



Accelerating Corporate Social Responsibility in the new EU Member States and Candidate Countries to promote harmonization, competitiveness, and social cohesion

PEER GROUP VISIT TO BERLIN, GERMANY 12-14 March 2008

FINAL REPORT

Peer group visit to Germany was organized as part of a regional CSR project¹. Germany is one of the countries leading in CSR issues in Europe with leadership of private companies and the UN Global Compact network, active NGO sector. CSR in Germany has strong roots in the social market economy model and a tradition of well-established social dialogue between internal business stakeholders. At present, CSR in Germany has expanded to include external stakeholders and is characterized as a flexible notion covering issues such as environmental protection, anti-corruption and human rights. The hot topic in current German CSR debates is to leave a zero-footprint on the environment².

Purpose of the study visit was tailored by the goal of CSR peer groups, which is to create national CSR agendas in their countries to accelerate the CSR developments. Consequently, the aim of study visit to Germany was to equip members of peer groups with ideas, knowledge and tools to carry out this assignment as well as provide networking possibilities with their peers in Germany. German Technical Co-operation organisation (GTZ) was the local partner in implementing this project activity and hosted the event.

Agenda covered presentations and discussions with representatives from Government, NGO and business sectors, as well as visit to a company (Deutsche Telekom) and group discussions to reflect on the day and further work at a national level. Participants also had possibilities for informal networking.

Regional CSR delegation to Germany consisted of 14 representatives from business sector, Government, trade unions and civil society. During the study visit participants met their peers in Germany working in the field of CSR from such organizations as GTZ (hosting Global Compact Network focal point), NGO Germanwatch, Unternehmen Partner der Jugend (UPJ), German Confederation of Trade Unions, Federal Ministry of Employment and Social Affairs. They heard about Government's role in promoting and accelerating CSR practices as well as met business companies such as Deutsche Telekom and RWE Energy and Water AG to learn about concrete environmentally and socially responsible practices ingrained in every day business life. Presentations were also made about SME survey on CSR in Berlin by representative of TÜV Rheinland Group, as well as the work of Control Risks GmbH.

The programme was opened by **Ms. Constanze Helmchen**, the Focal Point of the German Global Compact Network/GTZ. GTZ is development agency for technical cooperation (operational arm of Federal Ministry for Development Cooperation (FMDC) in a form of a company). As a company GTZ is a member of the Global Compact (10,000 employees, working in some 70 countries). Link to the Global Compact is that the FMDC asked to coordinate the German Global Compact network some years ago. Ms. Helmchen explained the participants the agenda for the day.

¹ The project is funded by the European Commission and UNDP. Project website: www.acceleratingcsr.eu

² Gerd Hofielen/Borrea Schau-Larsen: CSR in Germany: www.discovery-consult.com/download/CSR%20in%20Germany.pdf

Mr. Raphael Neuner from CSR Division in the Federal Ministry of Employment and Social Affairs started from the understanding of CSR in Germany. The country has a strong tradition of participation. There are different partnerships; Government promotes Global Compact and OECD guidelines. 99.7 percent of German companies are SMEs. CSR structure within German government: ministry of labour, economy, family affairs, environment, etc. there is no coordination yet. The Labour Ministry is now coordinating, necessary structures were established. Understanding of CSR – voluntary and beyond legal requirements. The debate: relationship between voluntary and regulation. Three points: CSR strengthens the competitiveness of companies. Secondly, CSR is part of social dimension of globalisation as it strengthens the dialogue in society. CSR is part of European social model. The role of the Government: improving understanding on CSR (within companies and society), enhancing visibility of CSR in the general public and improving the demand for CSR (focus on consumers). First step: to find a common understanding of CSR among all ministries. 2 consulting companies assigned to deal with CSR study on relationship between market and policy. Bilateral stakeholder dialogue is very important – the Government regularly meets with companies, trade unions, etc. In April there will be first international conference of German government on CSR (focusing on policy objectives and actions). This will hopefully lead to development of National Strategy on CSR.

Questions asked to the presenter and responses:

1) *Is it possible to have a social dimension of globalisation?*

Answer: *It is necessary to focus on international standards, because national standards do not help us. Also commented by Hungarian participant: Social dimension is very broad issue, trade unions promote that even in circumstances of globalisation.*

2) *You mentioned 7 ministries that are involved directly in CSR- what are other steps on working with coordination?*

Answer: *They meet regularly to discuss understanding, then there is a study going on (results will be in autumn), then bilateral dialogue with stakeholders and then multi-stakeholder dialogue in April and then prepare a policy.*

3) *Question on meetings with stakeholders (companies), what is the expectation of companies in Germany?*

Answer: *companies think that it is good for Government to speak with one voice and also, it is very important not to over-regulate CSR. SMEs are more interested in concrete guidelines how to use CSR.*

4) *What exactly the Government does in CSR promotion: do you give economic incentives, etc.?*

Answer: *There is not yet policy decision on the government role. CSR Award, website information is available. The government does not do the sustainability reports. Sustainable public procurement, SRI should be done. The Government in Germany is taking on CSR only now because firstly there was an issue of compliance and only then on issues that go above the law.*

5) *How many people work for CSR department in the Ministry?*

Answer: *3,5 persons*

6) *What was your argument for keeping coordination within social ministry?*

Answer: *The Ministry of Economy did not seem to be so interested, Labour ministry was interested and other ministries agreed.*

7) *Do you also promote CSR Alliance?*

Answer: *There is no particular action plan to promote it.*

8) *Do you have policy documents on CSR?*

Answer: *Each ministry had CSR papers, action plans, but now there will be joint one.*

9) *What is the relationship between the federal competency and land competency on CSR?*

Answer: *Some lands are planning to focus on CSR. It is an overall policy.*

10) *The level of implementation is very different in EU MSs and others – what recommendation do you have for us?*

Answer: *instruments to promote CSR are very similar, there is a need for coordinating body (committee), which brings all stakeholders together.*

11) *How demanding are German consumers?*

Answer: *This is a crucial point. In UK 1/3 of consumers are interested in CSR. That could be the same in Germany.*

12) *Is there a CSR debate with the multinational companies that are coming to Germany?*

Answer: *There is really no such institutional debate on that and there are no special instructions on such debate.*

Comment on situation of Macedonia: *the main impetus – Baseline study – the Government should not only promote, but also coordinate the Government approach – now there is a national coordinating body established – multi-stakeholder group of people (three ministries are represented, trade unions, professional organisations, academia, consumer organisations), all together about 17 people who meet regularly. Currently we are planning creating national agenda as a policy document.*

Comment on situation in Hungary: Economic and Social Council in Hungary received competency to elaborate the policy on CSR. A committee on CSR was set up within this Council and with the help of private company prepared a series of recommendations on CSR policy.

Comment on situation in Lithuania: CSR promotion action plan was developed by the Ministry of Social Security and Labour back in 2005, National Coordinating Commission for CSR Development is operating. Currently, a national strategy of the Government is being developed for CSR promotion as a document unifying all efforts of various ministries in this area.

Mr. Hans Jürgen Stephan, Managing Director of Control Risks GmbH talked about the tools and instruments to address corruption and relationship to CSR. The company is a consultancy company operating in 25 countries. The main issue is willingness according to the presenter. The company has done a survey in Central Eastern and South Eastern countries in Europe. 240 managers were asked about the main risks (economic instability, reputation, political instability, corruption and fraud, which came with some 30%). Four levels to think about while addressing corruption: regulation (company internal policy guidelines, codes of conducts, etc.), reporting and responsibility, awareness and training, determination and response (if there is an incident, you should have a response). Look into the vulnerable areas (what are the risks?), what are the preventative structures within your company. The Control Risks is doing interviews with companies to clarify these issues. They work 1-2 weeks inside the company and then do workshop to discuss it. Do awareness, trainings, establish culture, announce the date of execution. If there are incidents try to learn from them.

Questions asked to the presenter and responses:

1) *What would you suggest to do for a company that is participating in public procurement which is totally corrupt when participating in it means you have to give a bribe, or not participate and run out of profit. If you are not corrupt, you are out of the market.*

Answer: *Gather companies under one umbrella and use NGOs. There is also something in the government policy on corruption.*

The discussions were followed by the visit to a company Deutsche Telecom (DT). **Mr. Georg Habenicht**, Manager Corporate Responsibility Activities Worldwide introduced the CSR policy of the company, opportunities and challenges for the company. Groups' activities are based on economical, social and environmental activities. DT is represented in about 50 countries, mainly in Europe. 150,000 employees inside Germany, 92,000 outside the country. CSR is called Responsibility for the future within DT. There are environmentally friendly products. Six areas of CSR are identified: youth and education, environment and health, research and innovations (owner of telecommunications university in Leipzig), social and regional activities, sport and culture (e.g. piano competition for youth from all over the world), business and society. There are some international activities (e.g. T at school in Slovakia). Members of Global Compact, Global Round Table on Climate Change and other initiatives. The initiative of help desk was mentioned as a historically relevant initiative. Currently review their strategy, there will be less strategy areas, there will be strategic filters on the CSR activities. DT works a lot for supply chain management – the suppliers have to sign that they are in line with their ideas, there are audits and cooperation with suppliers. Supply chain-product-waste management is identified as a line. On the infrastructure they are working on energy consumption, they buy 100% energy from renewable energy. The company received a number of awards. CSR is within the CO department.

Another presentation was delivered by **Ms. Marita Hilgenstock**, Manager Corporate Responsibility at RWE Energy and Water AG, who introduced the CSR within her company. It is increasingly seen that public opinion is driving companies. The first CSR strategy was in 2003, second process – last year. They revisit every three years. It includes workplace, marketplace, community and environment. There are 10 topics identified as essential to their business and 5 of less importance. The most important is climate change (developing power station for the future, the company has the highest emissions in Europe), energy efficiency (support customers to be more energy efficient, as well as care within the company), security of supply (to make sure that electricity is there that

business is possible), transparency (dialogue with stakeholders). Support the employees to work with places where they live and they can get up to 3 days off to work in their community. CSR is managed and reported externally. The CSR plan contains: issue, challenge, target and indicators. From being transparent they get very good return from society. They have a team who coordinate all over the world, they visit people in operational business, have meetings with stakeholders. CSR sits within the Executive Board, Corporate Responsibility (CR) Coordination Committee of Executive Board members and CR Coordination Group Centre. They started 10 years ago: started with environmental management systems, then made case studies on triple bottom line approach, visited and interviewed a lot of stakeholders, then made first strategy.

Questions asked to both presenters and responses:

1) *Why do you call it CR and not CSR within RWE company?*

Answer: *CSR has certain specific meaning in Germany – it would narrow down it. CSR developed during the time: from philanthropy to strategy in DT.*

2) *What benefits do you get from what you are doing in the area of CSR?*

Answer: *we pay less and give more returns. It helped to be more transparent and to have clear understanding on how to work in critical environments, it is now possible that Board members talk to NGOs, we gained more in reputation, signals from financial markets, now we can answer those.*

3) *What environment products do you have at Deutsche Telekom?*

Answer: *recycled telephones, green IT.*

4) *How do you inform and involve employees about CSR?*

Answer: *The company has “preachers” inside the company that speak on CSR topics and how is it related/embedded in our business. CSR related information is made accessible on the intranet.*

5) *How mother company strategy is influencing affiliates?*

Answer: *They report on targets and indicators from local companies, which are then being discussed. Sustainable group forum (overseeing subsidiaries of DT).*

6) *Question about corporate foundation.*

Answer: *DT foundation it is separated from the company and it is independent of CSR department.*

Discussions continued after the company visit with stakeholder representatives. **Ms. Kristina Steenbock** from Germanwatch NGO focusing on climate change, fair trade and corporate accountability and responsibility shared her experiences. The most important thing that has changed with regard to companies according to her is the risk for companies of not introducing management procedures for CSR became much more serious nowadays. There are some important indicators concerning the risks: first, the pro ration of NGOs (e.g. in the first UN conference on environment in 1972 there were only 133 NGOs, in Rio in 1992 - 1400 NGOs and in 2002 – 3000 NGOs accredited to this particular UN conference; the impact of NGOs on trans-national companies are mostly underestimated and the damage of a reputation can be very significant, it is not a soft factor for the company, as it is a money value). Second, global warming awareness (questioning product design, the use of energy sources, etc.), thirdly, the financial market and institutional investors at large are slowly, but definitely changing the rating for companies. Carbon disclosure project (CDP) - association of institutional investors – they are asking big companies regarding their climate management issues (more information on: www.cdp.com). The last one – the increasing number of multi-stakeholder initiatives (e.g. Global Compact, diamond certification, Stewardship council for sustainable production, etc.), which deal with many aspects. The first generation of CSR managers were more philanthropist, nowadays – more strict and business oriented. The quality of reports is another good indicator, if there is a possibility of independent monitoring.

Mr. Andreas Botsch from German Confederation of Trade Unions explained that trade unions regard CSR as part of a larger debate on corporate governance. For CSR to be taken very seriously, there are three basic conditionalities: CSR must be a principle of transparency, accountability (some proof), participation. There are two dimensions in CSR: internal (there needs to be a consistent strategy) and external dimension (what you see printed, resource management). He mentioned Daimler-Benz initiative in South Africa to support health institutions because of HIV prevalence and care for employees. Overview of CSR debate in the EU was shortly introduced and dwelled on the OECD guidelines for multinational organisations.

Questions asked to both presenters and responses:

1) *There are some perceptions that CSR is a way to avoid the unions and do you think the unions could find a place in the area of CSR and if so, should they only involve in labour issues, or also on environment, etc.*

Answer: *CSR could be seen as avoidance of unions, but not if you look for participation. It can never be a substitute for legal regulation or for trade unions. The unions could do new things, but without leaving the traditional issues on which they work.*

2) *What to do in situations when NGOs are not active and are not financially sustainable? Should the Government support NGOs in CSR promotion?*

Answer: *One of the most important tools is OECD guidelines implementation, complaints mechanism.*

3) *What companies have good examples in energy sector?*

Answer: *BP and Shell have not good environmental performance and are pretty far from CSR.*

Mr. Peter Kromminga from Unternehmen Partner der Jugend organisation presented lessons learned for the past several years with regard to CSR practices. This organisation is supporting business to uptake CSR practices. Their mission is to promote new social cooperation. According to him, each sector should contribute in order to have sustainable development. CSR is understood as business contribution to sustainability. Network consists of two networks: a network of businesses and also a network of intermediary/broker organisations, which intermediate between business, public authorities and civil society organisations through different means. UPJ delivers services to these networks and do their own programme (sharing of competences, transferring knowledge and know-how to networks, broker partnerships, develop strategies for companies, etc.). Partner with CSR Europe in Brussels and Business in the Community in the UK. There is a round table of around 25 companies to develop initiatives for improvement of living standards in the areas they do business. "Local community challenges for businesses" are being organised (company engage in projects during a particular day). On-line stakeholder platform dialogue has been recently developed (where companies can put certain CSR issues on the agenda for discussion). Mr. Kromminga also talked about the lessons learned: do not mention CSR if you approach SMEs because if it comes to SMEs it is not the right angle to use the business case (many owners of SMEs have very strong convictions and ethics); most potential in CSR in Germany is social field, because all other fields are already very heavily regulated; start with easy-step in programmes; in different areas of CSR there are different NGOs that are putting pressure on business, but there is still a need of awareness rising in social welfare sector – how can business improve life in local communities. We are entering another phase of CSR – it is being used to innovate and create innovative products. The role of public authorities is very much underestimated and overlooked.

Questions asked to the presenter and responses:

1) *Who is funding you?*

Answer: *We are funded by the Federal Ministry of Senior Youth and Family and Women, provide services to businesses and have membership fees.*

2) *What is the added value of your services, why do companies not go directly to NGOs?*

Answer: *Because they do not know NGO sector, they do not speak the same language, etc.*

Ms. Carmen Giese from TÜV Rheinland Group talked about CSR in SMEs in Berlin by presenting the survey on SMEs. This survey was made with media agency, funded by European Regional Development Fund. Two parts of the survey: online inquiry (208) and in-depth interviews (54 with SMEs and 10 large companies). E.g.: social commitment, 81% already have activities in this field and only 6% have not done anything in this field. Only few SMEs have a very clear concept of CSR. Activities of SMEs in CSR field: commitment for their employees, activities in the field of children, education and school, reducing negative influence on environment, contactors, health, culture, humanitarian health, sports, fair trade, struggle against corruption. What is about cooperation – nearly half have connections to local non-profit organisations, public administrations, consultants. Nearly 1/3 have done their projects without any cooperation. Long term cooperation has been very rare so far. Large majority of SMEs have training for employees, in 66% employees are involved in decision making. Relationship between CSR and social commitment is not widely known. 18% of all

SMEs use environmentally friendly energies since 2006. Most of them use donations, very often sponsoring, 61% cooperate with NGOs. There are only a few examples of foundations among SMEs. Even most active SMEs do not communicate their engagement. They have very concrete fears: customers do not understand the activities and they are afraid of too many requests for donations. On funding issue – it is spontaneous for project, only 10% have an annual budget for such activities. Conclusions: for many SMEs in Berlin social commitment is a regular issue, a lot depends on the views of the owner. The survey proved the potential of CSR. Recommendations were (define business targets that should be combined with CSR, sustainable dialogue with stakeholders, integrate employees, define responsibilities, focus on key competences of the enterprise, create communication strategy, plan CSR budget, should control the projects, do networking). Following a survey, a pilot project was started in Berlin for 2 years since 1 January 2008 (funded ESF and fees from enterprises) – give consultancy to 10 SMEs to develop strategy on CSR (e-learning and internal workshops in every enterprise). There will be a handbook of best practices.

The working programme ended with a roundtable discussion among the participants, facilitated by **Ms. Constanze Helmchen**. Ms. Lyra Jakuleviciene introduced shortly the objective of developing National Agendas in project countries. The participants shared their reflections on the discussions of the day. According to Lithuanian participant, the government should create a demand for CSR from consumer point of view, formulate the CSR definition, research and study, organise stakeholder meetings and support the networks like Global Compact, to be a role model and promote exchange of good practices. Macedonian participant mentioned that the visit was not only useful but also helpful and commended on the structure of the agenda. Hungarian representative stressed the synergy and complementarity of the actors working on CSR issues and pointed out the challenge how to reach the critical mass; it would be good thing to organise seminars for different sectors back in the countries. Polish participant appreciated the variety of backgrounds of people who participated in discussions and wondered if there is some follow up to this process. Slovakian participant was of the opinion that the information received will be useful in the work of developing of CSR agendas.

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