

Sustainable Corporate Management - Corporate Social Responsibility (CSR) and Sustainability

What is it about?

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Zagreb, April, 22nd 2016

“..more than 80% of investors would be willing to pay more for the shares of a well-governed company than for a poorly governed company with comparable financial performance.”

(From a survey of more than 200 large institutional Investors conducted by Mc Kinsey & Co., the World Bank, and Institutional Investor's Regional Institutes, representing about US \$ 1000 billion p.a.))

“ To ruin an image, 10 sec. are enough, to bring it back, we need 10 years” (Warren Buffet)

- Global warming, climate change, green agenda, sustainable development, etc. are becoming more and more important and therefore it is relevant to address these issues.
- Since 1970, the production of greenhouse gases has risen by more than 70 %, and this is having a global effect in warming the planet, causing changing weather patterns, rising sea-levels, desertification, shrinking ice cover and other worrying long-term effects.
- Environment protection is a shared responsibility between the various ministries and sectors and one of the pivots to reach sustainable development .
- Sustainable development can be conceptually broken into three constituent parts: environment sustainability, economic sustainability and sociopolitical sustainability.

CEO of Deutsche Telekom confirms commitment to Corporate Responsibility

„Economic, ecological and social sustainability are not just empty words. Sustainability is gaining importance for many investors and for our shareholders. Ecological sustainability in our activities and more energy efficiency are important for the future, thus we must ensure our credibility.“

René Obermann, Former CEO of Deutsche Telekom AG,
Shareholders' Meeting 2010

What is it all about?

- Corporate Ethics
- Corporate Sustainability
- Corporate Social Responsibility (EU)
- Corporate Citizenship
- Corporate Accountability
- "Good" Corporate Governance
- Corporate Responsibility

Pyramid of Sustainability & CSR

Philanthropic Responsibilities
Be a good corporate citizen

Ethical Responsibilities
Be ethical

Legal Responsibilities
Obey the Law

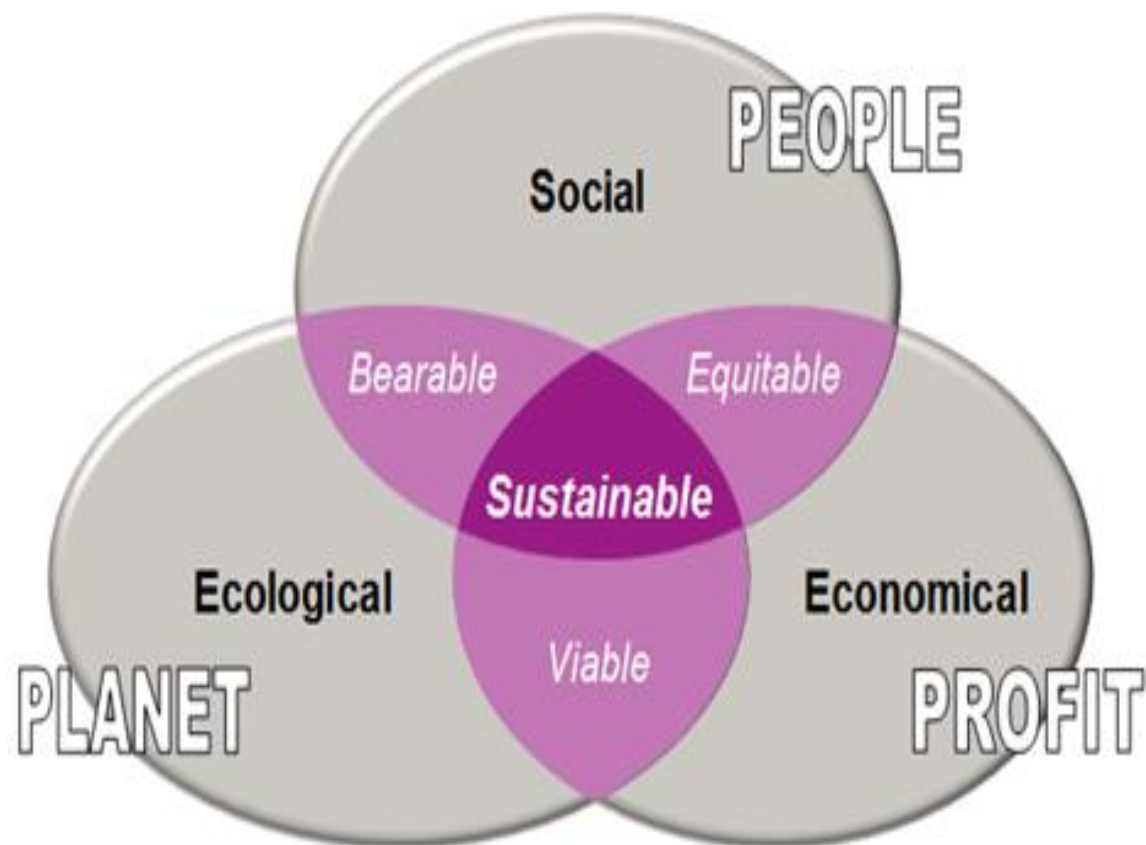
Economic Responsibilities
Be profitable

“How can the present generation meet its needs in ways that are not only economically viable, environmentally sound and socially equitable but that also allow future generations to do the same”

United Nations World Commission on Environment and Development (The Brundtland Commission), Our Common Future, 1987

“Company’s ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental and social opportunities into its business strategies.”

“Symposium on Sustainability – Profiles in Leadership,” NYC, Oct. 2001.



Sustainable Development

« Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

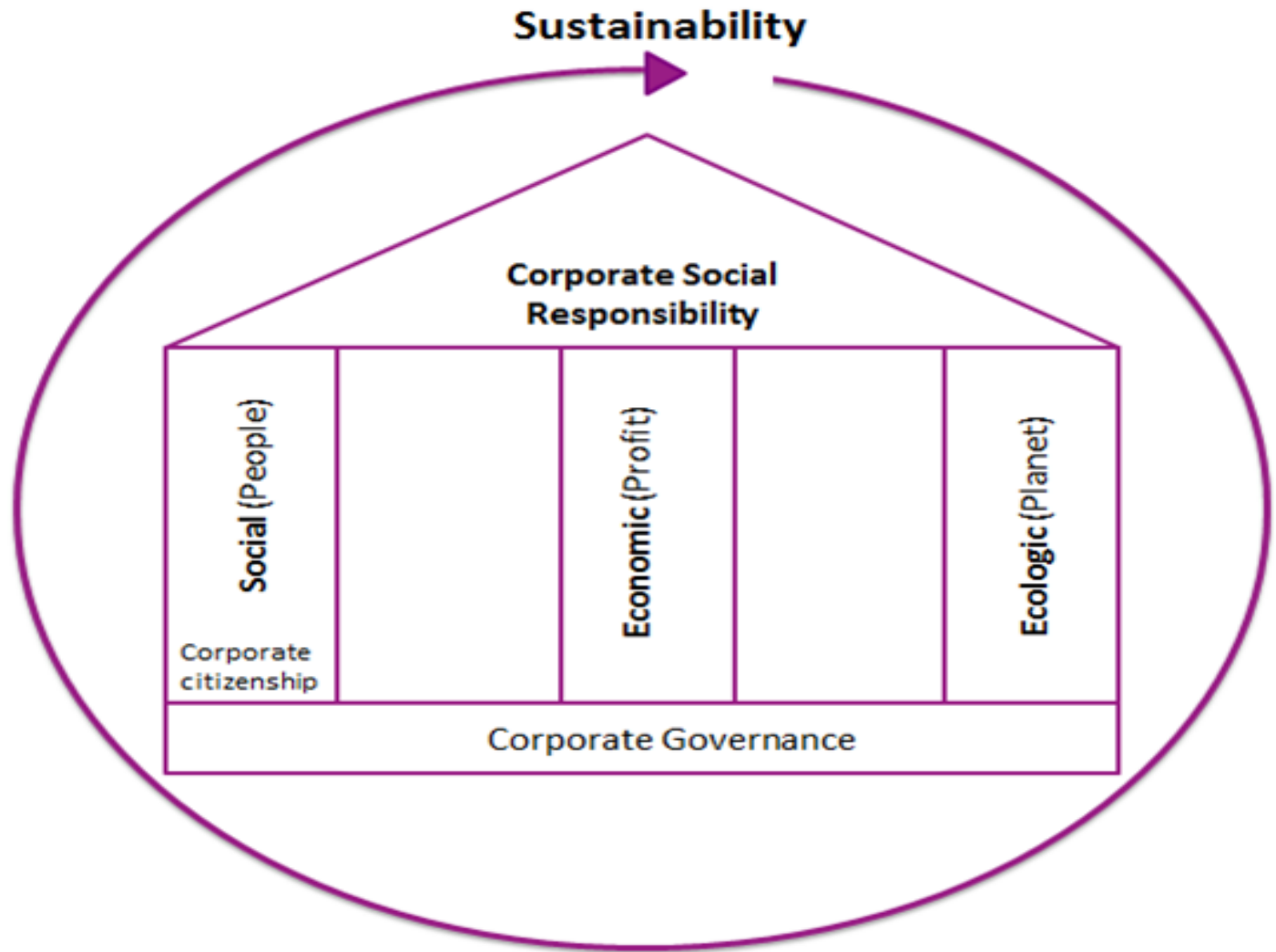
- the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given;*
- and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs. »*

Brundland Report 1987

Sustainability - Definitions

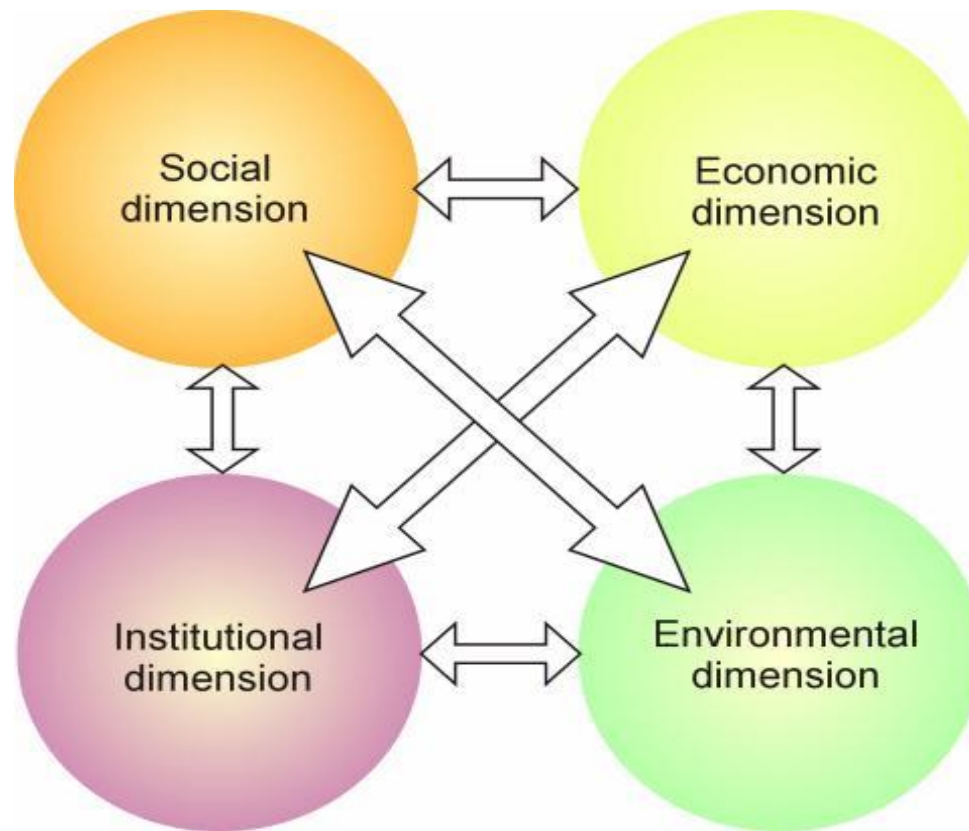
All the definitions have to do with:

- Living within the limits
- Understanding the interconnections between economy, society, and environment
- Equitable distribution of resources and opportunities
- Various groups have created definitions of:
 - Sustainability and sustainable development
 - Sustainable community and society
 - Sustainable business and production
 - Sustainable agriculture



Sustainability

The complex interactions among the different dimensions of sustainable development



What is behind CSR?

- CSR requires that companies play an important part beyond their economic responsibility as responsible actor in society and the communities
- CSR describes therefore a revision of corporate leadership, corporate culture and corporate structures

= a practiced Corporate Culture

Corporate Social Responsibility Definitions

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

The World Business Council for Sustainable Development

Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.

Business for Social Responsibility

Corporate Social Responsibility in a globalized industrial world is about making the business investment and the community promise sustainable for the company and for the communities they operate in, its people and environment. It demands responsible and **good governance**-based on principles of:

→ **LEADERSHIP**

→ **INTEGRITY**

→ **RESPECT**

→ **COMMITMENT**

Not to forget the so called “Licence to operate”

European Understanding of CSR

“ CSR is a concept whereby companies integrate social and environmental concerns in their business operations and their interaction within their stakeholders on a voluntary basis”

Green Paper of the EU Commission

A new definition for CSR (2011-2014)

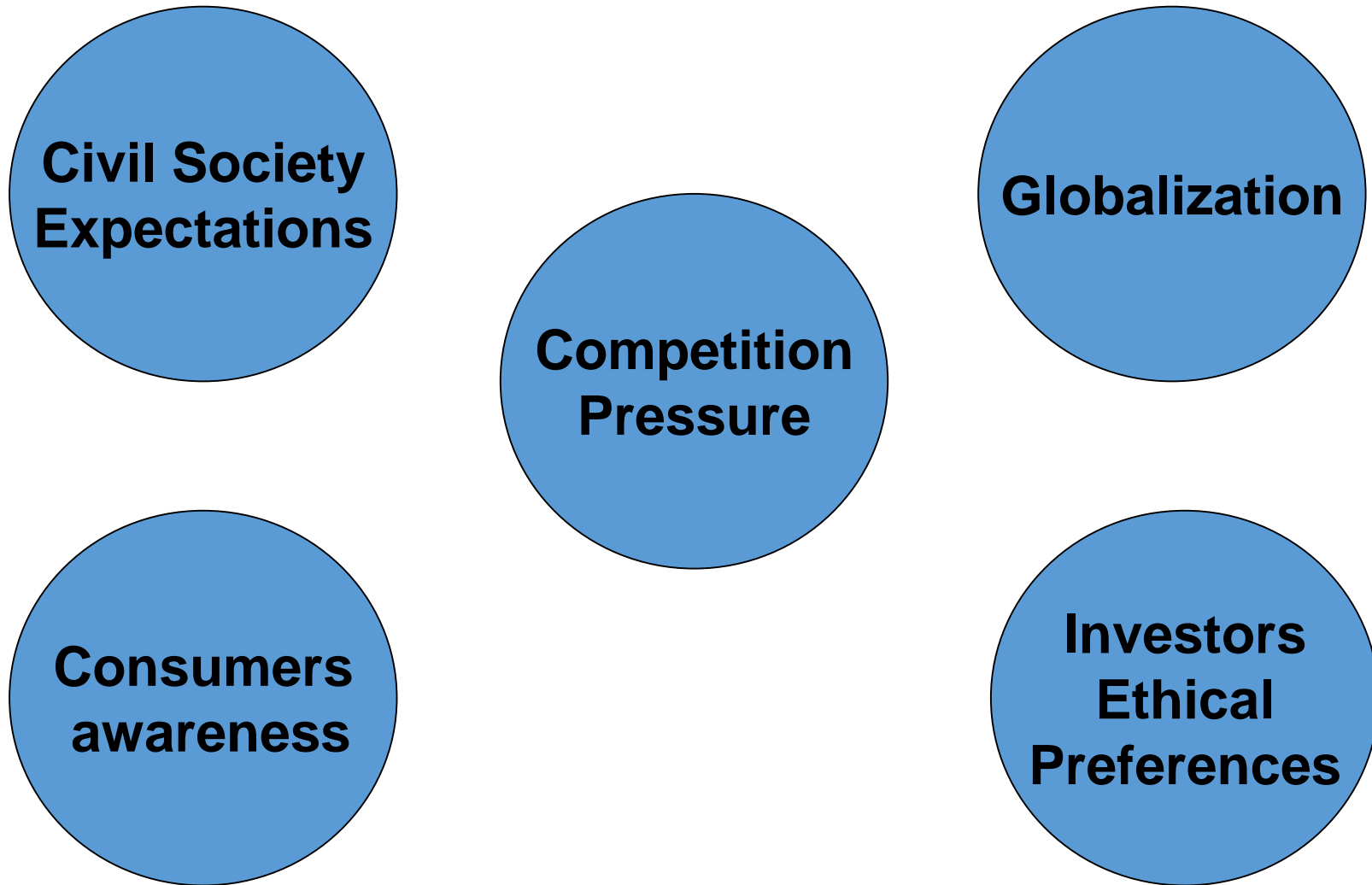
In its 2011 CSR-Strategy, the EU Commission put forward a **new definition of CSR as “the responsibility of enterprises for their impacts on society”**.

Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility.

To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

- > maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- > **identifying, preventing and mitigating their possible adverse impacts.**

Drivers of CSR



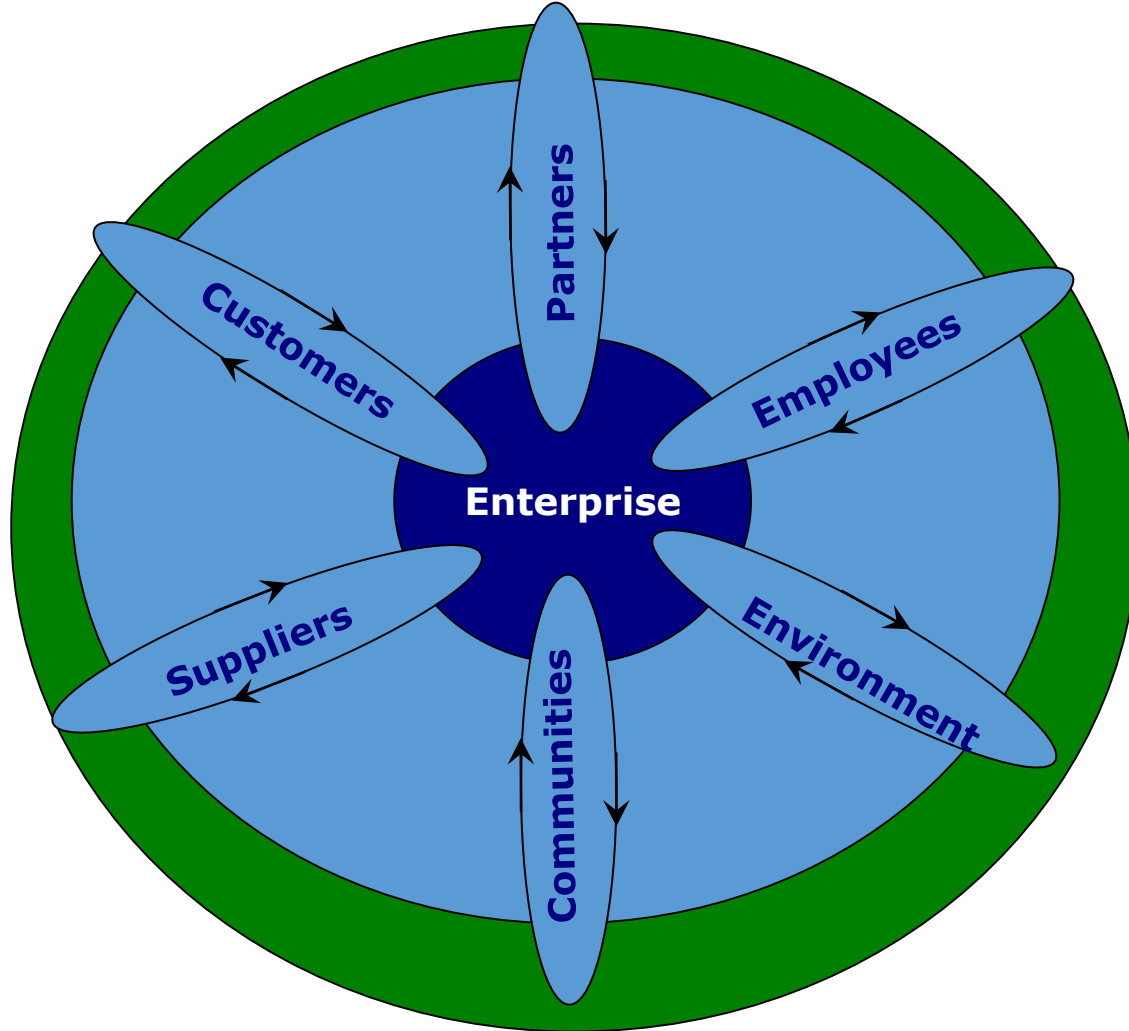
Key Issues in CSR

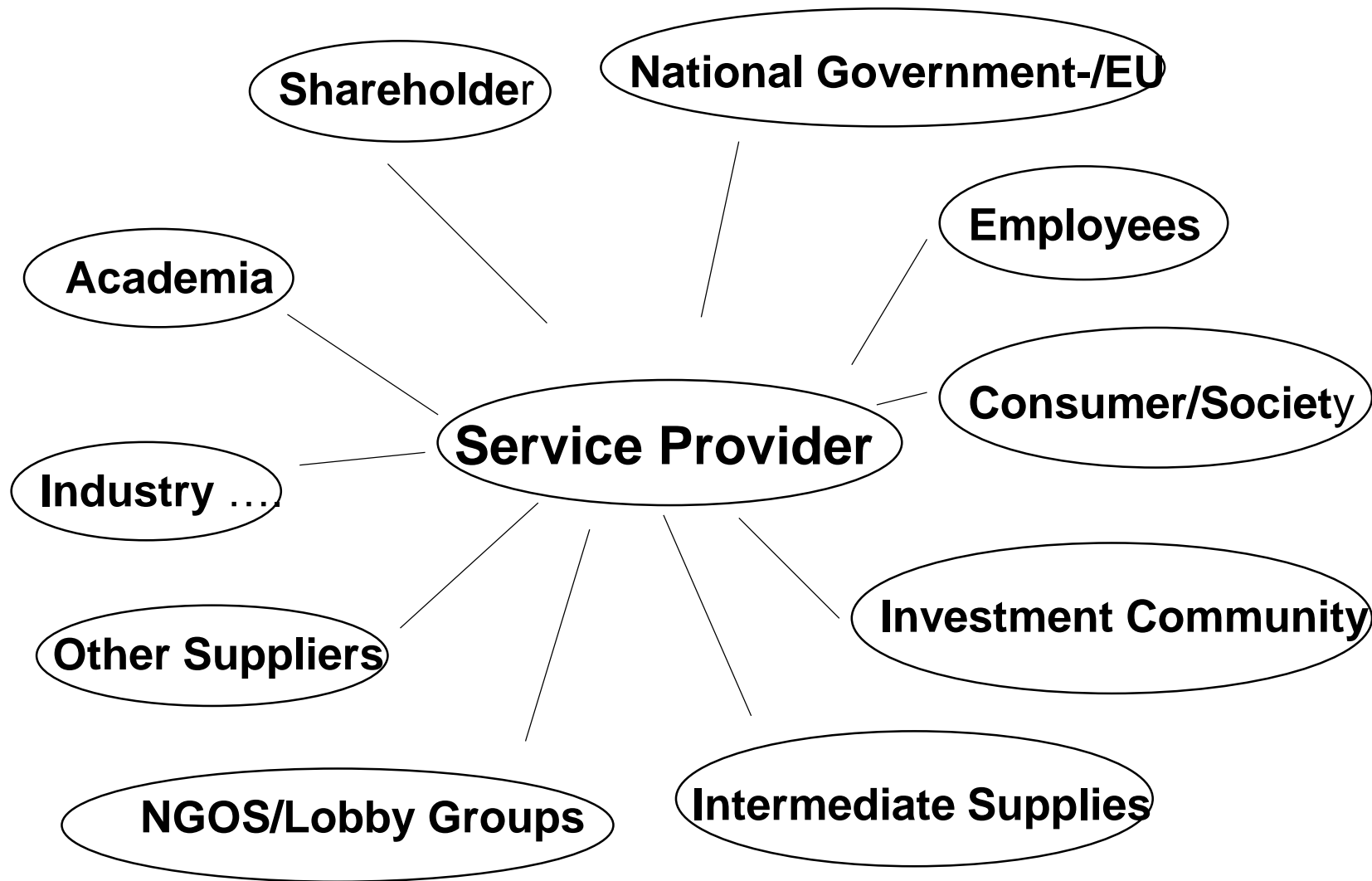
- **Labour Rights**
 - child labour
 - forces labour
 - right to organise
 - safety and health
- **Environmental conditions**
 - water & air emission
 - climate change
- **Human Rights**
 - cooperation with paramilitary forces
 - complicity in extra-judicial killing
- **Poverty Alleviation**
 - job creation
 - public revenues
 - skill and technology

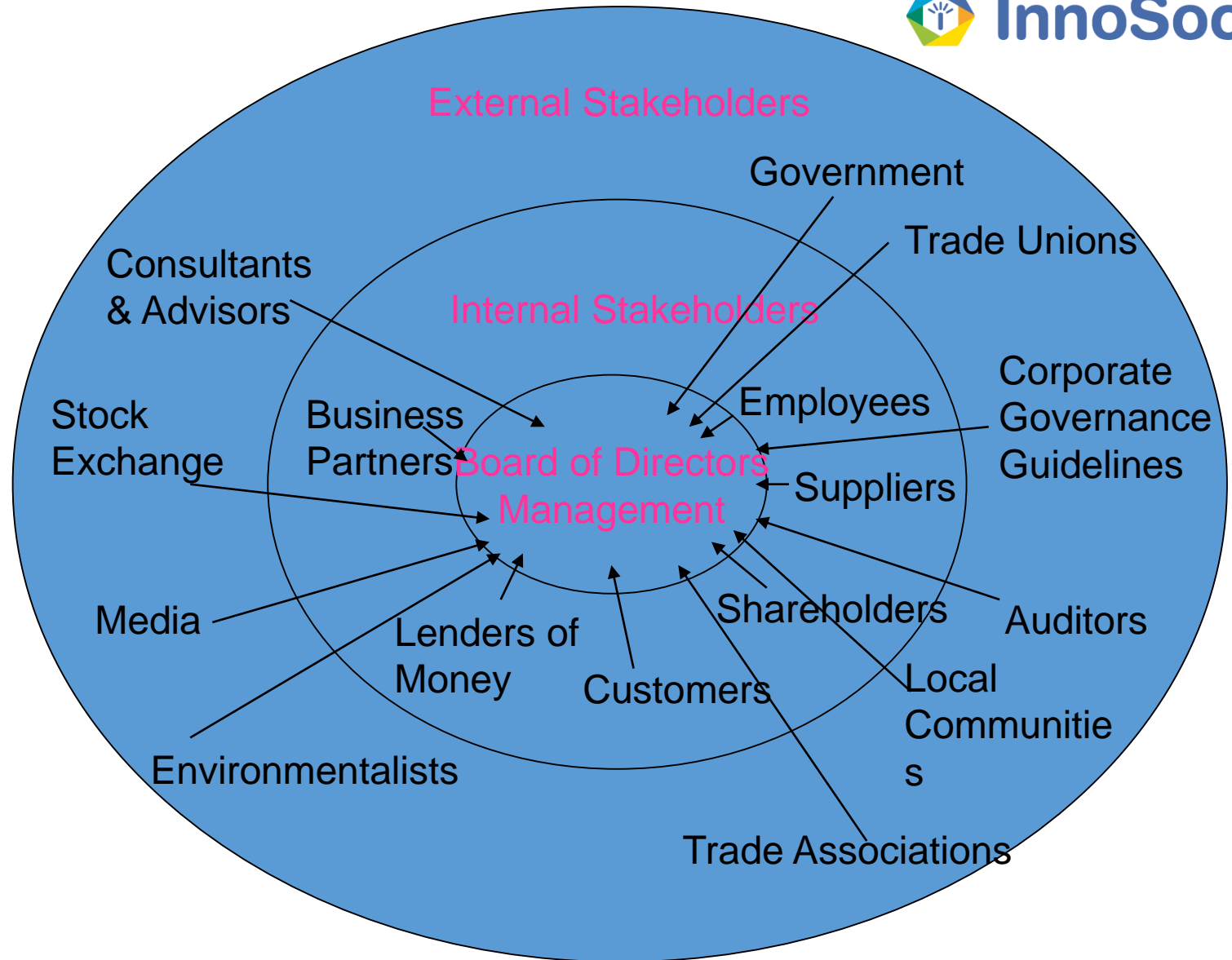
Concept of Corporate Governance = Corporate Culture in Practice

- CSR assumes that companies do more than just fulfilling their economic responsibilities but are also responsible actors in society and community
- **Shareholder Model** = Maximizing the prosperity of the “private association of shareholders”
- **Stakeholder Model** = Balancing a community, in which the shareholder is only one of several actors

Enterprise eco system: The stakeholder concept







External Demands

- UN Global Compact
- OECD (Guidelines for Multinationals)
- ILO Declarations
- ISO 26000
- Global Reporting Initiative (GRI)
- Social Accountability (SA 8000)
- Codes of Conduct/Codes of Ethics
(= principles and standards for responsible business conduct)

Topics covered by the InnoSoc United Nations Global Compact (1)

The global compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the following areas:

Human Rights

- *Principle 1*: Business should support and respect the protection of internationally proclaimed human rights; and
- *Principle 2*: Make sure that they are not complicit in human right abuses;

Labour Standards

- *Principle 3*: Business should uphold the freedom of association and the effective recognition of the right of collective bargaining
- *Principle 4*: The elimination of all forms of forced and compulsory labour
- *Principle 5*: The effective abolition of child labour; and
- *Principle 6*: The elimination of discrimination in respect of employment and occupation

Topics covered by the United Nations Global Compact (2)

Environment

- *Principle 7:* Business should support a precautionary approach to environmental challenges
- *Principle 8:* Undertake initiatives to promote greater environmental responsibility; and
- *Principle 9:* Encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

- Principle 10: Business should work against all forms of corruption, including extortion and bribery

The OECD Guidelines for Multinationals

The OECD Guidelines provide voluntary principles and standards for responsible business conduct in the following areas:

- Information disclosure
- Human Rights
- Employment and industrial relations
- Environment
- Combating bribery, bribe solicitation, and extortion
- Consumer interests
- Science and technology
- Competition and
- Taxation

Core issues include:

- Respect for labour standards
- Contribution to sustainable development
- Respect for human rights
- Environment (precautionary principle)
- Bribery and corruption
- Whistleblower protection
- Supply chain responsibility

Tripartite Declaration of Principles of the International Labour Organization

Freedom of association and the right to engage in collective bargaining

Prohibition of discrimination at work and in one's occupation

Prohibition of forced labour

Prohibition of child labour

Industrial relations

Governments are not to restrict the rights of trade unions in order to attract investors.

Provisions are to be made for regular consultations between labour and management on topics of common interest.

Provisions are to be made for means for lodging complaints in the event that a labour standard is violated.

Employment

Enterprises should create secure, long-term jobs and train their employees.

Living and working conditions

The wage and working conditions of employees of multinational enterprises should not be worse than those of employees of enterprises in the respective country.

The eleven principles of the Global Reporting Initiative (GRI)

1. Transparency
2. Inclusiveness
3. Audit ability
4. Completeness
5. Relevance
6. Sustainability Context
7. Accuracy
8. Neutrality
9. Comparability
10. Clarity
11. Timelines

ISO 26000

As essential model „to live“ Social Responsibility
ISO26000 (from 2009) focuses on two main
criteria:

1. The standing of Social Responsibility
and
2. Identification und Involvement of stakeholders

ISO 26000 has to be understood as guideline – not
to be certified

Principles of Social Responsibility following ISO 26000

1. Ethical Behaviour
2. Respect for rule of law
3. Respect for international norms of behaviour
4. Respect for and considering of stakeholder interests
5. Accountability
6. Transparency
7. Precautionary approach
8. Respect for human rights

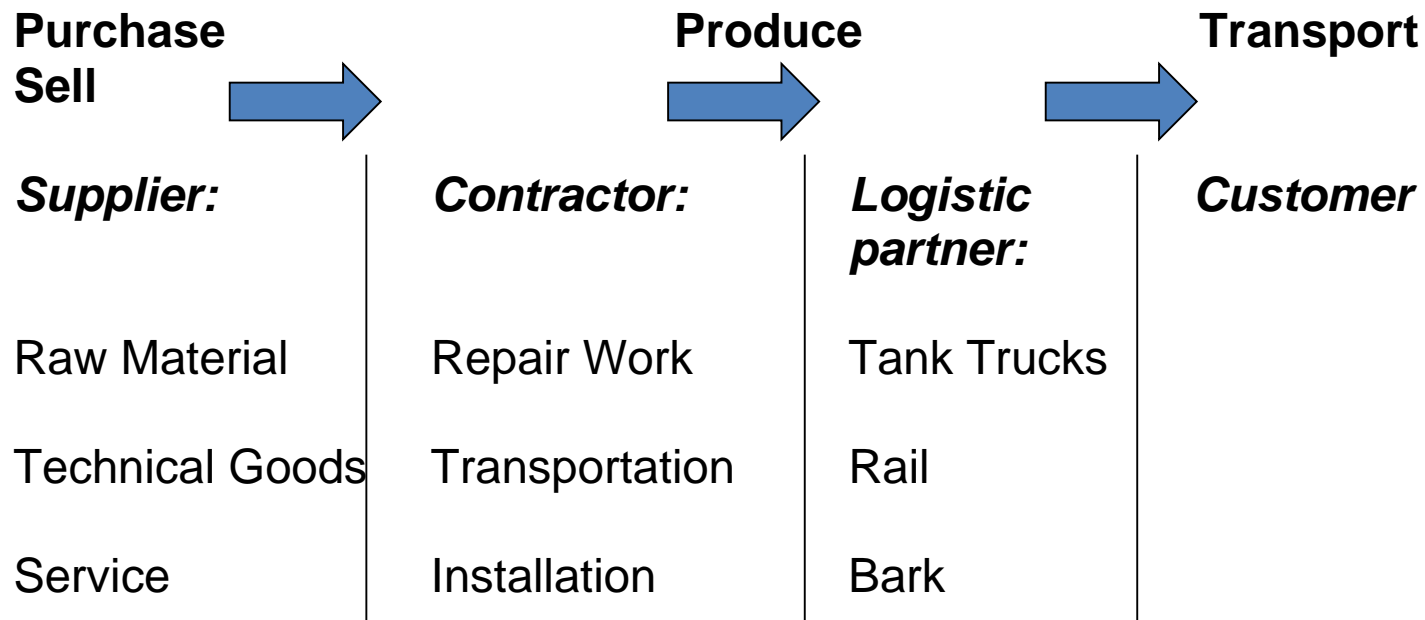
ISO 26000 contains seven core subjects of social responsibility for all organizations around the world (companies, states, NGO)

1. Human Rights
2. Labor Practices
3. Environment
4. Fair operating practices
5. Consumer issues
6. Community involvement and development
7. Organization Governance

Codes of Conduct

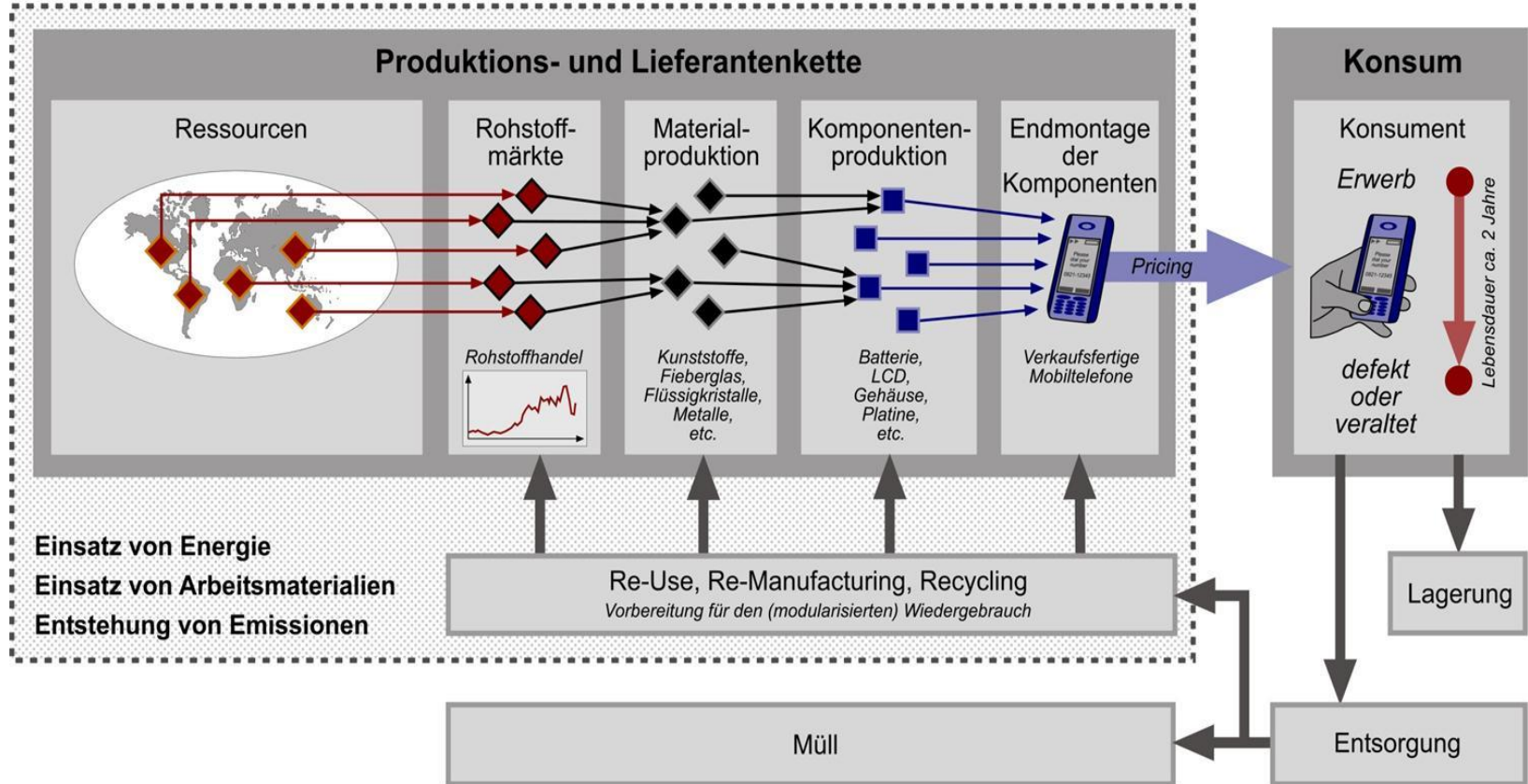
- Industry Codes = Agreements between unions and associations on branch level (cf. between UNI Global and ETNO on sustainability issues in Telecommunications)
- International Framework Agreements = globally binding agreements between international industry unions and multinational corporations
- Corporate Codes = Company level

Supply Chain: From Raw Material to Customer



Die Produktionskette eines Handys

Quelle: nach T. Bublies, S. Meissner, A. Reller, 2009



Implications for Enterprises: CSR Management

How do companies address socio-environmental & legal compliance issues?

- *Policies* – Code of Conduct
- *Systems* – Compliance Management
- *Reporting* – Accounting and Reporting

CSR Management: Systems approach

Sustainable business development does not come about of its own accord. Rather, commitment to sustainability demands that corporate processes be reliability controlled and that everyone's actions- in finance as much as in environmental and social areas – be coordinated. Prerequisites for this are **binding guidelines, unambiguous corporate goals and a clear organizational structure.**

Deutsche Telekom

CSR Management: PDCA - Method

Plan

- Consult stakeholders
- Establish code of conduct
- Set targets



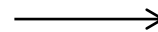
Act

- Corrective action
- Reform of systems



Do

- Establish management systems and personnel
- Promote code compliance



Check

- Measure progress
- Audit
- Report

CSR–Strategy - Areas of Activities

- Corporate Environmental Policy
- Liaison with and of the employees
- Employment
- Customer Interests
- Responsibility for the supplier
- Responsibility in the society and for the society
- Augmentation of the financial performance
- Lowering the operating costs
- Improvement of productivity and quality
- Develop “clean” products (R&D)
- Improvement of Branding

CSR–Strategy - Value Management

- There is a demand for a „Management of values“ (culture, risk management, quality, environment)
- Internal measures =
Building up and implement a culture of values, communicate values and rules, treating the employees in a responsible way and adapt the CSR – measures
- External measures =
Interaction between the company and its surrounding resp. the society, also in a global context

CSR–Strategy - Risk Management

- CSR is also Risk Management, which means to handle risks in a far sightened and preventive way
- Instead of „Management by Accident“ a „Management with System“

CSR – „Strategy – Accelerator of Value“

- Production factors are not just costs but so called „accelerator of value“
- They have strategic importance and are in particular:
 - Investment and Qualification
 - Corporate Knowledge Management
 - Equal Opportunities
 - Talent of Social Competence

Business Importance (I)

- Improved Financial Performance
- Reduced Operating Costs
- Enhanced Brand Image and Reputation
- Increasing Sales and Customer Loyalty

Business Importance (II)

- Increasing Productivity and Quality
- Increasing Ability to Attract and Retain Employees (Employer Branding)
- Reduced Regulatory Oversight
- Access to Capital

Implementation Steps (I)

- Mission, Vision, Values Statements
- Cultural Values
- Corporate Governance
- Management Structures
- Strategic Planning

Implementation Steps (II)

- Set objectives
- Review company materials
- Review management systems
- Engage board of directors
- Define and engage stakeholders
- Develop formal internal and external communication mechanisms (i.e Code of Conduct)
- Engage in continuous improvement

Top 12 Most Commonly Used Sustainability-Related Practices

- 1.Ensure the health and safety of employees
- 2.Ensure accountability for ethics at all levels
- 3.Engage collaboratively with community and nongovernmental groups
- 4.Support employees in balancing work and life activities
- 5.Encourage employee volunteerism
- 6.Involve employees in decisions that effect them
- 7.Provide employee training and development related to sustainability
- 8.Reduce waste materials
- 9.Highlight our community
10. Improve energy efficiency
- 11.Work with suppliers to strengthen sustainability practices
- 12.Get groups across organization that are working on sustainability-related initiatives to work more closely together

Key Sustainability Risks and Challenges in the Telecommunications Sector

Environment

- Management of e-waste
- Data Growth-Energy and Co2 emissions, and associated energy costs
- EU code of conduct for data centers
- ICT sector supplement for the GHG accounting protocol

Health and Safety

- Transport related incidents
- Infrastructure development and operations in emerging markets
- Ensuring adequate reporting of incidents (contractors, informal labor, suppliers)
- Auditing H & S performance across an organization
- Concerns regarding radiation and associated impacts

Supply chain

- Increased outsourcing of services and footprint in emerging markets, reduced control of supply chain
- Supplier audits and engagement and benchmarking supplier performance
- Supplier Audit fatigue – Joint industry auditing
- Conflict minerals
- Updating procurement policies regularly to account for risks in supply chain in new markets

General Corporate Responsibility

- Adequate reporting (stakeholder engagement, interactive reporting in line with materiality assessments, verification of reports)
- Fraud and corruption
- Training and awareness for employee/suppliers
- Implementation: Translating group level policies into regional/site level/supplier action
- Integrating sustainability within business risk management/business continuity process
- Increasing customer awareness and demand

Conclusion

CSR is about how companies make profits

CSR means the company will make profit in a transparent and sustainable way, building its operations on universally accepted business ethics

- *respecting basic human rights*
- *treating workforce well*
- *avoiding pollution*
- *fighting against corruptive practices*

Sustainability, CSR and Innovation

Resume

Definition: Innovation = "New Idea, Device, or Method" (Merriam-Webster)

Definition: Sustainability = as described in my lecture

What has innovation to do with sustainability:

All new ideas, new devices and new methods have to follow the principles of sustainability. That means they have to consider the economic, ecological and social impacts shown before.

Management has to create management structures and management tools in order to reach this goal and to and to fulfill the demands of the described principles of Corporate Social Responsibility.

Any questions or comments?