



**Government as Partner?
CSR Policy in Europe**

Foreword

There are concepts that only develop their full power once all of society's actors have recognized their significance. A comparison of European nations makes impressively clear that this is particularly true in the case of corporate social responsibility (CSR).

At first glance, CSR concerns the business community. In practicing CSR, businesses are meant to expand their area of responsibility by producing and marketing goods and services in a manner that is socially minded, environmentally friendly and economically sound; at the same time, they are supposed to cooperate effectively with other economic actors. Ultimately, it's about being good corporate citizens.

This scenario – which places responsibility solely at the doorstep of the business world, ascribing to it critical tasks that will shape society's future – is dangerously shortsighted. CSR is, in fact, a wide-ranging concept that requires the state, the business community and the nonprofit sector to work together to develop solutions to complex problems. Companies that want to become involved in the social arena need the freedom to act and suitable partners to help them do so, especially if they want to demonstrate the credibility often demanded of them.

CSR's cooperative aspect requires that each partner take on a given role and look beyond its own limited interests. Companies must develop a comprehensive understanding of their core business and address the environment in which they operate. The nonprofit sector is faced with the task of serving as a partner and constructive critic capable of identifying issues of pressing importance, while formulating key values and goals and supporting implementation. Finally, policymakers create the framework in which these activities take place. They motivate, network and activate – transforming the state from parent to partner.

This study, the first of its kind in Europe, clearly shows: CSR has taken root as a forward-looking social concept in those countries where it has been actively encouraged and coordinated by the public sector. These nations often have a political culture that is cooperative and transparent, and they have been generally successful in meeting globalization's challenges. Success has been particularly evident in those countries where the political environment has been taken into account and where overregulation of the business community's social and environmental activities has been avoided.

This study, which has been carried out with the assistance of the IFOK communications institute, provides a two-sided picture of CSR in Germany. It shows that there is a lack of understanding of both its possibilities and limits. Cross-sector partnerships are lacking as well, and key CSR concepts are not as visible as they should be. Thus, Germany's policymakers must rise to the challenge: They must accept their as-yet unfulfilled role of initiator, facilitator and explicator of CSR in all of its guises. Countries such as the United Kingdom, Sweden and the Netherlands show how it can be done: Promotion of CSR through political channels markedly improves its implementation. CSR can be seen as society's reserve capacity for rejuvenating itself. Through the recommendations presented at the end of this study, which are aimed at creating the necessary conditions for carrying out successful CSR activities in Germany, the Bertelsmann Stiftung wants to help society make effective use of its untapped resources.

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CSR in Europe

1. Introduction

The following study examines which options policymakers have at their disposal for supporting the business community in increasing its civic engagement and addressing environmental concerns. Even if the concept of corporate social responsibility (CSR) applies primarily to the business sector, well-executed promotion of CSR by policymakers could generate new partnerships geared toward shaping and stimulating social reform. Consequently, this study focuses on the political strategies and tools employed by select European governments to create the requisite framework for advancing CSR.

The chapters that follow illustrate and analyze CSR policies in a number of EU member states. Given its limited purview, the study makes no claim to scientific robustness. Instead, it can be seen as a first step: an overview of European ideas and practices, systematically arranged according to relevant criteria. In particular, the study sheds light on the following areas:

- How CSR is understood within each country
- Overall national CSR strategies
- Visibility of CSR among the general public, nongovernmental organizations (NGOs) and the business community
- Reporting methods that facilitate cross-company comparisons of CSR activities
- Socially responsible investment in the financial sector
- Sustainability criteria in use when awarding public contracts
- CSR promotion for companies operating abroad
- Key domestic CSR actors

This study focuses on countries in which policymakers have proactively addressed CSR. They include the United Kingdom, the Netherlands, France, Sweden and Denmark. Outstanding examples from other EU member states are also depicted.

In a second step, the CSR landscape in Germany is sketched out and compared to activities in other nations. These non-German examples make clear that a few well-targeted efforts can substantially improve the general conditions for promoting civic engagement on the part of the business community. To that end, the study concludes with a list of recommendations for how Germany's national policymakers can effectively promote CSR.

2. CSR: Origins and development

The term “corporate social responsibility” (CSR) has only taken recognizable shape in the European context over the past five years. This has resulted from a number of factors, including the European Commission's attempt to place CSR on the European agenda. The first EU-initiatives in the area of CSR concentrated on the labor market and employment policies. This can be seen in then Commission President Jacques Delors' call in 1993 for companies to become more heavily involved in combating social isolation and exclusion. Other areas, such as environmental protection, developed separately.

With the Lisbon Strategy of March 2000, designed to rejuvenate the EU economically, socially and ecologically, the topic of CSR appeared for the first time at the top of the EU's political agenda.

CSR thus became a key factor in ensuring that Europe boasts the globe's most competitive, dynamic and knowledge-based economy by 2010.

One result of Lisbon was that the EU Commission published a CSR green paper in 2001. Its goal was – and is – to make the general public in Europe more aware of the topic. In addition, it is meant to systematize political responses, find a common CSR language for all of Europe and, as a result, generate a better basis for comparing efforts across countries. The EU has also laid the foundations for allowing social and environmental aspects to be considered when awarding contracts in the public sector.

The EU green paper defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operation and their interaction with their stakeholders on a voluntary basis.” The EU's conception of CSR thus rests on the notion of free choice, and it derives from the ability to measure a company's performance in terms of economic, social and ecological criteria (in accordance with the “triple bottom line” concept). CSR is seen as a rational investment on the part of an individual company and, thus, part of its business strategy and not an additional, external activity.

To provide a non-European comparison: There is no standardized definition of CSR in the United States. Traditionally, CSR there is based on philanthropy. Today, however, it is playing a growing role in the discussion of corporate governance.¹

The European dimension of CSR was last reconfirmed by the European Alliance for Corporate Social Responsibility called to life by EU Commission Vice-President Günter Verheugen in March 2006. In its recent publications, the EU Commission emphasizes CSR's potential to augment the reworked Lisbon Strategy's goals of increased growth and employment.² Until now, however, very few national governments have pursued coherent, comprehensive strategies for promoting CSR; at best, they have implemented localized initiatives and random measures. Yet CSR is gradually developing into an area of increased political action. A majority of those laws passed since the year 2000 have consolidated CSR activities or initiated new ones. This is true, however, only of the older EU members; in Eastern Europe, this process is still in its infancy. Most progress is being seen in the areas of reporting, i.e. the required or voluntary publication by businesses of information related to sustainability issues. Europeans are clearly ahead of the United States in this area, where companies are only obligated to account for the social and environmental impact of their activities to a very limited extent. There, too, however, progress can be seen, and in Asia and Australia as well. Among European nations, France and Sweden lead the field with their concrete information requirements and their thoroughgoing use of CSR reports.

CSR policies take on a number of forms in various European countries. A country's traditions and political culture determine to a large extent how the government there addresses the topic. At the same time, public discourse in each country is also focusing on which topics and measures should be included under the CSR rubric.

¹Kenan-Fragler Business School, Washington Center analysis: www.kenan-flagler.unc.edu/KI/kiWashington/csrpolicies/primer.cfm

² EU Commission communication COM (2006) 136, Implementing the partnership for growth and jobs: Making Europe a pole of excellence on corporate social responsibility

Environmental protection is one subject that can be found throughout the European CSR landscape, appearing in virtually all corporate reports. Laws enacted by individual countries are based on the EU modernization directive of 2003 on annual corporate reports.³ The public sector has a number of possibilities for influencing the business community's CSR-related behavior. It can impose sanctions, offer partnerships and support research efforts or the company directly.⁴ The following discussion examines the CSR policies in five European countries and presents examples of best practices in three additional EU member states.

CSR Europe

-- With 65 corporate members and partner institutions in 18 European countries, CSR Europe has grown into one of the most important disseminators of information. Through its Internet-based CSR information center, stakeholder dialogues and public relations work, it is making a major contribution to increasing awareness and stimulating development of CSR in Europe.
www.csreurope.com

³ See the report prepared by the Center for Corporate Citizenship at Boston College:
www.bcccc.net/index.cfm?fuseaction=Page.viewPage&pageId=1184&grandparentID=886&parentID=1013

⁴ Public Policy for Corporate Social Responsibility, in *WBI Series on Corporate Responsibility, Accountability, and Sustainable Competitiveness*, July 7-25, 2003

3. CSR policy approaches in EU member states

3.1 Overview

Country	Responsible agencies	National strategies	Visibility
<p>Germany</p> <p>No strategy, no contact person, no visibility: Germany lags the field</p>	<p>Ministry for Employment and Social Affairs, Ministry for Economic Cooperation and Development, Ministry for Environmental Protection and Reactor Safety, Foreign Ministry, Ministry for Families, Seniors, Women and Youth</p>	<p>None</p>	<p>None</p>
<p>United Kingdom</p> <p>Europe's best practices: The most successful government approach to CSR</p>	<p>Ministry of Trade and Industry</p>	<p>A CSR minister has been appointed. National sustainability policy expressly emphasizes CSR. The International Strategic Framework addresses national and international contexts.</p>	<p>The government hosts a CSR webpage. The Queen recognizes companies for their efforts in a number of areas, including sustainability.</p>
<p>France</p> <p>The French government regulates CSR; French companies are reserved in their engagement</p>	<p>Labor Ministry, Ministry for Sustainability</p>	<p>The national strategy for sustainable development emphasizes CSR.</p>	<p>The forum Amis du Pacte Mondial is the world's largest alliance of Global Compact members.</p>
<p>Sweden</p> <p>Government policy focuses on global responsibility. In terms of CSR, Sweden is one of the world's leaders.</p>	<p>Foreign Ministry</p>	<p>Environmental legislation is highly focused on sustainability.</p>	<p>The Globalt Ansvar partnership between government and business promotes CSR research, consulting and networking.</p>
<p>Denmark</p> <p>An active and visible CSR policy exists, although no individual ministry has taken the lead</p>	<p>Labor Ministry, Economics and Trade Ministry, Environmental Ministry</p>	<p>No activities</p>	<p>The Copenhagen Centre, an independent think tank, has been increasing awareness of CSR.</p>

Transparency and reporting	Financial sector	Procurement	Business activities abroad
The Environmental Ministry supports the European environmental audit (EMAS) and the EMAS global declaration for individual businesses.	The Natur-Aktien-Index lists only those companies that operate sustainably.	No activities	The Runde Tisch Verhaltenskodizes promotes voluntary adherence by German companies to corporate codes of conduct. The AVE model is designed to introduce CSR standards into the German retail industry.
The Corporate Responsibility Law (2004) requires companies to file annual sustainability reports.	Pension funds are required to list environmental, social and ethical aspects of their investment strategies. Index for responsible investment: FTSE4Good™.	The Sustainable Procurement working group develops recommendations for making public procurement agencies among the most sustainable in all of Europe.	The Ethical Trading Initiative (ETI) contributes to improving working standards in the textile industry. The Extractive Industries Transparency Initiative (EITI) is designed to bring more transparency to the natural resources industry.
Since 2001, publicly listed companies have been required to file environmental and social-impact reports.	No activities	No activities	Companies that compete for public resources must attest that they have familiarized themselves with the OECD Guidelines for Multinational Enterprises.
Since 1999, major corporations must also report on the environmental consequences of their operations. Those who do not comply face penalties and legal action.	Public pension funds must meet environmental and ethical standards.	No activities	Globalt Ansvar, the Swedish partnership for global responsibility, requires its members to adhere to OECD guidelines and Global Compact principles.
Companies that have a major impact on the environment (more than 1,200 in total) are required to file annual environmental impact reports.	No activities	No activities	The Human Rights Compliance Assessment helps companies identify human rights violations.

Country	Responsible agencies	National strategy	Visibility
<p>Netherlands</p> <p>A major CSR offensive has made the country a European leader.</p>	<p>Economic Ministry</p>	<p>In 2001, the government released two strategy papers on CSR assessment.</p>	<p>CSR Netherlands, an information center and think tank, promotes CSR partnerships.</p>
<p>Austria</p> <p>The government came late to the subject, but is now intensively engaged in dialogue and exchange.</p>	<p>Economic and Labor Ministry, Social Affairs Ministry, Agriculture and Environmental Ministry</p>	<p>Numerous ministries promote CSR initiatives such as awards and seals-of-approval for exemplary businesses. The main goal of the sustainable development strategy: improving competitiveness of local business through environmental efficiency.</p>	<p>The CSR Austria corporate platform promotes CSR-related cross-sector dialogue and exchange.</p>
<p>Italy</p> <p>Despite roundtable events, only limited visibility of CSR</p>	<p>Labor and Social Affairs Ministry</p>	<p>Governmental benchmark study on CSR initiatives to determine the feasibility of voluntary CSR standards</p>	<p>In 2004, the first multi-stakeholder forum on CSR took place with political, business, NGO and social leaders; national CSR communications campaign.</p>
<p>Belgium</p> <p>Focus on financial markets; no overarching CSR strategy</p>	<p>Economics Ministry</p>	<p>No activities</p>	<p>The Economics Ministry awards a social-impact seal of approval to exemplary companies.</p>

Transparency and reporting	Financial sector	Procurement	Business activities abroad
The Economics Ministry releases an annual ranking of the largest corporations' social-impact reports.	The Green Investment Directive makes sustainable financial investments tax free.	No activities	No activities
No activities	No activities	No activities	No activities
No activities	No activities	CSR criteria for public-sector procurement exist at the regional level.	No activities
No activities	Ethibel: a European seal of approval for sustainable investment funds	Since 2001 a social-impact provision has been in place to place more emphasis on disadvantaged groups when public contracts are awarded.	No activities

3.2 United Kingdom: Best practice

CSR facts

-- The minister for CSR, the only one worldwide, works within the mandate of the Department of Trade and Industry (DTI) – clear evidence that CSR is not only considered an important element of UK government policy, but also that it is part of economic policy.

-- Securing the Future, the latest national strategy for sustainable development, which was launched by the UK government in March 2005, explicitly emphasizes businesses' social responsibility.

-- In 2005, the UK government introduced a new kind of policy framework: The International Strategic Framework now defines the government's goals and priorities for advancing CSR at the national and international level.

-- The Association of Chartered Certified Accountants (ACCA) is one of the leading organizations involved in the integration of social and environmental aspects into corporate reporting.

-- Corporate responsibility regulations introduced in 2004 require UK companies to publish sustainability reports.

-- Two business initiatives, the Ethical Trading Initiative (ETI) and the Extractive Industries Transparency Initiative (EITI), are contributing to higher standards in the corporate value-added chain and making corporate incomes and expenditures in the natural resources sector more transparent.

How CSR is understood

Compared with other European Union countries, the development of CSR has progressed furthest in the United Kingdom. Its beginnings date back to the 1980s and can be seen as a reaction to the rigid economic policies of Prime Minister Margaret Thatcher, who believed primarily in deregulation and privatization.

At the end of the 1990s, Prime Minister Tony Blair took up the issue of CSR and introduced a new model for integrating businesses into policymaking in the UK. The very first working group, the New Deal Task Force, was composed exclusively of representatives of businesses and NGOs. Although initially viewed with skepticism, this strategy has since established itself as a new means of shaping and implementing policy and led to an enormous increase in the participation of private-sector organizations in the fields of education, health, social housing and retirement pensions.

The creation of a ministerial post for CSR, the only one worldwide, demonstrates that CSR is taken very seriously in the United Kingdom. The office was established within the mandate of the Department of Trade and Industry (DTI) in 2000. That indicates that CSR is considered a distinct element of UK competition policy. At the same time, CSR is seen as an interdepartmental task that has to be addressed across ministerial boundaries.

Another special feature of the UK is the high level of professionalism demonstrated by NGOs. Good examples of this are Amnesty International (AI) and the World Wildlife Fund (WWF), organizations that are particularly active as watchdogs.

CSR's development in the UK has also undoubtedly been influenced by the fact that a number of top executives are strong CSR advocates. They include Geoffrey Chandler, founding chairman of Amnesty International and former CEO of Shell International, and Mark Moody-Stewart, the current chairman of Anglo American, who also once worked for Shell. This is also a sign of the general lowering of divisions between different sectors of society, especially between business and civil society, that necessarily developed after the Thatcher years and which is now giving the country additional impetus.

National strategies

The UK government's CSR policy is highly visible and very robust. The reason for this, in addition to the strong union tradition, is the pressure exerted on the government by numerous civil society campaigns. At the same time, the UK government views CSR as a voluntary commitment on the part of the individual enterprise, which it encourages businesses to undertake using the argument of economic self-interest ("business case" for CSR). In addition to the promotion of economically, socially and environmentally beneficial activities, the UK government's CSR strategy also aims to foster cooperation with businesses, local councils, unions, consumers and other stakeholder groups. Special attention is given to the promotion of innovative approaches and the definition of appropriate minimum performance.

One-source CSR: The DTI minister

One of the main tasks of the CSR minister is the creation of a standardized framework for social and environmental reporting and certification. In October 2004, Nigel Griffiths was appointed as the fourth CSR minister. He announced the publication of the International Strategic Framework in 2005. Based on meetings with businesses and NGOs, this framework defines the UK government's goals and priorities in its effort to lend greater international weight to CSR. The strategy focuses on increasing UK businesses' contributions to social, environmental and

economic development. However, NGOs criticize the voluntary nature of the framework, and consequently its future impact is not yet clear.

The Department of Trade (DTI) has a very much broader view of CSR than is the case in most other countries and also in most companies.⁵ Thus, Griffith's predecessor, Stephen Timms, stressed that the UK government believed CSR was not a matter of charity, but an important element of a company's business activity – not only in the United Kingdom, but also abroad. Griffiths also emphasized that CSR should always be conducted by companies on a voluntary basis, while it was the duty of politicians to shape the appropriate policy framework.

The DTI also initiated the SIGMA Project (Sustainability – Integrated Guidelines for Management), which was founded in 1999 in partnership with the British Standards Institution, Forum for the Future and AccountAbility. They jointly developed the SIGMA guidelines for sustainable management, which were updated in 2003. However, it is questionable whether these guidelines have been implemented by businesses to any great extent.

Activities of other ministries

The Department for International Development (DFID) also conducts an extensive CSR policy. It provides 40 percent of the funding for the Ethical Trading Initiative (ETI). DFID applies CSR primarily in the fight against poverty.

The Department for Environment, Food and Rural Affairs (DEFRA) is more active in the areas of developing guidelines for environmental reporting and promoting sustainable consumption and sustainable production.⁶

The Foreign and Commonwealth Office (FCO), the UK foreign ministry, also supports CSR, which it refers to as "corporate citizenship." The responsible Global Citizenship Unit at the Ministry for CSR has codeveloped the Voluntary Principles on Security and Human Rights in the Extractive Sector, among other things, and organizes regular conferences on corporate citizenship.⁷ The FCO also supports the Business Leaders Initiative on Human Rights (BLIHR), an association of major UK companies that have pledged to integrate the protection of human rights into management.

Founded in 2003 for an initial period of three years, the initiative is currently working with the UN Global Compact and the UN High Commission for Human Rights on guidelines for implementing human rights into business management.⁸

The Department for Work and Pensions works for CSR goals by supporting the Investors in People standard that was developed by UK businesses and unions in 1990. This national standard is an appropriate instrument for improving corporate performance through training and personnel development.⁹

⁵ See www.guardian.co.uk/ethicalbusiness/story/0,14713,1347107,00.html, Jan. 16, 2006

⁶ See www.defra.gov.uk/environment/business/scp/index.htm, Jan. 25, 2006

⁷ See www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029394311, Jan. 24, 2006

⁸ See www.blihr.org

⁹ See www.investorsinpeople.co.uk

Mandatory reporting

In 2004, after four years of debate, the UK parliament enacted corporate responsibility regulations. The most important consequence of this legislation was that all UK companies became legally obliged to publish an annual sustainability report. Additionally, the law expanded the responsibilities of company directors so that they now also have a duty of care for society and the environment. Furthermore, UK companies or their subsidiaries can now be held liable and required to pay damages for human rights and environmental abuses committed outside the United Kingdom.¹⁰

The government's commitment to sustainable development is also significant. According to the Government Sustainable Development Strategy, all ministries must compile a Sustainable Development Action Plan and report on their activities. The Sustainable Development Commission (SDC) advises the UK government on sustainable development questions and also aims to foster the realization of the sustainable development strategy in all groups in society. It is particularly involved in supporting businesses in the implementation of sustainability strategies. The latest Sustainable Development Strategy, which was launched in March 2005 under the title Securing the Future, explicitly emphasizes businesses' corporate responsibility.

Updated company law

The New Deal for Communities (NDC) is an interdepartmental initiative that was launched in 1998. With a budget of £50 million over a period of 10 years, this program focuses on tackling social problems in the most deprived areas. The core element of the program is the design of solutions based on partnerships.

In December 2000, the UK and US governments agreed the Voluntary Principles on Security and Human Rights in the Extractive Sector. These principles were drafted jointly with major companies in the extractive industries, unions, important human rights organizations (such as Amnesty International) and respected CSR institutions. Within the extractive industries, a sector that is especially sensitive to environmental concerns, these principles are especially intended to protect employees and local inhabitants at corporate locations. As the very first standard in this sector, the principles could become a globally recognized standard.¹¹

The UK government is also engaged in a long-term effort to modernize British company law and thereby do justice to the rapid changes in business life and activity. Thus, for example, the last reform in 2005 enhanced the position of shareholders and introduced a duty toward long-term investment rather than short-term profits.¹²

Donations play a far greater role in the United Kingdom than, for example, in Germany. As a result of various tax regulations, a very large number of organizations in the UK finance themselves exclusively from donations. For example, employees in the UK can engage in Payroll Giving, a system that enables them to make tax efficient donations to an organization of their choice directly from their gross pay. An annual total of £70 million has been collected in this way.

Visibility

The communication of CSR is conducted in a very professional and visible way in the United Kingdom. The government maintains a website exclusively for this purpose (www.csr.gov.uk). Although not updated particularly often, it contains a large number of links to other CSR content.

¹⁰ See www.neweconomics.org/gen/news_corebill.aspx, Jan. 24, 2006

¹¹ See www.humanrightsfirst.org/workers_rights/wr_other/wr_other.htm, Jan. 24, 2006

¹² See www.dti.gov.uk/cld/review.htm, Jan. 1, 2006

In 2004, Stephen Timms, the CSR minister at that time, founded the Academy for Corporate Social Responsibility. One important duty of the CSR Academy, among others, is to prove the business case for CSR. It also offers CSR seminars for executives.

Queen's awards

Prizes and rankings also make a major contribution to the public visibility of CSR in the United Kingdom. The most prestigious honors for UK business are the Queen's Awards for Enterprise, which are awarded in three categories: International Trade, Innovation and Sustainable Development. This honor can be awarded for a sustainable product or a sustainable service or for sustainable management of resources and relationships. Therefore, the award is not related to the business's overall performance.¹³

The Awards for Excellence are conferred jointly by the Department of Trade and Business in the Community (BITC) on an annual basis and presented personally by the CSR minister. The prizewinners are selected by independent experts, who focus exclusively on specific business projects. Here, too, no regard is paid to a business's overall performance.

The ACCA UK Awards for Sustainability Reporting are presented annually by the Association of Chartered Certified Accountants (ACCA) for the outstanding publication of social, environmental and sustainability-related information.¹⁴ The ACCA confers awards for exceptional corporate reporting in more than 20 countries worldwide.

Jointly with BITC, the Department of Trade has developed the Corporate Responsibility Index, which enables businesses to compare their CSR performance with that of their competitors. Additionally, the department and BITC publish a quarterly overview of the latest CSR research. The Department for International Development (DFID) also contributes to increasing awareness of CSR through targeted public information campaigns about global development problems. The ministry has set up an internal Development Awareness Working Group (DAWG). It is made up of media representatives and ministerial officials and addresses unions and, in particular, companies that operate in the developing countries. In November 2001, the group published a report on *The Global Dimension. How business and trade unions can work with DFID*, which outlines opportunities for cooperation with companies and unions.

Additionally, a conference entitled "Investing in the Future: A European Conference on Corporate Social Responsibility and the Finance Sector" was held in London in December 2005 under the auspices of the UK government and the European Commission. In particular, it was intended to clarify not only how financial institutions can implement CSR themselves, but also promote it through their business activities. More than 400 representatives of the 25 EU countries took part.

Transparency and reporting

Across Europe, the UK continues to publish the highest number of sustainability reports.¹⁵ The first push in this direction came from Tony Blair when he challenged the UK's top companies to publish environmental reports. Shortly afterwards, in October 2001, the cabinet issued initial rules in its Guidelines on Corporate Environmental Reporting.

As a consequence of the debate on the Corporate Responsibility Bill in 2004, all companies were placed under a statutory obligation to publish annual sustainability reports. Businesses have received support from the Department of the Environment (DEFRA) on the design of

¹³ See www.queensawards.org.uk/business/Award_Categories/Sustainable_Development.html, Jan. 24, 2006

¹⁴ See www.accaglobal.com/sustainability/awards/susra

¹⁵ See www.ranking-nachhaltigkeitsberichte.de/3_1ueberblick.html, Jan. 25, 2006

environmental management systems and environmental reports. In January 2006, following a three-month consultation period, DEFRA issued new environmental reporting guidelines.

These guidelines aim to help businesses identify key performance indicators to enable them to best manage and communicate their environmental activities.¹⁶

No general extension of mandatory reporting

In March 2005, parliament agreed to a general extension of mandatory reporting for companies. From that time on, annual business reports were to include a so-called Operating and Financial Review (OFR) documenting non-financial sustainability risks – for example, information on environmental and employee issues. In December 2005, however, Chancellor of the Exchequer Gordon Brown, the UK finance minister, announced the repeal of the regulation even before the first OFRs had been published. According to the minister, they generated excessive costs for businesses and were also redundant since most companies already extensively documented their social and environmental activities.¹⁷

Financial sector

Steady growth is being registered in the UK in the field of investment based on social and economic criteria. An important multistakeholder movement has now formed under the heading of ethical investment. Special reference should be made here to the UK Sustainable Investment Forum (UKSIF), which is also active outside the United Kingdom. Its members are businesspeople, banks, researchers and NGOs. The forum informs investors about sustainability criteria when investments are being made and develops appropriate instruments for this purpose, such as the FTSE4Good™ sustainability index. Additionally, UKSIF organizes two to three international conferences a year on the subjects of sustainability and CSR.

CSR criteria in pension funds

The Pension Disclosure Regulation was passed in July 2000 to increase transparency in the pension fund sector. This regulation amended the existing Pension Act by requiring pension funds to consider social, environmental and ethical aspects in their investment strategies. It has led to pension funds demanding more information from the businesses in which they invest. As a result, more and more companies have voluntarily published information on their social and environmental activities.

The FTSE Group, an independent company owned by *The Financial Times* and the London Stock Exchange, introduced an index for socially and environmentally responsible investment, the FTSE4Good™ share index. However, some NGOs are demanding that the criteria for inclusion in the index should be tightened and their evaluation handled more strictly. Revenues from the index are donated to UNICEF.

Public procurement

Overall, the link between public contracts and compliance with both internationally recognized human rights and social and environmental standards is still rather weak in the UK. The government is endeavoring to orient public procurement, which is worth a total of £13 billion a

¹⁶ See www.defra.gov.uk/environment/business/envrp/guidelines.htm

¹⁷ See www.socialfunds.com/news/article.cgi/1882.html, Jan. 18, 2006

year, to sustainable development criteria. Additionally, since 2003 all ministerial contracts must comply with specific minimum environmental standards.¹⁸ Established in 2005, the Sustainable Procurement Working Group is to draft a proposal by April 2006 on how to make the UK's public procurement system one of the most sustainable in the whole of Europe.

Business activities abroad

The Department for International Development (DFID) works closely with the Ethical Trading Initiative (ETI). The initiative is considered a successful multistakeholder platform for businesses, unions and NGOs – also beyond the frontiers of the United Kingdom. Its most important goal is improving the working conditions in the value-added chain of businesses in the textile industry. So far, 36 companies have been granted membership of the ETI and have thereby committed themselves to complying with the Base Code developed by the ETI.

The ETI Workbook was published in 2003; it offers a useful guide to working with suppliers.

In 2002, at the World Sustainable Development Summit in Johannesburg, Prime Minister Tony Blair announced the foundation of the Extractive Industries Transparency Initiative (EITI). The goal of this initiative is the creation of greater transparency in businesses within the raw materials sector with regard to their revenues and their payments to governments. The initiative thus focuses especially on countries that are rich in natural resources and the businesses that are active there. Almost 20 countries are now participating in the initiative or implementing EITI principles. Implementation is carried out on the basis of the EITI Source Book, which contains the guidelines for their realization.

Room for improvement in the implementation of OECD guidelines

The website of the Export Credits Guarantee Department (ECGD), a separate government department that reports to the secretary of state for trade and industry, informs companies about the possible social and environmental consequences of larger investments before investment decisions are made. The ECGD also attempts to take into account human rights protection, good corporate governance and sustainable government in lending.

OECD Watch does not consider the United Kingdom particularly exemplary in its implementation of the OECD Guidelines for Multinational Enterprises, although the UK government has declared active support for them. Above all, the NGO criticizes the lethargy and lack of transparency of the National Contact Points. The UN Global Compact receives mainly financial support from the Foreign and Commonwealth Office¹⁹; so far, some 60 UK companies have joined the compact. However, the Global Compact does not play a substantial role in strengthening CSR in the UK.

CSR actors in the United Kingdom

-- Since 2001 the Corporate Responsibility Coalition (CORE) has brought together more than 100 UK organizations with the goal of implementing wide-ranging binding regulations in the private sector. www.corporate-responsibility.org

-- Business in the Community (BITC) is the leading economic initiative in the CSR domain also supported by the UK government. It aims to practice CSR at the local level within the country, especially on the basis of the business case for CSR. www.bitc.org.uk

¹⁸ See www.guardian.co.uk/ethicalbusiness/story/0,14713,1347107,00.html, Jan. 23, 2006

¹⁹ See www.societyandbusiness.gov.uk/global.shtml

-- Established in 1986, the New Economics Foundation (NEF) is an independent think tank that has cofounded a number of other organizations in this field (e.g. AccountAbility and SustainAbility). It argues for a stronger government commitment. www.neweconomics.org

-- SustainAbility is a think tank and strategy consultancy specializing in the business risks and opportunities of CSR and sustainable development. At the same time, SustainAbility also acts as a network linking NGOs, businesses, research bodies and administrations. www.sustainability.com

-- AccountAbility is an international organization that specializes in social and ethical reporting. In addition to the AA1000 Standard, AccountAbility has also developed other sustainability standards. www.accountability.org.uk

-- Chatham House (Royal Institute of International Affairs) is one of the world's leading institutions for the analysis of international issues. Chatham House also produces studies for the UK government, e.g. the CSR report for the 2002 World Sustainable Development Summit in Johannesburg. www.chathamhouse.org.uk

-- Market & Opinion Research International (MORI) has been working in opinion research for more than 30 years. It has produced several studies on CSR, including numerous white papers. www.mori.com

-- SME Key offers responsible small and mid-sized enterprises (SMEs) a guide to help them produce and use their own social report. The campaign is supported by the DTI and run by CSR Europe. www.smekey.org

-- The Small Business Consortium was founded by a number of organizations, including British Chambers of Commerce, AccountAbility and CSR Europe, and mainly assists SMEs. www.smallbusinessjourney.com

3.3 France: Mandating CSR by law

CSR facts

-- France was the first country in the world to require its publicly listed companies to release annual reports on environmental and social impact.

-- The country's national strategy for sustainable development makes direct reference to CSR.

-- The Forum des Amis du Pacte Mondial, a national corporate network, is the globe's largest network of UN Global Compact members.

How CSR is understood

Historically, the topic of sustainability in France has been heavily influenced by social considerations. Examples of this include a public-private partnership for fighting discrimination, jointly established in 2002 by the ADECCO human resources company, the Labor Ministry and Fonds d'action et de soutien pour l'intégration et la lutte contre les discriminations (FASILD), an organization that promotes integration and combats discrimination. Carried out well before CSR was on the national agenda, the *Bilan social* (Social Report) of 1977 is generally considered to be the precursor to current analyses of corporate activity and sustainability. The study evaluated some 6,000 businesses having a total of almost 7 million employees. Typically for France, the efforts included a dialogue between unions and employers.

Since then, the range of debate on sustainability issues has grown and is now one of the most comprehensive in all of Europe. Social issues continue to be addressed in all areas and have been augmented by environmental considerations. For example, in 2002 the French Environmental Ministry was renamed the Ministère de l'écologie et du développement durable (Ministry for Ecology and Sustainable Development).

Weaknesses in environmental concerns

At the same time, however, environmental aspects of CSR are less prevalent in the French legal code and in the awareness of the general population than in Germany or Scandinavia. In particular, one interviewee pointed to France's need to catch up when it comes to renewable energy and alternative fuels. He expressed the fear that the whole topic of environmental protection might be jettisoned from the CSR agenda and be emphasized as a separate topic. In his view, environmental protection in France is a subject that is debated in all political camps in a highly polemical manner.

The government has taken a number of steps in recent years to promote CSR, including launching initiatives, implementing reforms and establishing commissions.

At the same time, it remains unclear if companies have truly integrated CSR into their corporate strategies or if they are merely fulfilling legal requirements. A number of observers believe that French corporate leaders are only carrying out the law and would rather run the risk of penalties than include CSR activities in their business strategies. One interviewee emphasized that French business leaders stress the use of traditional public relations and marketing in order to reach NGOs and customers, to the detriment of a coherent CSR strategy. Compared to Scandinavia, he added, NGOs in France are too weak to be effective watchdogs and call attention to the misdeeds of French corporations. Customers are hard to mobilize as well. According to this source, business leaders also tend to make the state responsible for solving social problems, since their companies already cover a high level of social costs.²⁰

National strategies

In June 2003, the French government took a first step toward consolidating its CSR initiatives and policies, since, in contrast to other nations, the *Plan national pour un développement durable* (PNDD – National Plan for Sustainable Development) directly references CSR issues. The strategy has three main goals: first, the development of a national system of reference information; second, an analysis of positive and negative examples; and third, the continued development of socially responsible financial instruments. These activities focus on environmental protection.

The strategy covers a wide range of topics and tasks, including promoting public administration that is more efficient and resource-friendly; implementing public-sector reforms at both the regional and national levels; creating a sustainable and uniform financial policy (*La loi organique sur les lois de finances*, LOLF); and realigning public procurement procedures to increase sustainability, above all in the area of environmental protection.

²⁰ Interviews. See Chris Gribben, Kate Pinnington and Andrew Wilson, *Governments as Partners: The Role of Central Government in Developing New Social Partnerships. The Findings from Seven European Countries*, Copenhagen.

Visibility

Observers stress that raising awareness levels has traditionally played a marginal role in French politics and that legislation is rarely accompanied by a public relations offensive. In the area of CSR as well, France lags behind other countries, although it has made some progress in recent years.

The French government declared CSR to be one of the key topics during its G8 presidency in 2003. The concluding G8 declaration on “Fostering Growth and Promoting a Responsible Market Economy” was meant to encourage companies to implement CSR standards and to enter into CSR-related partnerships. At the G8 summit in 2006, France is planning, together with Germany and other countries, to revitalize the debate on promoting human rights and on the International Labor Organization’s principal employment norms.

The Global Compact’s national impact

In early 2004, the French government established the Forum des Amis du Pacte Mondial, a national network of business organizations whose members have signed the Global Compact and that are engaged in promoting and expanding CSR practices. The forum now has more than 400 members and is the globe’s largest association of Global Compact companies. The network is sponsored by the Institut de l’entreprise (The Business Institute) and by the organization Entreprises pour l’Environnement (Businesses for the Environment).

With this, France has found a mechanism to introduce the Global Compact into national CSR policies. With the exception of Spain, no other nation is home to such an institution. Participants say that the forum is an important step for increasing awareness among French business leaders – an area, many interviewees say, that has room for expansion.

Transparency and reporting

In May 2001, France passed a law, the *Loi sur les Nouvelles Relations Économiques* (NRE), requiring publicly listed companies to issue an annual report on the environmental and social consequences of their business activities – the first country in the world to do so. The report must also state how the company is dealing with these consequences.

The law was expanded in February 2002, setting out 40 qualitative and quantitative indicators. The indicators are comprehensive, extending from workplace standards, training services and local-government issues to consumption of water and other natural resources.

Criticism of overall effectiveness

In terms of binding legal requirements, France is clearly ahead of most other European states. Yet, criticism of its efforts can also be heard. On the one hand, no accountability methods have been specified, and since companies determine such methods themselves, transparency is less than optimal. How the legal criteria are actually fulfilled in practice leaves much to be desired, and the companies’ willingness to cooperate is limited. The indicators are another concern. Many believe they are too general and have only limited applicability for certain industries. In addition, no sanctions have been defined. The Environmental Ministry, the Social Affairs Ministry and the Economics Ministry are working together to improve these shortcomings. Yet outside experts

maintain that the legal requirements have not led to companies' truly internalizing the actual meaning of CSR.²¹

Financial sector

Since July 2001, public pension funds must openly document their policies on social, environmental and ethical criteria. They are not obliged to meet them, however, since no exclusionary criteria have been set.

Since February 2001, corporate pension funds must take certain criteria into account and report on them. Four unions have come together to monitor these funds' investments and to offer fund managers socially sustainable alternatives. The union committee has developed a seal of approval that can be used to distinguish deserving financial products.

Public procurement

Since March 2001, social and environmental factors can be considered when public contracts are awarded. An amendment to the law is currently being written to raise environmental standards and to develop a sustainability concept.

Business activities abroad

When it comes to sustainability, in France responsibility for international activities is seen less as a matter of CSR and more as an aspect of government development policy – in contrast to Sweden, for example. Nevertheless, progress is indeed being made in the area of CSR.

Companies that apply for public credit or insurance are informed by the Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE), the French insurer for foreign trade, about the OECD Guidelines for Multinational Enterprises, and the companies must confirm in writing that they have taken note of them. COFACE has even exceeded the OECD guidelines in that it includes the protection of indigenous peoples as one of its standards.

The Fair Trade Standardization Committee of the Association française de Normalisation (AFNOR), France's organization for legal norms, brings stakeholders together to develop a system of indicators for fair trade. In addition, the Foreign Ministry has supplied the resources to create a *Fonds de solidarité prioritaire* (FSP – Priority Solidarity Fund) in order to increase the market share of fair-trade organizations.

CSR actors in France

-- The Comité interministériel pour le développement durable (CIDD), an intergovernmental committee for sustainable development, was created in 2003, and is chaired by the prime minister. Almost without exception, committee members are also members of the national cabinet.

-- The minister responsible for environmental and sustainability issues is the key CSR policymaker in the French government, although the position has limited influence. CSR initiatives continue to be developed by the president.

²¹ Analysis of the Center for Corporate Citizenship at Boston College:
www.bcccc.net/index.cfm?fuseaction=Page.viewPage&pageId=1018&nodeId=3&parentID=1013&grandparentID=886, Dec. 20, 2005

-- Observatoire de la Responsabilité Sociétale des Entreprises (ORSE), an NGO network of companies, trade associations, unions and other NGOs, was created in 2000 to study and promote sustainable investment and other CSR measures.

-- The Institut de l'entreprise is an independent think tank sponsored by numerous companies that focuses on management development and social issues. It has more than 120 members who together account for over 20 percent of GDP.

-- Entreprises pour l'Environnement is an association of 40 companies from a variety of sectors that share the common goal of environmental protection and sustainability.

-- IMS – Entreprendre pour la Cité is an NGO founded in 1986 as a business community initiative. With a network of more than 130 enterprises, it promotes an extensive application of CSR initiatives throughout the country, with a particular emphasis on local-level measures.

3.4 Sweden: CSR and business activities abroad

CSR facts

-- The Environmental Code of 1999 lays down stringent laws oriented towards sustainability.

-- Globalt Ansvar, the Swedish Partnership for Global Responsibility, was initiated by the government and encourages member companies to adhere to OECD guidelines and the principles of the UN Global Compact.

-- Since 2001, public pension funds have been obliged to meet environmental and ethical standards whose compliance is monitored by the Finance Ministry.

How CSR is understood

Sweden's approach to CSR is strongly influenced by environmental criteria and responsible foreign trade. Social aspects are only gradually becoming part of the Swedish CSR strategy. That does not mean that they are any less important, but for a long time they were debated in another area, namely, within the traditional tripartite partnership between government, unions and employers. Sweden began promoting the idea of CSR and implementing it in the country's numerous government enterprises earlier than many other European countries. As early as 1979, a dialogue was initiated between industry, unions and other employment-related actors that was aimed at achieving adherence to the OECD Guidelines for Multinational Enterprises. Today, however, Sweden's CSR policy is not as broad as that of the United Kingdom. The Swedish strategy is incentive-oriented and emphasizes the voluntary nature of participation by those concerned. On the other hand, the government has launched several initiatives to involve stakeholders. CSR awareness is widespread in Sweden. NGOs diligently monitor compliance of agreements.

National strategies

In 1999, the Swedish government took a major step toward establishing a coherent framework in the environmental field. Fifteen environmental laws were consolidated within the Environmental Code. This reform produced a more wide-ranging and more stringent environmental legal code oriented towards sustainable development. The code aims to realize stronger goal and performance management than had previously been the case. Whereas only relatively small

reductions in environmental pollution had been demanded in the past, the law now defines compulsory minimum standards.

Visibility

Globalt Ansvar, the Partnership for Global Responsibility, has played a major part in making CSR a well-known concept in Sweden. The Swedish government established this partnership with businesses in March 2002 in order to strengthen their commitment in the areas of human rights, social standards, environmental protection and the fight against corruption. The Foreign Ministry assumes primary responsibility.

The initiative supports CSR research, consulting, networking and further education for managers, union members, politicians and members of NGOs. Twelve companies have joined the partnership since December 2003. As members of Globalt Ansvar, the companies have to produce annual reports on their compliance with the OECD Guidelines for Multinational Enterprises and the principles of the Global Compact. Sweden is thus a leading country, alongside France, when it comes to implementing the UN Global Compact in national policy. It is also a major provider of Global Compact funding. Sweden also stands out, with the Netherlands, with regard to its compliance with the OECD guidelines.

The Swedish Consumer Agency (SCA) also engages in activities aimed at increasing CSR awareness. It carries out CSR public relations through round-table discussions and studies on sustainable consumption that have a global perspective.

Transparency and reporting

Since 1999, larger, publicly listed companies have had to report on the environmental impact of their work in their annual financial reports – more than 20,000 companies are affected by this rule. In terms of its stringency with regard to environmental issues, this obligation is unique across Europe. Companies that do not meet the CSR requirements must pay a €500 fine and risk prosecution.

Financial sector

Socially responsible investment (SRI) is very well-developed in Sweden. Since 2000, public pension funds have only been allowed to invest in companies that meet the relevant environmental and ethical standards. The Finance Ministry monitors compliance with the law.

Public procurement

Public tenders in Sweden are not yet linked to CSR criteria.

Business activities abroad

Businesses that apply for public-sector loans or guarantees are informed about the OECD Guidelines for Multinational Enterprises. The National Contact Point was established in 1976 under the auspices of the Foreign Ministry. In accordance with the Swedish tradition of tripartite partnership, this contact point contains representation from all sectors: government, employers and unions work together. Sweden, however, like many other European countries, is reluctant to

firmly link export credits, loan guarantees and investment guarantees to social, environmental and human rights standards.

CSR in development cooperation

Nonetheless, the Swedish view of CSR goes much further than the idea of fair trade and a socially responsible supply chain. For example, Swedish businesses are encouraged to contribute to infrastructure in developing countries through public-private partnerships in the fields of local development or electricity supply. The Swedish International Development Agency (SIDA) also encourages Swedish industrial associations to cooperate with companies in developing countries. SIDA also supports CSR quality labels in the agricultural sector.²²

CSR actors in Sweden

-- The head of the Ministry of Industry, Employment and Communications is Sweden's highest ranking CSR policymaker. However, because the Foreign Ministry has traditionally played a major role in CSR, many of the responsible officials work there.

www.regeringen.se/sb/d/3087/a/18334;jsessionid=aeZAnGUP-lqa

-- There is no interministerial commission like the one in France, but frequent contacts do take place at the working level between all those involved in CSR in different ministries.

-- Unions and employers are closely involved within the framework of the tripartite partnership.

-- The Nyföretagar Centrum, Jobs and Society, pursues a business-oriented course without defining the public sector as a CSR player. www.nyforetagarcentrum.se

3.5 Denmark: A long social tradition

CSR facts

-- The Copenhagen Centre is an independent think tank that contributes to strengthening CSR awareness in a variety of ways.

-- More than 1,200 companies are obliged to publish annual environmental reports as a result of "green accounts" legislation.

-- Human Rights Compliance Assessment could become an effective instrument for businesses to register human rights abuses.

How CSR is understood

Denmark is considered one of the pioneers in the European CSR debate. The first initiatives date back to the mid-1990s, when the Ministry of Social Affairs launched a national campaign to increase awareness of CSR.

²² Brigitte Hamm, *Maßnahmen zur Stärkung von Corporate Social Responsibility in der Entwicklungszusammenarbeit europäischer Institutionen und ausgewählter europäischer Geberländer*, Institut für Entwicklung und Frieden, Bonn, May 2004, page 21ff

The CSR strategy in Denmark focuses strongly on social issues, especially on companies' contribution to the integration of fringe groups into the labor market and within local communities (e.g. the long-term unemployed, young people, ethnic groups, people with disabilities). This occurs mainly through the promotion of local public-private partnerships (PPPs) between businesses, unions, public institutions and other important actors. Examples of this include the initiatives of the Ministry of Refugees, Immigration and Integration Affairs and the special awards for successful commitments by business toward the integration of ethnic minorities. Urban development programs that aim to promote a cross-sector approach involving government agencies, citizen groups, schools, daycare centers, housing associations and businesses are also often PPPs.

National strategies

In 2002, the Danish government agreed a National Strategy for Sustainable Development. Its key points are climate change, renewable energies, international development, trade and the environment, species diversity, health and sustainable production. In a multistakeholder process, a set of indicators was developed to measure the strategy's progress; the indicators are updated annually.

No unified control

The national strategy, however, does not have any direct links with CSR. Instead of a single unified CSR strategy, it is possible to identify an entire raft of political initiatives with different emphases, each of them initiated by different ministries.

The Labor Ministry, for example, supports initiatives for social integration, while the main emphasis of the work carried out by the Ministry of Social Affairs lies in the development of the "business case" for small and midsized enterprises.

Visibility

Campaigns to promote an awareness of CSR have a long tradition in Denmark. As early as 1994, the Danish Ministry of Social Affairs launched a campaign entitled "Our Common Interest – The Social Responsibility of the Corporate Sector."

In 1996, the social affairs minister established a national network of business leaders that advises the minister on CSR and questions of social inclusion. This network awards annual prizes to socially responsible initiatives by public- and private-sector enterprises. The network's secretariat is run from the Copenhagen Centre.

Key role of the Copenhagen Centre

The Copenhagen Centre (TCC) was established by the Danish government in 1998 as an independent think tank. Its task is to gather specialist knowledge and to promote debate on the social role of industry among business and political leaders. The center has made a significant contribution to strengthening awareness of CSR in Denmark with research studies on new social partnerships and workshops for representatives from government, business, unions and academia.

During the Danish EU presidency in 2002, the government gave CSR the highest priority. In November 2002, with the support of the European Commission, it organized a European conference on "Mainstreaming CSR Across Europe – Challenges and Opportunities of a Common

Framework.” According to our respondents, awareness of CSR among Danish businesspeople is very high, especially when it comes to the area of social integration. The awareness of environmental issues is also quite high, although Danish companies tend not to consider environmental aspects part of CSR.

In 2002, the Ministry of Economic and Business Affairs published a report on *Ethics in Business* that examined the CSR practice of Danish companies and outlined the challenges for the further development of CSR in Denmark. In collaboration with the Confederation of Danish Industries (DI), the Ministry of Economic and Business Affairs also compiled CSR guidelines for small and midsized enterprises, the *CSR Kompasset*.

Transparency and reporting

In 1995, parliament passed legislation requiring businesses engaged in activities that engender a special burden on the environment to publish annual environmental reports, so-called green accounts. This law affects some 1,200 companies. In addition, 200 businesses voluntarily publish a green account. By implementing this measure, Denmark became the first country to enact statutory regulations on public environmental reporting.

Green accounts describe the environmental measures, goals and results of the company and report on the most important environmental inputs and outputs of the production process, including energy consumption, the use of raw materials and dangerous substances, and the amount of waste created. The legislation was intended to offer a simple framework for environmental reporting that would give businesses enough freedom to set their own priorities and goals. A review by the Danish Environmental Protection Agency in 1999/2000 found that some businesses regarded this as a useful means for promoting their activities. The study also discovered a positive trend in the quality of the reports. However, public interest in the green accounts has remained disappointingly low.

In 2000, the Danish Ministry of Employment created the Social Index, a yardstick of companies' social responsibility toward their employees in areas including training, equality, work/life balance, and diversity management.

Businesses are also entitled to use the Social Index as a seal of approval for their products for three years. Since 2001, however, only seven companies have received the seal. The index has not yet attained broader recognition. Furthermore, it has been criticized by CSR practitioners because of its limited scope (human resources policy) and methodical errors.

In August 2001, the Ministry of Employment published *Guidelines for Social and Ethical Reporting* aimed at private and public organizations that wish to voluntarily report on the social impacts of their activities. Currently, the Ministry of Employment is drafting a handbook on social reporting for small and midsized enterprises in conjunction with Danish employers' organizations and unions.

Financial sector

When it comes to sustainable investments, Denmark holds a leading position in Europe, alongside Sweden. Until now, however, there have been no statutory initiatives to promote sustainable investment.²³

Public procurement

Since 2001, it has been possible to consider social criteria in decisions on public contracts.

Business activities abroad

The Danish government supported the development of an instrument for registering human rights violations as devised by the Danish Institute for Human Rights in collaboration with the Confederation of Danish Industries (DI) and the Industrialization Fund for Developing Countries (IFU). The Human Rights Compliance Assessment (HRCA) is based on international human rights conventions and helps businesses to recognize possible human rights abuses against employees, local residents and other stakeholders. From 2003 to 2004, HRCA was the subject of an exhaustive consultation process that involved 40 human rights organizations and more than 40 businesses from 14 European countries.

CSR actors in Denmark

-- Different ministries are working in the CSR field, including the Ministry of Employment (overall leadership), the Ministry of Economic and Business Affairs and the Ministry of the Environment. The Ministry of Refugees, Immigration and Integration Affairs as well as the Ministry for Family and Consumer Affairs have also developed initiatives in this area. www.oem.dk

-- The Copenhagen Centre is an independent think tank that was founded by the Danish government in 1998. The center performs research, conducts studies, organizes workshops and offers advice on public-private partnerships. www.copenhagencentre.org

-- The Danish Institute for Human Rights (DIHR) is a national human rights institution whose duties include providing information, training, research and the processing of complaints. www.humanrights.dk

-- The Confederation of Danish Industries (DI) was one of the most important partners involved in devising the Human Rights Compliance Assessment diagnostic tool. It also participated in the development of the *CSR Kompas* for small and mid-sized enterprises. www.di.dk

-- The Danish National Institute for Social Research is a research facility of the Ministry of Social Affairs. The institute conducts surveys, for example, on CSR in Denmark. http://eng.social.dk/ministry/agencies/Institute_of_Social_Research.htm

-- The Nordic Partnership is an example of a failed initiative. It was founded in 2001 by the WWF and leading northern European businesses. In June 2005, this northern European cooperation project had to cease work due to a lack of funds.

²³ www.ioew.de/home/downloaddateien/DP5602.pdf, Jan. 16, 2006

6. Netherlands: Business and competition

CSR facts

- The most active national actor is the Dutch Economics Ministry. Since 2004, it has been releasing annual rankings of the social reports issued by the country's largest companies.
- The CSR Netherlands information center promotes projects involving CSR partnerships, serves as a think tank on CSR and is developing a national CSR vision.
- The Green Investment Directive of 1995 gives sustainable financial products tax-free status.

How CSR is understood

Similar to Denmark, CSR in the Netherlands is characterized by efforts to promote integration and social cohesion. A number of ministries support public-private partnerships between local governments, businesses and aid organizations; the partnerships focus on employment promotion, communal life, urban renewal and crime prevention.

The Dutch government pursues a CSR strategy that is based on voluntary participation on the part of the business community. The fact that the Economics Ministry is the government's main contact agency makes clear that CSR is seen as an inherent part of competition and economic policy.

National strategies

In 2001, the Dutch government published two strategy papers on CSR. The first was based on a report by the Dutch Social and Economic Council²⁴, a government advisory committee, and the other appeared in the wake of the EU Commission's CSR green paper. In both cases, the government emphasized the voluntary nature of its CSR strategy.

The 2001 *Nationale Strategie voor Duurzame Ontwikkeling* (NSDO – National Strategy for Sustainable Development) is supported by a committee whose members include the prime minister and the ministers for Economics, the Environment, Urban Development and Integration. Its focus areas are demographic change, immigration, climate change, water consumption, biodiversity and innovation. CSR is not explicitly mentioned in the commission's strategy, although synergies are promoted between the various policymaking fields.

Visibility

In December 2002, the Economics Ministry founded CSR Netherlands, an independent information center for CSR issues. It promotes partnerships between businesses, the public sector and NGOs.

In addition, it functions as a think tank and works to develop a national CSR vision. In cooperation with NIDO, the national initiative for sustainability, the Economics Ministry has established a

²⁴ *Corporate Social Responsibility: A Dutch approach*, The Social and Economic Council of the Netherlands, December 2000

program for CSR research, which coordinates national research efforts on CSR and is responsible for increasing awareness of CSR among the business community and the public.

In November 2004, during its EU presidency, the Dutch government organized an EU conference on CSR.

Transparency and reporting

In order to increase transparency and comparability on a national level, in 2004 the Economics Ministry began creating a uniform system for benchmarking the social reports of the 175 largest Dutch companies.

Companies whose activities have a marked negative ecological impact must release an annual environmental report. This requirement was introduced by the 1997 *Wet Milieu Beheer*, the expanded environment-management report, and the 1999 *Besluit Milieuverslaglegging*, the directive on environmental reporting. Some 300 companies are affected by these regulations, which prescribe no specific evaluation methodology that would allow the accuracy of the data to be verified. According to a number of observers, the regulations have made it possible to better understand the activities and environmental management policies of Dutch companies, but they have not led to the development of comprehensive environmental management systems. Businesses are critical of the measures, since they increase costs.

Financial sector

Interest in sustainable investment opportunities has long existed in the Netherlands, and it continues to grow. The oldest financial products are socially responsible savings accounts first developed in the 1960s by banks focusing on ethical issues. In 1990, the first ethics-oriented mutual fund was established.

The Green Investment Directive of 1995 offers tax exemptions for “green” financial intermediaries who finance environmental projects based on certain provisions (at least 70 percent of funds must flow into “green” projects). Interest rates for loaned capital are below the market average and, as a result, are very competitive.

In 2000, half of all socially responsible savings instruments and 45 percent of such investments were transacted in accordance with the directive.

With the amended tax system of 2001, green savings and investments were made even more attractive, since the investment income tax (of 1.2 percent) no longer applies to these products. Green savings instruments have, on average, a 5.5-percent market share.

Public procurement

Public contracts in the Netherlands are not yet awarded according to CSR criteria.

Business activities abroad

As of 2000, companies applying for export credit are required to adhere to the OECD Guidelines for Multinational Enterprises. However, they must only declare that they are aware of the guidelines; they are not obliged to show that they have put them into practice. Compliance is not monitored by the government, and no sanctions have been spelled out.

The national contact for the OECD guidelines is an interministerial committee led by the Economics Ministry which meets with employers organizations, workers' representatives and NGOs.

The Ministry for Developmental Cooperation supports fair-trade projects, public-private partnerships and CSR initiatives in developing countries.

CSR actors in the Netherlands

-- The Economics Ministry is mainly responsible for CSR policy. It coordinates other relevant ministries, such as the Ministry for Work and Social Affairs and the Ministry for Developmental Cooperation. www.minez.nl

-- The Global Reporting Initiative (GRI) is a multistakeholder institution that opened its doors in Amsterdam in 2002. Its task is to develop and disseminate globally applicable guidelines for creating sustainability reports. www.globalreporting.org

-- Samenleving & Bedrijf – Community & Business is a business network that promotes CSR. It carries out programs on a number of topics, including volunteerism, education and anti-discrimination efforts. www.samen.nl

-- VBDO is the Dutch association of investors supporting sustainable development. The charitable organization was founded in 1995 and brings together financial institutions, service providers and private investors. www.vbdo.nl

-- The Centre for Research on Multinational Corporations (SOMO) is a charitable research institute and consultancy that was founded in 1973. SOMO calls attention to the negative consequences, especially for developing countries, of the policies carried out by multinational corporations. www.somo.nl

-- OECD Watch is an international network of civil society organizations that promotes higher levels of socially responsible behavior among the business community. The network's goal is to verify adherence to the OECD Guidelines for Multinational Enterprises. www.oecdwatch.org

-- Social Venture Network (SVN) is an international network of socially engaged and environmentally aware companies. The network also works to establish partnerships for promoting CSR. www.svn.org

-- Consumentenbond is a consumer organization active in the area of CSR. www.consumentenbond.nl

3.7 Examples from other EU member states

3.7.1 Austria

CSR facts

-- Austria's national ministries award a range of prizes for outstanding corporate engagement.

-- In 2002, the Austrian government defined a national sustainability strategy.

-- In 2002, the Ministry for Economics and Labor launched a number of initiatives, including CSR Austria, which became the respACT Austria association in 2005.

How CSR is understood

Numerous national ministries promote CSR initiatives in Austria, above all by awarding prizes and seals-of-approval for exemplary corporate programs. These include awards for Austrian companies with outstanding equal opportunity and family-friendliness programs (Ministry for Social Security, Generations and Consumer Protection), and for health and safety in the workplace (Ministry for Economics and Labor). In addition, a seal of approval for activities in the tourism industry (Ministry for Agriculture, Forestry, Environment and Water Management) is also awarded.

In April 2002 the government passed a national strategy for sustainable development. Its main objective is to improve the competitiveness of local businesses by promoting environmental efficiency.

Together with the Ministry of Economics and Labor and the Austrian Chamber of Commerce, Austria's Industriebund (Industrial Association) established the CSR Austria initiative at the end of 2002 to increase awareness of CSR and to develop a dialogue between the business community, government agencies and the public. The respACT Austria association²⁵ has been continuing the initiative's work since June 2005. It offers a platform for companies to exchange information and experience among themselves and to work together on joint projects. In addition, it organizes management training seminars. May 18, 2006, was declared National CSR Day, complete with conference and prize ceremony, among other events.

The Austrian Ministry for Agriculture, Forestry, Environment and Water Management hosts a sustainability website and, together with the Gesellschaft für Umwelt und Technologie (Society for the Environment and Technology), has developed a platform for socially responsible investment activities.

3.7.2 Italy

CSR facts

-- A multistakeholder forum on CSR has existed under the leadership of the Labor Ministry since 2004.

-- Many activities take place on a regional level, such as employing CSR criteria when awarding public contracts.

How CSR is understood

In 2002, the Ministry for Labor and Social Affairs commissioned a benchmark study on international CSR initiatives in order to evaluate the feasibility of introducing voluntary CSR standards in Italy. In 2003, the Ministry for Labor and Social Affairs joined with the Association of Chambers of Commerce to support companies in carrying out self-assessments and in preparing a legally mandated social statement.

²⁵ www.respect.at

Finally, based on the European Union's CSR forum, the Labor Ministry²⁶ founded a multistakeholder forum in 2004, which meets at regular intervals to address CSR issues. It brings together business and government leaders, employer organizations, unions, and NGOs. Its objective is to promote CSR through an exchange of best practices, public relations and stakeholder dialogue.

In 2004 as well, the Ministry for Labor and Social Affairs launched a CSR communications campaign with a number of PR elements, including television spots. A CSR research center was also established, similar to Denmark's Copenhagen Centre.

A number of initiatives take place in Italy at the regional level, such as the inclusion of CSR criteria in public procurements procedures, regional CSR websites, CSR quality labels in the agricultural sector and a CSR-oriented business promotion program.

3.7.3 Belgium

CSR facts

- Belgium's government agencies have established requirements for SRI and public procurement procedures.
- The first CSR conference organized under the auspices of an EU presidency took place during Belgium's tenure.
- Thanks to the independent consultancy Ethibel, ethical investing has been well received in Belgium.

How CSR is understood

Belgium's government agencies have been very active in promoting CSR. Their efforts include public relations initiatives (such as the first conference on CSR organized as part of an EU presidency, which took place in November 2001), the introduction of a voluntary, socially oriented seal of approval, also known as a quality label (2002), requirements for socially responsible investment (SRI) and for public procurement procedures.

The voluntary seal of approval is awarded to businesses for three years, once they have undergone certification by a multistakeholder committee organized by the Economics Ministry. Yet both the seal's effectiveness and practicality have been questioned. The problem is its overly extended purview, since considerations for awarding the seal take the entire value-added chain into account. Until now, only two service-sector organizations have been awarded the seal.

In November 2001, a social affairs clause was introduced into the requirements for public procurement activities. It is designed to include socially disadvantaged groups, such as the long-term unemployed. Environmental criteria can now also be considered when awarding public contracts.

It should be noted that a number of initiatives in Belgium have been successful without government regulation. The idea for ethical investments, for example, was originally promoted by an individual bank; other financial organizations then adopted it and expanded it using the concept of sustainability. The breakthrough came in 2000, when the number of SRI funds and the number of participating banks doubled within one year. At the end of 2001, six public SRI funds existed in Belgium.

²⁶ See www.welfare.gov.it/EaChannel/MenuTematiche/csrs/Presentazione/default.htm

Two-thirds of these funds are advised by the independent consultancy Ethibel.²⁷ The Ethibel seal of approval, its European quality label for socially responsible investment, was established in 1992. Ethibel is a nonprofit organization open to all businesses of all sizes. Its objective is to promote quality investing. The Ethibel seal of approval is registered in all European countries and is promoted by a number of partner organizations.

4. Germany: How things stand

CSR facts

- In Germany, many aspects of environmental protection are regulated by law.
- The Rat für Nachhaltige Entwicklung (RNE – Council for Sustainable Development) also advises the federal government on the topic of CSR.
- Although not required by law, environmental and, increasingly, CSR reports are becoming common elements in the business world's communications activities.
- In terms of CSR, Germany needs to catch up, especially in the areas of strategic development, the financial sector, business activities abroad and public procurement.

How CSR is understood

"We're concerned about Germany." More and more, this sentence can be heard at European conferences when the subject turns to CSR in Germany. Especially in terms of CSR's visibility, representatives of other nations such as the United Kingdom fear that Germany will continue to lag behind.

Despite such sentiments, Germany's position in a number of areas is a comparatively strong one. Many CSR-relevant topics have long been regulated by law and are no longer explicitly classified as CSR activities. The freedom that German companies have to distinguish themselves in the area of social engagement is therefore considerably smaller when compared to their Anglo-American counterparts, for example. This is especially true for environmental and sustainability issues, where legal requirements give the business community particularly limited scope for taking action as compared to other nations. The high level of regulation, however, does not mean that there is no need for CSR activities in Germany. On the contrary, partnerships between companies and social or environmental initiatives, for example, almost never take place "among equals." What's more, the willingness to become proactive that is needed for entering into cross-sector partnerships and responding to pressing social problems is minimal.

To some degree, the German public is aware that companies must assume social responsibility and that some are already doing so. The general public does not, however, truly believe that the business community's efforts are sincere and planned for the long term. Many well-intentioned and praiseworthy projects being carried out by German companies are, as a result, not widely known or denigrated as mere public relations.

The spread of CSR activities is made more difficult by yet another problem: Although both the state and business community can look back on a long tradition of joint problem-solving and initiatives, neither side has a set policy of engaging in partnerships. Conflicts between them

²⁷ See www.ethibel.be

usually center on win-lose situations – for example negotiations on setting higher or lower industry thresholds, the results of which always seem to benefit only one side or the other.

The business community in particular should instead be open for engaging in a long-term, transparent dialogue with politicians and public administrators.

Additional unique, actor-based aspects distinguish Germany from other European countries. For historical reasons, Germany's unions and trade associations have a strong presence. In terms of CSR, however, they have yet to find their role. Most often the subject is treated passively for a variety of reasons, including CSR's falling directly between industrial and social policy; given its dual nature, CSR thus calls into question the division of responsibilities between employer and trade associations that has become established in past decades. German NGOs are also relatively weakly represented. On the one hand, they are generally less aggressive in their campaigns than their counterparts in the United States (when compared to PETA's protest activities involving animal blood, for example, or diverse "hate sites" directed at major corporations) or NGOs in France; at the same time they are less cooperative than British or Dutch organizations. In addition, the NGO landscape is home to actors that are less professional than elsewhere, and they can be considered less effective in taking on the role of watchdog. Moreover, German NGOs are anything but viable partners for joint initiatives with the business community.

National strategies

In Germany, the most important interdepartmental government advisory agency in the area of CSR is the Rat für Nachhaltige Entwicklung (RNE – Council for Sustainable Development).²⁸ The council was created in 2001 by the federal government and assigned the task of publicly communicating the topic of sustainability while advising the government on sustainability-related topics. The coalition government formed after the 2005 elections has reaffirmed the council's mandate.

In August 2005, the federal government passed the *Wegweiser Nachhaltigkeit 2005* (2005 Sustainability Guide), thereby both documenting implementation of the national sustainability strategy and continuing the 2002 strategy. One of the guide's key areas is CSR, defined by the RNE as an approach to sustainable development at the corporate level. Progress in this area continues: In March 2006, the council launched a project geared toward creating a CSR dialogue (www.csr-dialog.de), through which it hopes to communicate the recommendations formulated by the working committee, which is made up of council members, to the business community and federal government. The recommendations are slated to be discussed with business and civil society leaders in May 2006.

Two drivers: Unemployment and demographics

By organizing numerous competitions, the Federal Ministry for Labor and Social Affairs has dedicated itself to increasing the extent to which businesses assume social responsibility. The campaign "Shaping employment – Businesses taking responsibility," which the ministry has been carrying out in cooperation with the *Initiative für Beschäftigung!* (Initiative for Employment!) since 2004, has been well received. By 2005 more than 150 companies had joined in to win one of five prizes, each awarded in a separate category. Most significantly, the competition has made clear the range of best-practice examples that German enterprises of all sizes and from all economic sectors have developed on their own.²⁹

²⁸ See www.nachhaltigkeitsrat.de

²⁹ See www.beschaeftigung-gestalten.de

Studies in Germany have now shown that prosperous regions are also family-friendly. In addition, it has been repeatedly seen that comparatively small investments in programs to promote family life and early childhood education can make later responses to social problems largely superfluous. This is an indication that corporate engagement in support of families pays off for both the companies themselves and society at large.

In recognition of this, the *berufundfamilie* (careerandfamily) program³⁰ was jointly developed by the Federal Ministry for Families, Seniors, Women and Youth and the nonprofit Hertie Foundation. The program carries out an audit within participating companies in order to provide them with hands-on management tools for implementing family-friendly HR policies. Other initiatives promoted by the Ministry for Families include *Allianz für Familie* (Alliance for the Family) und die *Lokale Bündnisse für Familie* (Local Alliances for Families). Since 2003, the ministry has been working with policymakers, businesses and trade associations to develop initiatives for a better work/life balance.³¹

The Federal Ministry for Economic Cooperation and Development integrates companies directly into its development policies: As part of public-private partnerships, German businesses commit themselves to working with development organizations in order to promote implementation of environmental and social standards in transition countries.³² CSR is also an integral part of the German government's official program for reducing extreme poverty around the globe by half by 2015.³³

Sustainability in Schleswig-Holstein

The Federal Ministry for the Environment, Protection of Nature and Reactor Safety does not follow any clear strategy on CSR per se, but does organize explorative workshops on CSR and corporate management.

In Schleswig-Holstein, sustainability strategy is taken into consideration during the state cabinet's decision-making processes, a situation that is unique at the state level in Germany. In preparing decisions, sustainability criteria must be included along with other considerations. Baden-Württemberg is currently in the process of developing a statewide sustainability strategy, although the extent of CSR's role in the overall concept remains to be seen.

In comparison

- The British cabinet includes a minister for CSR, and the country's national sustainability strategy expressly stresses CSR.
- France's strategy for sustainable development refers directly to CSR.
- Since 1999, Sweden has had strict environmental laws that focus on sustainability.
- The main objective of Austria's strategy for sustainable development is to improve the competitiveness of local businesses by making them more environmentally efficient.
- The Italian government commissioned a benchmark study on CSR initiatives in order to ascertain the feasibility of implementing voluntary CSR standards.

³⁰ See www.beruf-und-familie.de

³¹ See www.lokale-buendnisse-fuer-familie.de

³² See www.bmz.de/de/themen/wirtschaft/arbeitsfelder/PPP.html

³³ See www.aktionsprogramm2015.de

Visibility

Consumers are a central driver in the development of CSR. At the same time, however, customers in the store are often more than willing to disregard what they might find scandalous in their role as public citizens: Well-documented cases of child labor and even quality- and health-related issues are wholly ignored as long as the product is cheap enough. Whether or not CSR will be proactively and successfully pursued in the future by the business community depends in part on whether this dual-nature behavior can be overcome, i.e. if consumers begin using their purchasing patterns and investment activities to provide those companies active in the market with an incentive for CSR.

As already noted, Germany has much potential for promoting visibility and awareness of CSR. Until now, corporate challenges and conferences have been the key tools used to focus the attention of the business community on CSR. The Ministry for Economic Cooperation and Development is also promoting “fair feels good,” a national information campaign on fair trade which is being carried out by the Verbraucher Initiative, Transfair and Weltladen-Dachverband consumer and fair-trade organizations.³⁴

Freedom and responsibility

In order to further promote civic engagement on the part of Germany’s businesses, the *Freiheit und Verantwortung* (Freedom and Responsibility) initiative was established in 2000 by a number of top business associations, including the Bundesverband der Deutschen Industrie (BDI – Federation of German Industries), the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA – Federal Alliance of German Employers’ Associations), the Deutsche Industrie- und Handelskammertag (DIHK – Union of German Chambers of Commerce) and the Zentralverband des Deutschen Handwerks (ZDH – German Trade Workers’ Association), as well as the *WirtschaftsWoche* weekly newsmagazine. The initiative – which does not include the federal government – organizes public events and awards the annual *Freiheit und Verantwortung* (Freedom and Responsibility) prize to small and midsized companies and major corporations for outstanding, exemplary and sustainable civic engagement efforts.³⁵

In addition, numerous German states organize competitions meant to promote CSR in the business community. In the *Engagiertes Unternehmen* (Engaged Businesses) competition, the government of Hesse recognizes businesses large, midsized and small that serve as good corporate citizens within the state. The Berlin Chamber of Commerce awards the Franz von Mendelssohn Medal to civically engaged Berlin-based companies. And the Ministry of Economics and Labor in the state of North Rhine-Westphalia uses the *ENTERpreis* award to honor businesses with a major presence in the state that have addressed social issues in an outstanding way.

Global Compact in Germany

In 2003, U.N. Secretary-General Kofi Annan and then Chancellor Gerhard Schröder invited the executive boards of the German members of the Global Compact (GC) to a gathering at the chancellery in Berlin – an event that went largely unnoticed by the general public. The meeting was meant to honor the engagement of the more than 20 companies then participating in the compact and to encourage them to further support the compact by bringing other companies on board. The Gesellschaft für Technische Zusammenarbeit (GTZ – Society for Technical Cooperation) now coordinates the German GC network on behalf of the Ministry for Economic Cooperation and Development. Representatives of the 49 current German members come together in workshops and roundtable discussions with counterparts from trade associations,

³⁴ See www.fair-feels-good.de

³⁵ See www.freiheit-und-verantwortung.de

academic specialists, NGOs and government ministries to address CSR issues. The GC Learning Forum 2002 in Berlin helped increase awareness among CSR-related actors of the compact and its activities.

In comparison

- Denmark's Copenhagen Centre is an independent think tank that is greatly increasing awareness of CSR.
- CSR Netherlands, a Dutch information center and think tank, promotes CSR partnerships and is developing a national CSR vision.
- The CSR Austria initiative launched by the Austrian Industrial Association and the Economics Ministry created a corporate platform for dialogue and information exchange on CSR.
- Italy's Labor Ministry initiated a multistakeholder forum on CSR, bringing together political, business and social leaders; it has also launched a communications campaign focusing on CSR.
- Belgium's Economics Ministry awards a seal of approval for companies demonstrating outstanding social engagement.

Transparency and reporting

One way for companies to generate more credibility is to make their corporate activities more transparent, with reporting being a key tool to achieve this goal. Both corporate reports, for which legislators have set out general standards, and environmental reports have long been a key element in corporate communications. In recent years, reports documenting sustainable development and socioeconomic issues have also become prevalent. The spectrum is large and includes corporate responsibility reports, which detail environmental protection and social engagement efforts in addition to conventional business activities; corporate publications on social issues; and sustainability reports, which address specific economic, ecological and social activities.

In Germany no laws exist at the federal level requiring companies to report on their environmental activities. They are solely required to provide documentation (as part of their annual report) on efforts and initiatives related to social issues.³⁶

CSR reports as corporate PR

In practice, most companies included in the DAX stock market index report in detail on environmental and civic activities. Many CSR reports and rankings published in Germany, however, do not yet reach current international standards for corporate CSR publications.

The Environmental Ministry supports the voluntary EMAS (Environmental Management and Audit Scheme) reporting system. In terms of environmental information, EMAS reports are considered particularly credible, since EMAS requirements are seen to set the general standard.

³⁶ Cf. www.wirtschaft.tu-ilmenau.de/deutsch/institute/bwl/c/data/ERW_Studentenversion_WS05-06.pdf

In comparison

- The UK's corporate responsibility regulations of 2004 require British companies to publish sustainability reports.
- Since 2002, joint stock companies in France must report on their environmental and social impact.
- The Dutch Economics Ministry releases an annual ranking of the largest corporations' social-impact reports.

Financial sector

In Germany, the niche market for ethical or environmental financial products is quite underdeveloped, with the share of public mutual funds not even reaching 1 percent. At the same time, however, the German market lacks a potential driver in the financial sector itself, as is the case with US or British pension funds or the SEC. As early as the 1980s, Germans became interested in "politically correct" financial instruments, the same time period when corporate evaluations made their first appearance.

The German Stock Exchange has yet to develop a sustainability assessment tool along the lines of the Dow Jones Sustainability Index or the FTSE4Good™ ranking. The Natur-Aktien-Index (NAI, Nature Stock Index)³⁷ was, however, jointly created in 1997 by the magazine *Natur & Kosmos München* magazine and the investment publishing house Invest-Verlag Wien, and only lists leaders in the areas of ecology and environmental technology. It currently includes 25 international corporations and is considered the benchmark for "green investing." To be included in the NAI, companies must first be rated by the imug institute.

One rating agency dealing with sustainable investments, oekom research AG, has been evaluating the environmental and social impact of corporate activities for a number of years. The agency has developed a variety of ecology-related and sustainability ratings and participated in creating the Frankfurt-Hohenheimer (FHL) guidelines. The FHL is a comprehensive catalog of criteria that can be used for assessing ethical and ecological activities in the three areas of environmental, social and cultural impact.

Another notable ratings agency is Scoris GmbH.³⁸ It is a member of SiRi, a joint European organization that is sponsored by five research institutes in the area of sustainable investment funds. The catalogue of sustainability criteria used to generate its ratings includes eight topics, from social engagement to employee relations and the environment to activities taking place in "controversial" fields of business.

The minor role of sustainable funds

Since 2001, the law requires corporate and private pension funds to inform their investors of the ethical, environmental and social aspects of their investment policies.

According to estimates made by imug, this requirement for increased transparency has not notably affected investment policies, since many investors are not interested in sustainable investment options.

³⁷ See www.nai-index.de

³⁸ See www.scoris.de

Few German financial institutes offer any sustainable investments at all. Two such institutes are GLS Gemeinschaftsbank, generally considered the oldest niche bank specializing in ethical and ecological financial products, and Umweltbank, which also offers investment funds targeting ethical and environmental causes.

One strength of the German financial sector is that its members rank well in global and European sustainability indexes.

In comparison

-- Since 2001, public pension funds in Sweden must meet ecological and ethical standards, with compliance overseen by the Swedish Finance Ministry.

-- In Denmark, over 1,200 pension funds are required to issue annual environmental reports.

-- Sustainable financial products in the Netherlands are not taxed.

-- The Belgian NGO Ethibel awards a seal of approval for sustainable investment funds that is recognized throughout Europe.

Public procurement

In Germany, indirect taxes and public contracts are not sufficiently appreciated as incentives for encouraging civic engagement on the part of the business community. Environmental protection and other CSR-related topics play no role when public contracts are awarded.

In 2004, a European directive on coordinating procedures for awarding public construction, supplier and service contracts was passed. By Feb. 1, 2006, at the latest, environmental and social considerations must also be taken into account when choosing enterprises to carry out work financed by the public sector. Together with the Economics Ministry, the Environmental Ministry is lobbying for Germany's federal agencies to consider whether or not a company participates in the EMAS system.

In particular, action must be taken in the construction industry. Low employment standards resulting from an influx of workers from a number of regions, including Eastern Europe, could be counteracted by taking them into consideration when public contracts are awarded.

In comparison

-- The British government has created a working group to generate recommendations for creating a sustainable public procurement system.

-- In Italy, CSR stipulations exist at the regional level for public-sector bidding processes.

-- Belgium's public procurement requirements have included a social-impact clause since 2001.

When it comes to promoting CSR as part of economic activities abroad, Germany is in the rearguard compared to other European nations. The standards that exist are limited to individual industries and are rarely promoted by policymakers.

The Development Ministry moderates Runder Tisch Verhaltenskodizes (Roundtable Codes of Conduct)³⁹, a multistakeholder forum for improving social standards in developing countries by having German businesses adhere to a voluntary code of conduct when engaging in activities abroad. The ministry, however, does not use the rubric “CSR” when communicating its agenda, employing “fair trade” instead.

Little attention paid to OECD guidelines

The national liaison for the OECD Guidelines for Multinational Enterprises, which is situated within the Economics Ministry, has yet to take any significant steps toward promoting the guidelines’ visibility. In 2003, the Außenhandelsvereinigung des Deutschen Einzelhandels (AVE – Foreign Trade Association of the German Retail Industry) used a multistakeholder process to develop the AVE industry model for CSR. The model is based on a code of conduct designed to introduce industry-specific standards. The German retail industry would thereby commit itself to monitoring its value-added chain and, as a result, improving working conditions.⁴⁰

The GTZ and the Deutscher Kaffeeverband (DKV – German Coffee Association) initiated a “Common Code for the Coffee Community” designed to improve the social and environmental impact of its production processes. Negotiated with the most important European coffee roasters and traders, producers’ associations in Africa, Asia and Latin America, and civil society organizations, the code is based on international human rights agreements and environmental treaties. Its German members include Tchibo, Kraft Food Deutschland and Bernhard Rothfos GmbH.⁴¹

In comparison

-- The two UK corporate initiatives, the Ethical Trading Initiative (ETI) and the Extractive Industries Transparency Initiative (EITI), improve social standards and transparency in the natural resources industry.

-- France is home to Forum des Amis du Pacte Mondial, the world’s largest network of UN Global Compact companies.

-- Globalt Ansvar, the Swedish alliance for global responsibility, requires its members to adhere to both OECD guidelines and Global Compact principles.

-- In Denmark, the Human Rights Compliance Assessment helps companies recognize human rights violations.

CSR actors in Germany

-- In 1998, three leading business organizations founded the *Initiative für Beschäftigung!* (Initiative for Employment!) as a way of combating joblessness in Germany. More than 400 German companies are now part of the initiative’s network and participate in its projects. www.initiative-fuer-beschaeftigung.de

³⁹ See www.coc-runder-tisch.de

⁴⁰ See www.ave-koeln.de/csr/ave_sektorenmodell.htm

⁴¹ See www.sustainable-coffee.net

-- The Rat für Nachhaltige Entwicklung (RNE – Council for Sustainable Development) consists of a 17-member committee convened by the federal government in order to advise it on sustainability issues and to increase awareness of the topic among the public. www.nachhaltigkeitsrat.de

-- The Bundesnetzwerk Bürgerschaftliches Engagement (BBE – Federal Network for Civic Engagement), which is supported by the Ministry for the Family, is dedicated to promoting and publicizing issues related to civil society and civic engagement among policymakers and the general public. www.b-be.de

Unternehmen: Partner der Jugend (UPJ – Businesses: Partners to Young People) is a national network of companies, nonprofit agencies and political and business leaders. www.upj-online.de

-- At the end of 2005, Stiftung Warentest, a national consumer advocacy group, began including CSR criteria in its product assessments. The new approach was tested during evaluations of a number of items, including rain gear, frozen salmon and toys. www.stiftung-warentest.de

-- At the suggestion of the Bundesverband der Deutschen Industrie (BDI – Federation of German Industries), Econsense – Forum Nachhaltige Entwicklung der Deutschen Wirtschaft (Econsense – Forum for Sustainable Development in German Businesses) was founded in 2000. Econsense is an alliance of globally active German businesses and organizations. www.econsense.de

-- The www.csrgermany.de internet portal, which is sponsored by the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA – Federal Association of German Employers' Associations) and the Bundesverband der Deutschen Industrie (BDI – Federation of German Industries), is designed to increase awareness of the German business community's CSR activities and promote information exchange. www.csrgermany.de

-- A number of German chambers of commerce, including the Cologne chapter, promote volunteer activities among corporate personnel on a regional level. www.ihk.de

5. Recommendations for the German government

The concerns mentioned above about CSR in Germany may seem exaggerated; they are not, however, unfounded. Above all, the German government has yet to recognize and issue a clear statement on the subject; it has also yet to formulate a clear strategy. In neighboring countries, in contrast, CSR has developed considerable corporate, environmental and social potential. In some countries individual ministries or departments are making successful use of this novel concept; especially in the United Kingdom, the rubric of CSR has facilitated better cooperation between the state, the business sector and civil society. Particularly in these times of global challenges and far-reaching political reform, such a unified approach to cooperative policymaking can serve as a catalyst for social development.

Despite what might commonly be thought in other European nations, in Germany there is no general aversion to the concept of CSR. At the same time, however, the CSR label has been applied to many initiatives and political programs without any effective strategic discussion ever having taken place. Such indiscriminate use reflects the fact that Germany's public policymakers have never developed a strategic concept on the topic of CSR. Overall, the shortcomings cannot be ascribed to the business community, but to the lack of a political framework.

It must be stressed here yet again that it is not a matter of merely passing laws and assigning responsibility, but of actively shaping and supporting a cooperative, forward-looking concept for the business sector and society at large. Similarly, individual CSR measures cannot be promoted as cure-alls. In each country, the relationships that exist between the state, the private sector and civil society have developed over time. These unique political and cultural characteristics must be

taken into account. Yet certain aspects and structures do exist in all countries with successful CSR strategies.

Why CSR?

Value added for government

-- CSR is an approach that emphasizes key principles necessary for successfully reforming the social welfare state: freedom, voluntary participation and self-initiative, as well as social, environmental and economic responsibility.

-- Companies are already taking over responsibilities traditionally reserved for the state both through their CSR activities (e.g. in education and training) and by bridging governance lags.

-- CSR offers a framework for incentive-based policies and deregulation and is an effective alternative to corporatism.

-- Improving Germany's reputation as a business location also increases its ability to attract investors and non-German employees with specialized skills.

Value added for the business community

-- CSR is an alternative to political discussions about opportunism on the part of the business community and criticism of the capitalist system.

-- CSR bolsters the "Made in Germany" brand for both goods and services.

-- Given its link to core business activities, CSR also serves as an instrument of corporate policy.

-- CSR generates competitive advantages through an increased general awareness of sustainability issues (in tandem with EU and national CSR initiatives).

Using the knowledge gained by initiatives in other European countries, CSR should be discussed in Germany in a programmatic manner, and a long-term national CSR policy should be developed based on the four key principles listed below.

Strategy and coherence	Awareness and communication
Cooperation and inclusiveness	Transparency and drivers

1. Strategy and coherence

In Germany, a clear political statement on CSR does not exist. To reflect current realities, any vision of how society should operate must also explicitly include civic engagement on the part of businesses and cross-sector collaboration as key goals. It is possible to augment such a vision, as in the UK, by formulating a specific CSR agenda with concrete measures, set priorities and mandatory goals. Although CSR-related topics are often interdisciplinary in nature, the political sector should designate an agency or department to take responsibility for and consolidate relevant activities and to serve as an accessible contact for all actors. Experience in other countries shows that designating a responsible ministry encourages development. The Economics Ministry would be particularly well suited to the task, and its designation would send a signal that CSR is an economically sound business model and not just reinforcement for a failing social welfare state. Networking with other actors is critical and should also be institutional in nature. As a

multistakeholder advisory board, the Council for Sustainable Development has much potential for achieving this goal.

2. Communication and awareness

A change in perception and an increase in awareness are usually the result of a long-term process. Germany currently finds itself in the midst of such a process, one that will include saying goodbye to a paternalistic state and to a hard-and-fast division of responsibilities among society's various sectors. Professional communications activities can help cast such changes in a positive light and depict CSR as an instrument capable of facilitating reform.

The example of England shows: CSR gains momentum as soon as it is seen not as a burden but as an opportunity, and not as an excuse but as a contribution. Amid the cacophony produced by Germany's diverse actors, it is easy to forget that social responsibility must be seen as an inherently positive activity that is currently being advanced primarily by the German business community.

Not unsurprisingly, the best known prizes and portals dealing with CSR have all been initiated by business organizations. The public sector should complement these activities with its own initiatives as well as a uniform communications campaign. Elements in such a campaign might include coordinating and promoting research efforts, creating an information portal, supporting existing corporate challenges and developing a series of international events.

3. Transparency and drivers

One challenging task will not change: CSR generates large amounts of data and requires new forms of assessment and evaluation. Ultimately, clear and comprehensible information on corporate performance in nonfinancial areas must also be made available so that stakeholders can make informed choices.

Diligent corporate reporting will eventually increase awareness among the public – although not overnight, but gradually over time. Similar to efforts in the Netherlands, the German government should promote transparency by initiating a ranking of corporate reports, something that would increase awareness of “good” products and services among businesses and consumers alike. Such an initiative would necessarily include further systematic research on CSR ratings in the financial sector and awards for enterprises that have particularly high levels of transparency.

One central driver of CSR is the consideration of social and environmental impact when public contracts are awarded. The German government should investigate what form such efforts might feasibly take.

4. Cooperation and inclusiveness

Many of Germany's traditional structures are marked by hierarchical thinking and a bunker mentality. Fluid transitions between society's various sectors and a willingness to learn from others remain underdeveloped. Many problems could be solved much more efficiently, or even solved for the first time, if all constituents were to work hand-in-hand. Openness, courage and a willingness to address existing topics in a new manner are necessary if sustainable solutions are to be identified and implemented. This is true not only of the country's business community and civil society, but of its policymakers as well. As a multistakeholder forum, the Council for Sustainable Development should, for example, receive increasing exposure and put CSR higher on its agenda. Public-private partnerships should be given priority, both within Germany as well as within its policies for cooperation and development. In particular, facilitating structures (volunteers'

organizations, community foundations, networks, etc.) that bring together the corporate and NGO sectors should also be promoted in order to ensure that the business community's civic engagement, especially in terms of its social impact, can be brought more closely into alignment with society's current and future needs.

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