

“CSR Policy Development in Eastern and Central Europe”

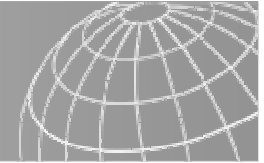
Vilnius, September 9th, 2008

**Key challenges in CSR public policies
and ways to address them –
comments from the German Experience**

Constanze Helmchen

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Comments

I. Who?

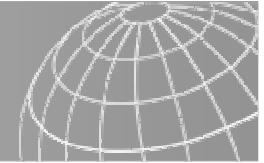
- Which **state actors** are involved in/ in charge of CSR?
- What other actors are **driving** the CSR debate?

II. Why?

- What is the Government's **rationale** for CSR?
- What is the German Government's **understanding** of CSR?

III. What?

- What **mandatory framework** is relevant for CSR?
- What other activities, **instruments** are taken into account?



State Actors for CSR in Germany

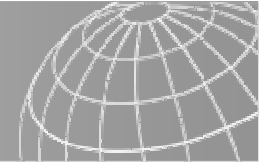
No clear leadership on CSR at the policy level.

→ The Federal **Ministry of Labor and Social Affairs** (BMAS) has officially assumed responsibility for CSR. But so far no dominant role – other ministries more actively involved in CSR:

- *Ministry of **Family Affairs**, Senior Citizens, Women and Youth (BMFSFJ):* issue of the compatibility of family and work,
- *Ministry of **Economic Cooperation and Development** (BMZ):* responsible behavior on the part of businesses in developing countries,
- *Ministry for **Environment, Nature Conservation & Reactor Safety** (BMU):* EMAS,
- *Ministry of **Economics and Technology** (BMW):* compliance with OECD,
- *Ministry of **Education and Research** (BMBWF):* education and training,
- *Ministry of **Food, Agriculture and Consumer Protection** (BMELV):* nutrition, health.

Crucial state institution: **German Council for Sustainable Development (RNE)** to communicate “sustainability“ to German public, **advise** federal government on sustainability topics, including CSR;

But only recommendations, no direct influence on government action.

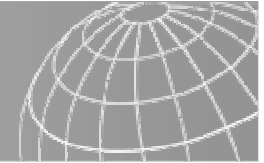


Other Actors or Drivers for CSR

The main **drivers of CSR in Germany = companies:**

- **Globally active firms** based in Germany being particularly active with *strategic understanding* of CSR and organizing social responsibility in concert with their core business operations.
 - Multinationals exhibit CSR especially in organization of **supply chains** and production, often found in developing and threshold countries.
 - **SMEs and owner-run** companies (90% of the German economy):
 - always regarded responsibility to society as part of their identity e.g. traditional patronage, sponsorship, particularly in the arts, culture and sports;
 - often practiced in company's **local environment** and less frequently associated with respective core business.
 - Due to high density of regulations (Germany and EU): opportunities for CSR action less obvious, particularly in environmental protection/ sustainability, in labor & social policy.
- Companies define

CSR = voluntary social engagement above and beyond legal requirements.



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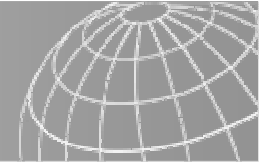
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Government's Rationale and Understanding

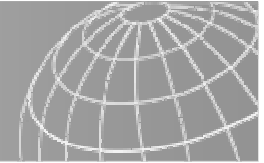
Rationale on CSR

- a. Closely associated with cultural & socioeconomic conditions of **social market economy**. Despite dense system of regulations, Gov begun to pursue partnerships with private sector, esp. regarding education/ social policy.
→ **synergies** by involving the private sector (vs. financial restrictions of Gov).
- b. Economic importance, reliance on world's markets → partnerships to maintain **influential role in international politics/** economy, further aims of development aid, establish positive influence as donor.

Understanding

- shaped by the **national Sustainability Strategy (2002)** and the European Commission's **Communication on Corporate Social Responsibility (2006)**:
 1. part of European policy on competition,
 2. as a component of economic and social policy, and
 3. as a concept for sustainable development at the corporate level (encouraging compliance with international social and ecological standards; since the G8 summit in 2007 CSR for more equitable globalization;)

But, no goals have been clearly defined, **no national CSR strategy**



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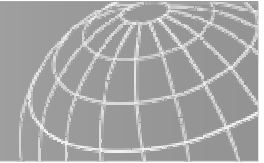
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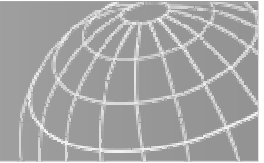
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Instruments (1) – Mandatory Framework

- Germany: very **dense system of regulations** - no laws expressly on CSR, but many areas with relevance regulated by law: employee, consumer and environmental protection as well as social issues and corporate governance
→ German companies are already fulfilling many minimum standards under the law.
- Since 2001: **company pension funds** and providers of private old-age pensions required to provide information about the ethical, ecological and social aspects of their investment policies: *But* no notable impact so far.
- Since 2001: ecological, social and human rights guidelines governing **direct investments abroad** (export credit guarantees) *but* clear need to improve, particularly with regard to transparency and the monitoring of human rights standards (Council for Sustainable Development 2006)
- *But* CSR plays **no part in the awarding of public contracts** in Germany (despite EU guideline on the coordination of public sector construction, delivery and service contracts from 2004); however, BMUNR & BMWi seeking to require federal authorities to take into account companies' participation in the European environmental management system EMAS during the bidding process



Instruments (2) – Soft Law

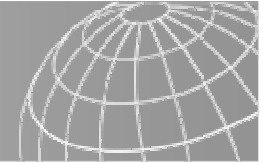
German government **explicitly promotes the OECD Guidelines** for multinational companies: The National Contact Point (NCP), responsible for publicizing the guidelines and handling complaints, in Ministry of Economics and Technology (BMWi).

- Since 2002: **working group on OECD Guidelines** convened by the BMWi, with representatives from various ministries, business associations and NGOs.
→ handles complaints; discusses questions relating to the Guidelines.

But degree to which its recommendations are binding not clarified, nor its status with respect to the NCP.

OECD Guidelines still little known in Germany, complaint mechanism little used (since revision in 2000, 9 official complaints)

- In 2002, the Federal Ministry of Justice (BMJ) adopted **German Corporate Governance Code** (DCGK): voluntary company participation, but stipulates that management and supervisory boards of *listed companies* must declared annually.
→ only in part soft-law; also designed to provide investors and shareholders with an assessment catalogue for evaluating management. (How many *non-listed companies* have signed the Code has not been made public.)

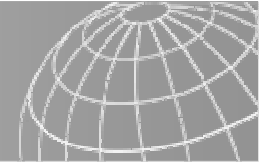


Instruments (3) – Initiatives and Partnerships

- Many national initiatives/ partnerships relating (mostly, however, initiated *without* reference) to **CSR domestic topics**: vocational training, work, employment and compatibility of work and family.

Particularly active: BMAS (labor/ *social*), BMFSFJ (*family*) and BMBF (*education/ research*). Germany's economic system based on the principle of social security → German policy traditionally sought to get companies involved

- Initiatives/ and partnerships aimed at promoting **CR in international relations**:
 - “Round Table on Codes of Conduct” moderated by BMZ (Programme of Action 2015): discuss voluntary codes of conduct in German companies in order to improve social standards in developing countries [multistakeholder forum].
 - UN **Global Compact (GC)**: financial backing and (through GTZ & at the request of German business) coordination of the German GC Network (in total approx. 140 companies, incl. 20 DAX30)
 - Since 2002: with support from the BMZ, GTZ initiated **Common Code for the Coffee Community (4C)** with the German Coffee Association (DKV) as PPP: to improve the social and ecological conditions prevailing in coffee production
 - BMZ engages companies in development policy within the scope of **PPPs**.



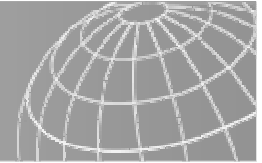
Instruments (4) – Incentives, Awareness Raising

Incentives

- **Prizes and competitions are not the center** of German CSR policy, only minor/specialized activities:
 - since 2004 BMAS fosters competition “*Beschäftigung gestalten – Unternehmen zeigen Verantwortung*” (“Structuring employment – companies show responsibility”)
 - BMFSFJ supports the “Family and Work Audit”: companies receive a certificate commitment to making working conditions more family-friendly (500 in 2007)

Awareness

- German political sphere is **not engaged in explicit campaigns** or events to provide information or raise awareness of CSR, only individual activities (e.g. „Fair feels good“, BMZ)
- Responsible Ministry BMAS (*labor/ social*) ideas for controversial “**CSR label**“
- Plans for **CSR council** with 5 eminent persons, **CSR Multistakeholder forum** and **action plan “CSR in Germany”**: process and content to be defined



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Thank you

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