: Am I guilty? Are these problems my fault? Indeed the answer is no. It is true, however, that I carry my part of responsibility for not doing enough to correct these problems. And I believe that the same feeling should be shared by at least the top one billion people in the economic ranking of the world's population who enjoy a good quality of life and benefit from our technological and economic progress. 

Pasquale Pistorio is president of Pistorio Foundation, which has a number of projects helping underprivileged children in Tibet, Thailand, Cambodia, Morocco and Burkina Faso to get educated. The Foundation is governed by a board of eight members, two of which are family members – Carmelo and Elena.

#### FOR MORE INFORMATION

Pistorio Foundation – [www.pistoriofoundation.org](http://www.pistoriofoundation.org)

STFoundation – [www.stfoundation.org](http://www.stfoundation.org)

