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Welcome Message

“CSR Made in Germany” stands for the many companies in Germany that have made corporate social responsibility a central part of their business philosophy. It is the quality parameter of sustainable economic management. Responsible companies reduce their “ecological footprint,” respect labor and social standards, and engage in community projects.

CSR means voluntary commitments that go far beyond what is required by law. This is not only good for the environment and for society at large, but also for the companies themselves. It is in the interests of companies to save energy, for example, thus reducing their production costs, or to engage in community activities, thus convincing their staff that they work for a particularly active and responsible company.

Economic success and sustainability belong together – today more than ever before. By providing many practical examples, this publication shows how companies, policymakers, civil society, and researchers jointly shape “CSR Made in Germany.” I hope that this publication offers you interesting insights and new ideas!
# Content

**Welcome Message**

3 Dr. Ursula von der Leyen

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The National Sustainability Strategy of the German Federal Government

By Johannes Geismann

With the Action Plan for CSR, the German Federal Government aims to have more companies recognize their social responsibility and use it to make their business strategies sustainable. CSR is therefore closely related to the National Sustainability Strategy.

The Sustainability Strategy was adopted in 2002 to mark the United Nations World Summit in Johannesburg, and since then it has regularly been further refined, most recently in a progress report early in 2012. The aim of the Strategy is to make sustainability a fixed guiding principle for policy in a variety of areas. Because the diverse political challenges cannot be met through one strategy alone, sustainability must also be a consideration in other strategies and decisions. The Sustainability Strategy is based on a clear premise: that what we do today should not deprive future generations of the chance to enjoy prosperous lives and a healthy natural environment. If we wish to maintain our living standards, the decisions we make must have equal and lasting viability for the economy, the environment, and society.

The responsibility for sustainability within the federal government lies directly with the Federal Chancellery. This is not only because of the interdisciplinary nature of the Strategy, which affects all policy areas equally; it is also and above all an expression of the political importance of sustainability. The central regulating authority for the Strategy is the State Secretaries Committee, which consists of representatives from all ministries and is directed by the head of the Federal Chancellery. Individual topics in sustainability are addressed on the basis of long-term working programs, including external expertise. Through this process, all ministries collaborate to implement the Strategy and develop it further.

This is particularly true for the new progress report on the Sustainability Strategy that has been adopted early in 2012. The report focuses on sustainable economic systems, climate and energy, as well as sustainable water policy. The Sustainability Strategy thus deals with topics that are expected to be brought forward at the UN Conference on Sustainable Development in Rio de Janeiro in June 2012 as part of one of the key themes: "a green economy in the context of poverty eradication and sustainable development."

With the 2012 progress report, the German Federal Government is demonstrating the importance of sustainability in individual
policy areas. The progress of the Strategy is being tracked using indicators for 21 subject areas that together make up a total of 38 targets. The current independent analysis from the Federal Statistical Office shows positive development in such areas as economic efficiency, employment among older members of the workforce, and protection of the climate.

Sustainability checks are a valuable instrument to connect the Strategy to regulation. Since 2009, as part of the Regulatory Impact Assessment, each law and ordinance has been checked against the effects that the proposal will have for aspects of sustainable development. The results are then monitored by a parliamentary advisory council on sustainable development set up by the German Bundestag.

The federal government strives to include private citizens when further refining the Strategy, and is involved at all levels in strengthening collaboration on sustainability. After all, the federal government ultimately cannot prescribe sustainable development; that requires a concerted effort by the state, business, and civil society. This is where the value in the activities that companies are undertaking as part of CSR comes in: They are voluntarily taking on social responsibility above and beyond legal guidelines, thereby making an important contribution to sustainable development.

Johannes Geismann is the head of Directorate-General III (Social, Health, Labor Market, Infrastructure, and Social Policy) in the Federal Chancellery.
The development of a national strategy to promote corporate social responsibility (CSR) in Germany will help to overcome the main challenges in a 21st-century globalized world. Elements of this strategy include responses to climate change, good and fair working conditions, globally binding labor and social standards, the fulfillment of social responsibility through civic engagement and corporate citizenship, and, most importantly, sustainable consumption.

On October 6, 2010, the German Federal Government adopted the “CSR in Germany” Action Plan to address these issues. Based on suggestions from the National CSR Forum – an advisory body of the Federal Ministry of Labor and Social Affairs (BMAS) – the Action Plan will promote CSR activities by companies and make these more visible. The Federal Ministry of Labor and Social Affairs is in charge of developing and implementing the CSR Action Plan within the federal government.

The federal government intends to consolidate and expand corporate social responsibility using the Action Plan. It will also be necessary to help those corporations that act responsibly to set an example for others, to create more incentives to take on social responsibility, and to offer assistance in translating the concept of CSR into everyday corporate behavior.

The Action Plan builds on existing CSR initiatives and networks within the federal government, the business sector, and civil society. CSR success depends on committed companies that have integrated CSR into their corporate strategies, a vibrant civil society that demands and rewards CSR, and an active policy that formulates social goals and creates a positive environment for CSR. CSR is voluntary, but it is not discretionary. If all social groups fulfill their rightful responsibilities, then we can master global challenges together, to the mutual benefit of economic, social, and environmental ends. This triumvirate – government, business, and society – is the basic idea behind CSR.

The “CSR in Germany” Action Plan allows the Federal Government to pursue the following strategies:

- Improve embedding of CSR into business and public administration
- Increase participation by small and medium-sized enterprises (SMEs) in CSR
- Heighten visibility and credibility of CSR
- Optimize political conditions for CSR
- Contribute to the social and environmental composition of globalization

It is important to the federal government that existing structures be used to implement the CSR Action Plan, thereby avoiding the establishment of parallel structures and harnessing synergies. The multistakeholder approach has proved extraordinarily worthwhile for fostering corporate social responsibility and guarantees ongoing dialog with all actors and social groups involved. With that said, the National CSR Forum will carry on its work even after it has submitted its recommendations to the federal government. One of the main priorities of the forum will be to advise and assist the federal government with the implementation of the present Action Plan. The more closely that the various forces in society can work together on its implementation, and the more wholeheartedly that they embrace their role as multipliers, the more powerful the “CSR in Germany” Action Plan will be as an incentive for a sustainable economic system.
The CSR Forum was appointed by the German Federal Government to contribute to the development of a national Action Plan for CSR. It supports the inclusion of the knowledge and experience of substantial corporate actors within the discourse of corporate social responsibility. Furthermore, it is to implement a platform for dialog between various actors. We spoke with forum participant Birgit Riess from the Bertelsmann Foundation about her experiences and outlook.

What was the goal of the CSR Forum and what did the working groups contribute to the National CSR Strategy?

Birgit Riess: The first goal was to develop a common understanding of CSR. This shall serve as the basis for further cooperation within the CSR Forum.

The heterogenous composition of the Forum was a challenge, but it presented chances as well and discussions were very constructive. In the following sessions of the CSR Forum, the participants agreed on six political spheres of activity. The members of the CSR Forum, as well as additional experts, developed a specification of objective targets, topics, as well as further instruments and measures for particular spheres of activity based on hearings, scientific expertise, and debates.

The outcomes of the working groups constitute the basis for the recommendationary report of the CSR Forum, which was forwarded to the German Federal Minister of Labor and Social Affairs, Ursula von der Leyen, on July 1, 2010.

The German strategy brings together many fields of action. Is this a chance to create a political framework of corporate responsibility?

Unconnected initiatives of the different political departments have been united by the National Sustainability Strategy. Furthermore, the Strategy puts a strategic focus on the central spheres of activity for the various initiatives. It helps in using the potential of CSR more efficiently through a clear definition of the political framework for corporate involvement. The federal government has to be evaluated on the basis of the extent of interagency coordination with regard to the implementation of the National CSR Strategy.

The Forum wants to consult the federal government concerning future CSR topics. What exactly do you have in mind? How can the CSR Forum contribute in order to communicate and measure progress?

The CSR Forum supports the implementation of the CSR Strategy as an independent advisory body of the federal government.

Like the Aristotelian wisdom that the whole is more than the sum of its parts, the demand for coordination within this context is to be more than a condensed presentation of individual activities of the different ministries. Coordination should contain a reconcilement about the extent to which individual measures are capable of unfolding synergies. Furthermore, compliance between the federal and state government levels would be recommendable. To support its development, it will be necessary to enshrine CSR as a crosscutting issue within the traditional political structures, which, on occasion, follow their own logic.

It ensures a continuous dialog on CSR between political, economic, and civil society actors and also that new issues on current topics are examined, for example the German contribution to Rio+20. Furthermore, the members of the CSR Forum shall be included in the implementation of CSR strategies.

One example is the European Social Fund program, which concerns the support for and social responsibility of small and medium-sized enterprises. In this way, existing initiatives and networks could contribute their specific competences, existing structures could be used, and synergies can be established.
The concept of sustainable development first came to international attention in the 1980s when the UN World Commission on Environment and Development made it the central idea of their deliberation, defining it as development that meets the needs of the present without compromising the needs of future generations. The concept ties together the concerns for the carrying capacities of natural systems with the social and economic challenges humanity faces – including equity and justice, within and between generations. At the Earth Summit in Rio de Janeiro in 1992, this concept was elaborated further into a set of principles (the Rio Principles) and a program of action (Agenda 21). It launched important international processes, be it in the field of climate and biodiversity or the local application of Agenda 21. Sustainable consumption and production was recognized as an overarching theme to link environmental and development challenges and an essential requirement to achieve sustainability: “The major cause of the continued deterioration of the global environment are the unsustainable patterns of consumption and production, particularly in industrialized countries, which is a matter of grave concern, aggravating poverty and imbalances.”

In Rio in 1992, the political leaders agreed that sustainability also includes the economy. But processes such as the global effort toward sustainable consumption and production could not hold up against the severe setbacks due to an economic globalization that ignored the limits of the planet. The effects are being felt worldwide and have important implications for the achievement of sustainable development and the Millennium Development Goals, including the disruption of the climate, depletion of natural resources, and the deprivation of people’s human rights, such as education and decent jobs. In response to the unprecedented challenges posed by the emergence of multiple and interlinked global crises the world faces – including environment, climate, food, water, finance, and economy – the concept of the green economy has evolved. The Johannesburg Declaration on Sustainable Development of 2002 has called for the development of a Ten Year Framework of programs in order to accelerate the shift toward sustainable consumption and production. In 2003 the global and informal multistakeholder Marrakech Process was launched. It aims to promote the development and implementation of policies, programs, and projects on sustainable consumption and production as well as to contribute to the elaboration of the Ten Year Framework. Germany has contributed to the Marrakech Process in various ways. It has partnered with a range of international institutions to develop an African eco-labeling mechanism that promotes appropriate environmental and social standards in the production process and assists in securing better market access for sustainable products in regional and global markets. As a member of the task forces on sustainable lifestyles and sustainable products, Germany has been involved in providing and exchanging expertise and experiences with the goal of achieving greater international cooperation.

Voting for an agenda Rio+20

The Rio Summit in 1992 bridged the gap between environment and development for the first time. Now, 20 years later, the United Nations Conference on Sustainable Development in Rio in 2012 is expected to focus on the economy. Developing green, inclusive economies in the context of sustainable development and poverty eradication is one of the two major themes of this conference. It is currently referred to as Rio+20, a formulation designed to emphasize continuity and the 20-year anniversary. Of course, Rio+20 will have to assess the progress made in the last 20 years and evaluate implementation gaps and challenges. But there is much more at stake in offering choices to our mutually interdependent world in order to get a clear vision of the next 20 years. It is necessary to find new ways and means for sustainable development.

I suggest that as we approach Rio+20, that future-bound orientation underpins the openness in considering the broader agenda of sustainable development. Stakeholders need to engage in “common but differentiated responsibility” on the state and regional levels and act as protagonists within their areas of influence. Rio+20 shall start a process of transition...
toward investing in and preserving natural and societal capital. The challenge is to make economic growth and job creation inclusive and compatible with ecosystem services. There is no single way forward that can be applied the same way in every country. The notion of common but differentiated responsibility, which was first proclaimed at the Earth Summit in Rio 1992, encourages every nation to find its appropriate way to meet the goals of sustainable development.

Lessons learned: The German Sustainability Code

Business has a role to play. Today’s economy is characterized by globalization and megatrends – only some of which can be foreseen. Societies have become more vulnerable to investment trends and strategies. The financial and economic crisis has spelled out the risks for everyone. The paradigms that have been accepted unquestioningly in the past decades – freedom, voluntariness, and unlimited trust in the invisible hand of markets – are unstable. The economy is in need of a modern framework for business action more than ever. If this framework is not clear, the investment gap will hardly be closed. One actor with a potential leveraging effect is the capital market.

The German Council for Sustainable Development created the German Sustainability Code in partnership with representatives from the business sector and the capital market. It is a specific contribution toward a sustainable economy. Putting forward 20 criteria, this transparency standard describes the core issues of sustainable management and delivers key performance indicators for environmental, social, and governmental aspects in 20 European Federation of Financial Analysts Societies indicators and 27 Global Reporting Initiative indicators. The German Sustainability Code helps investors and other stakeholders to assess entrepreneurial sustainable action that is oriented...
toward the long term, and to assess investment risks and opportunities more effectively. Rio+20 will be a success if the concept of a green economy is filled with concrete visions, pathways, and roadmaps toward sustainable development. Companies and investors need planning reliability for their investments. Having this in mind, the German Sustainability Code can help to provide more freedom for entrepreneurial activities. The aim is to create a market that rewards the sustainable actions of companies.

It is important to take the business sector into account and to create new partnerships. The targets of national sustainability strategies will not be reached without the contributions from and support by the business sector. The export of negative external environmental and social effects into other parts of the world is unethical. Measurement, reporting, and verification are keys to success. Only what is quantifiable is manageable. Good reports expose target conflicts and try to solve them with stakeholder engagement. The more that investors ask for information based on the German Sustainability Code, ask for company declarations of conformity, and create their own assessments of this qualified instrument, the broader the movement will be toward reliable and quantifiable disclosure.

The clearer the core requirements for sustainability management within companies, the more level the playing field will be for current and future-oriented competition. With trustworthy transparency tools such as the Sustainability Code, society will voluntarily give businesses the license to operate. It is common knowledge that trust lowers transaction costs. The business sector and financial market players have gambled away a lot of trust in the last few years.

Sustainability management practices in politics and business

Leaders in politics, business, and civil society need to do more in order to meet the global challenges of climate change, depletion of natural resources, and the widening rich-poor divide. Creating an inclusive and sustainable economy indicates a direction and a process. The focus must be put on new forms of technological innovations, on ways of promoting greater efficiency in the use of energy, and on reinforcing social arrangements to ensure social and fiscal stability and cohesion. What is needed here is an investment in visionary competencies, in new and meaningful cooperation and communication efforts between politics, the business sector, science, and society.

Approaches to greening the economy should build on collectively shared responsibility and accountability. This needs to become a dominant cultural feature. It has to start with those who are in charge of running the economy today. It is also a requirement of modern policymaking in partnership.

The well-known definition for sustainability given by the World Commission on Environment and Development includes some not so well-known aspects: “In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.” The requirement to shape development “sustainably” applies to all people and countries. These aims, put into writing in 1987, are still valid today. If this should still be reality 20 years after the Rio Summit 2012, the vision of 1987 will finally be truth. We need to move forward – for the sake of companies, for the sake of the society, and for the sake of the planet.

Hans-Peter Repnik is Chairman of the German Council for Sustainable Development (RNE), long-standing Member of Parliament, and former Secretary of State for International Development Cooperation.
CSR in Germany – Tradition, Topicality, and Challenges
Society is based upon a moral consensus among its members. This consensus is characterized by common values and the understanding that moral anarchy destroys society and economy. Justice, fairness, honesty, integrity, and responsibility are the values that establish the backbone of a social community. Individuals and organizations are called upon to align their operations and decisions toward these values and to contribute to their stability. This also applies to the roles people play in business — and it particularly applies during times of economic crisis. The theory occasionally circulating that corporate social responsibility (CSR) could lose significance in face of the financial and economic crisis is misleading. The crisis can only be successfully mastered if our moral common sense and the desire and ability to cooperate are maintained to our mutual advantage.

The consensus in Germany is that companies bear a responsibility to society. It shapes how companies operate here on a daily basis, companies that are seen and experienced as social partnerships, companies that are oriented to sustaining and developing work, qualification, and ecological standards. A particular German aspect here is the strongly institutionalized and cooperative character of how this kind of social responsibility is managed, or, as it is more precisely termed, “societal” responsibility. On a corporate and societal level, employers, employees, associations, and unions define how we work and live our everyday lives in the social market economy through legally binding agreements — ideally by reaching a consensus. Politics and the state actively support this cooperation by establishing a suitable framework of legal, social, and environmental regulations.

The term “Rhenish capitalism” is how this model is typically described in Anglo-Saxon literature. The main moral principles behind it were — and continue to be — participative and distributive justice, that is, co-determination and involvement of all of the company groups and protection against the risks to life. In the past, it has often been suggested that the preservation of peace in society is the economic benefit of this corporate model. Yet, the ways in which the current financial crises have been dealt with show that an economically efficient and effective form of corporate governance is also of benefit. Therefore, social market economy and social partnership are traditionally the first concepts that companies in Germany perceive as corporate social responsibility. CSR “Made in Germany” cannot be understood completely without traditionally including the integration of economic welfare, corporate success, environmental protection, and responsibility for society.

Global, national, and regional challenges

Even though the concept of a moral consensus, described above, and its societal institutionalization, as characterized by Rhenish capitalism, has come under pressure to reform as a result of issues surrounding global competition, economic success, and the related crises, it has not “broken.” However, it cannot be ignored that the required conditions and the scope of duties that need to be carried out by companies in order for them to realize their societal responsibility with a view to globalization have progressed fundamentally in their development.

New players in society such as nongovernmental organizations have entered the public arena and are catering to a number of topics that cannot be reduced to participative and distributive justice within German companies. The challenges of the knowledge-based society and a sustainable economy and the challenges of demographic and societal development can only be overcome in Germany if the interaction of all societal players is networked successfully.

In addition, humane conditions of work; suitable wages; social standards and human rights; environmental conditions; and societal development are all challenges facing those German companies today that are involved in establishing international value-added chains. Discussion and dialog with all the involved and relevant societal groups — and not just the economic stakeholders — form the governance structure for companies to realize not just their societal duties, but also their social responsibility.
Terms such as “multistakeholder dialog” and “CSR standards” as well as guidelines such as ISO 26000 SR have, by now, become well-established concepts in Germany and indicate that many companies are an integral part of regional, national, and international networks. They devote themselves to the challenges posed by the changes taking place in business and society.

Multinational and major companies are often the trailblazers in this area. How local and regional responsibility is perceived – not least by small and medium-sized companies – is another characteristic of CSR “Made in Germany.” The majority of SMEs are committed to social responsibility in this area, holding up their traditions in the process. According to research studies, around 58 percent of all SMEs are active in the field of CSR and spend approximately €6 billion per year on their activities. Interaction and networking in all regions in which CSR stakeholders are strongly represented are promising approaches to finding answers to the challenges of structural change that have been described above. “Partnerships of responsibility as an investment in the region” is one of many important initiatives, the objective of which is to preserve a functioning community as an absolute prerequisite for economic efficiency and social stability. That is why the global, national, and regional challenges in the business world and in society today are characteristic of CSR “Made in Germany.”

National Strategy for Corporate Social Responsibility

Therefore, corporate social responsibility should not be used as another term for the traditional German “social responsibility,” nor should it be reduced to this level. As has been indicated, societal responsibility has long played a traditional and positive role in Germany. It is, no doubt, a very fruitful
driving force for the present discussion about CSR; however, it is not identical. It is more a matter of companies voluntarily assuming responsibility for the stability and development of all aspects of society within the context of their competences and the resources of their core business. For companies are also members of society and have received their license to operate and grow from society.

It is therefore in their interests – in their roles in both the business world and in society – to realize that not only is society a stakeholder of the company, but that companies are also stakeholders of society. The significance of strategic partnerships between stakeholders in society and of establishing networks is clear once this fact is understood, thus distinguishing CSR “Made in Germany.” The objective of the “Action Plan CSR” resolved on October 6, 2010, by the German Federal Government was, not least, to support cooperation and interaction
in and between politics, business, unions, and civil society in order to shape an economy designed to last through times of rapid and fundamental societal change. This not only promotes common sense and the ability to identify oneself with society, but it is also the key to solving forthcoming tasks.

Through its National Strategy for Corporate Social Responsibility, the federal government has specified a series of well-defined targets and concrete measures that range from promoting the visibility and integrity of the subject, to the integration into science, research, development, and demographic policies through to public households and the regulation of the financial markets.

In adopting the resolution, the federal government referred to a recommendation issued by the National CSR Forum on June 22, 2010, which represents experts from almost 45 societal organizations and institutions from politics, business, trade unions, and civil society. Organized into different working groups, they developed this recommendation together and passed it unanimously. “Action Plan CSR” defines a framework as well as the measures in order to focus on the many issues in this area and to help strengthen the activities of local groups. Hereby, the German Federal Government, like so many other European governments, is also complying with the EU’s directive to define national implementation plans for a global and European CSR. Another aspect of CSR “Made in Germany” will be achieved with this global and European positioning.

**CSR in Germany - challenges**

In the near future, realization of the National Strategy for Corporate Social Responsibility will give direction to the efforts of the CSR movement in Germany: How successful or...
unsuccessful they are will be monitored and reported about, and it will be the subject of much critical discussion. In this way, further development of the topic will be pushed ahead. Germany’s economy is an integral part of the global division of work; the dynamics of the economy explain a considerable share of the processes, described in this article, of continuity and change in the range of topics understood as corporate social responsibility. Consolidation of the regional and national aspects of CSR is an ongoing fundamental task.

The European and global perspective is also of particular significance. Promotion of European integration was the strategic target named by the initiative “CSR Europe” from the very beginning. From the outset, this was considered a contribution toward the worldwide discussion about globally accepted norms of good corporate behavior. Both tasks need to be addressed now more than ever.

Dr. Josef Wieland is Professor for Business Administration & Economics with emphasis on Business Ethics at the University of Applied Sciences, Konstanz.

1994
Environmental protection becomes a federal goal

2002
Germany ratifies the Kyoto Protocol

2011
Energy policy transformation: Renunciation of nuclear power
Why the Honorable Merchant Wins in the End

By Prof. Dr. Joachim Schwalbach

Disregarding the Guiding Principles of the Honorable Merchant (GPHM) is one of the major reasons for the recent financial crisis. In this context, for example, one may well call the investment adviser and former non-executive chairman of the NASDAQ stock market Bernard L. Madoff a prototype of a dishonorable merchant ("It’s all a big lie").

However, one must concede that his misconduct has only become possible through lax control by the auditors and the supervisory authorities, as well as through the greed of the small and big investors for higher returns, irrespective of the risks. Although the reasons for the financial crisis are manifold, the misconduct of the actors primarily has something to do with their individual natures rather than the institutions. In this respect, returning to the GPHM seems to be imperative.

The GPHM defines criteria of character and culture. Their compliance acts as a harmonizer for the actions of entrepreneurs and society. You can trace this concept back to medieval Italy. As early as 1340, Italian merchants’ books talk about the “true and honest merchant.”

In Germany, the rise of the Hanse is inseparably linked with the image of the Honorable Merchant. The loose league of towns that was the Hanse could only achieve a magnitude that influenced the course of history through the mutual tolerance and virtuous behavior of its members. In this sense, the GPHM describes a life philosophy whose realization lets businessmen become mature, responsible, and above all economically successful personalities.

For the Honorable Merchant, business success and morals are not divergent interests. On the contrary: Morality, defined as sense of responsibility, is considered a prerequisite for economic success that is not only seen as a self-interest but also as a means to create sustainable values.

In the financial crisis, we can distinguish between two dimensions of respectability: the respectability of the protagonists in day-to-day business, and taking on corporate responsibility.

1] The meaning of honor in day-to-day business – in the form of confidence in a business partner – is made impressively clear during the financial crisis through the incapacitation of the banks as a result of the misconduct of individual financial managers. The loss of trust resulting from the disregard of the virtue of honesty led to losses in business and, eventually, the global business network came to a stop. The leap of faith necessary in a global financial market with high transaction speeds no longer existed. Transactions between banks no longer took place. Without the coordinated intervention of the governments to renew trust in the markets, the system most likely would have ground to a halt – with catastrophic effects on both the global economy and global society. In a hypothetical world where financial managers followed the GPHM, the situation would hardly have escalated to such an extent.

2] The second dimension of the GPHM refers to the societal responsibility of the financial economy. The honorable financial manager has to counteract the short-term pressure to yield high returns with a sound character and to defend his corporate and social responsibility against financial gamblers and soldiers of fortune. Without governmental intervention, existing internal control mechanisms seem inadequate. Global institutions are necessary and desirable to ensure honesty in the course of business and to sanction breaches. However, they can never completely replace the individual responsibilities of Honorable Merchants.

The financial crisis has revealed both societal and intra-corporate deficits in the basic understanding of responsible, sustainable, and honorable – and thus successful – management. Hence, the GPHM is of utmost importance now and will continue to be so in the future. It should make entrepreneurs and managers aware that responsible behavior is the basis of sustainable economic success and societal peace. Concentrating on one’s own historical roots and the present situation may lead to a contemporary awareness of honesty among entrepreneurs and managers that expresses a cultural capability of development. A modern Honorable Merchant has a pronounced sense
of responsibility on both the enterprise and the societal levels. This includes fair behavior toward employees, customers, and business partners, all of whom he continues to treat according to virtuous principles aiming to establish and to keep long-term relations. Social responsibility expresses itself through decisions and takes into account stakeholders’ interests; engagement at the company location; informing the public and politics; defending the social market economy; and paying regard to environmental protection in all decisions made.

The GPHM is mostly related to owner-managed and family-owned enterprises, in short: to small and medium-sized businesses. However, it is precisely the medium-sized businesses that still fail to communicate their principles of responsible management to a sufficient degree, thereby supporting the widespread public opinion that all businesswomen and businessmen behave erratically, whereas in fact only a few do. To stabilize trust in the efficiency of a social market economy, it is necessary that the small and medium-sized businesses in particular inform the public about their contributions to the economy and society.

In addition, the financial crisis should lead to a corporative discourse on the relationship between society and economy. Should this discourse not take place, there might be the risk that those who, in principle, question the model of a social market economy will prevail. The starting point of the discourse should be the maxim that economy and society are mutually dependent. On the one hand, enterprises can primarily prosper in modern societies that are characterized by people with a high educational background, functioning markets, and distinct legal certainty. On the other hand, modern societies depend on successful enterprises, because only they can increase the wealth of the society through market success. Thus, enterprises and society are mutually dependent. This also means that activities of the one side are hardly successful if they are carried out at the expense of the other side.

The targeted discourse between economy, science, politics, and civil society, however, should not predominantly concentrate on the abstract enterprise level but rather on the individual level of the entrepreneur and manager and the bodies controlling them. It is precisely on the individual level that we have the chance to approach the subject of corporate social responsibility comprehensibly via the GPHM. In this context, it can be proved that the vast majority of our executives act responsibly and that, ultimately, the Honorable Merchant – in the sense of sustainability and responsibility – is the winner, for the enterprise and for society.

Heinrich Sudermann (* 1520; † 1591), German jurist and First Syndicus of the Hanseatic League. The term "The Honorable Merchant" originates from the 12th century, shaped in the German Hanseatic League and Italy.

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Climate Policy of the German Federal Government

“As early as 1990, the German Federal Government set up a program with an initial reduction target for CO₂ emissions. Protecting the global climate has been an important element of German policy ever since, and it is part of the framework for policy on the environment, the economy, research, and construction.

For example, Germany agreed under the Kyoto Protocol to reduce greenhouse gases to 21 percent below their 1990 levels between 2008 and 2012, and it is on track to reach this goal. When Germany was acting G8 president, the summit in June 2007 achieved agreement for the first time among all industrial nations in the world that the rise in global temperature must be capped at 1.5 - 2.5 degrees Celsius. In order to achieve this, total worldwide greenhouse gas emissions will need to be halved by 2050. Germany intends to have almost eliminated its carbon dioxide emissions by this time, so further development of renewable energies will be necessary.”

Federal Press and Information Office
Primary energy consumption per capita

Oil equivalent in tons*

*Figures are based exclusively on oil, coal, natural gas, hydropower, and nuclear energy.
World Champion in Resource Efficiency

The escalating consumption of raw materials worldwide is a megatrend of our time. It presents all economic actors, particularly companies, with enormous challenges. Global raw material consumption increased from around 40 billion tons in 1980 to approximately 60 billion tons in 2005. Forecasts indicate that this figure will double by 2020 and rise even fivefold by 2050. Aspirations toward ever-greater prosperity and the rising demand for consumer goods are not only continuing to increase in industrialized countries, they are also being fanned by strong economic growth in emerging countries such as China, Brazil, and India.

Rising and highly volatile raw material prices – often further exacerbated by speculations on the markets – place a burden on German industry and, for some companies, make it almost impossible to plan for the future. Added to this is the uncertainty about the continued availability of raw materials, since, in the case of various metal ores, for example, Germany is almost wholly dependent on imports. With material costs accounting for 45 percent of Germany’s manufacturing costs, these problems can quickly become a serious threat to the viability of the sector.

The challenge is equally great from an ecological point of view. Every step of raw materials utilization – from extraction and preparation to processing, consumption, and disposal – burdens the environment through greenhouse gas emissions, pollution of soil, air, and water, and damage to ecosystems. In addition, many raw materials are finite and will no longer be available to future generations. Fortunately, we do not have to stand by helpless in the face of these challenges. On the contrary: Germany has the creativity and innovative strength to establish the conditions we need for more efficient management, and thus for easing the strain on the environment. I consider resource efficiency to be a key competence of societies that are viable for the future.

» I consider resource efficiency to be a key competence of societies that are viable for the future. «

Jürgen Becker
viable for the future. Those who invest in resource efficiency not only conserve natural resources, they also give themselves a significant competitive advantage. Germany’s technological edge in closed-cycle management and the efficient use of resources can rightly be described as the country’s source of raw materials. Therefore, “Made in Germany” also stands for resource efficiency.

The road to a resource-efficient economy calls for equal commitment from companies, policymakers, and consumers. Many companies in Germany already make an important contribution through their efforts to pursue sustainable management strategies and by accepting their social responsibility. Examples of this are the use of resource-efficient, low-waste production processes and the development of resource-friendly products that are durable, easy to repair, reusable, and recyclable. German consumers are environmentally aware and increasingly want information on the eco-balance of products and services. New, resource-friendly business models – ranging from carpooling to machinery hire and chemical leasing – offer opportunities for innovative businesses. At the same time, sustainable management is gaining importance in education and training.

Policymakers will do all they can to support these positive developments. As part of its raw materials strategy, the German government decided to develop a National Resource Efficiency Program. The aim of the program is to make German industry less dependent on new raw materials and to curb the environmental pollution arising from raw materials consumption. The program will list concrete measures to improve resource efficiency for each step of the value chain – ranging from sustainable materials extraction to durable, resource-friendly product design and efficient production processes – to encourage resource-awareness in consumers and close material cycles through recovery and recycling.

Germany has the potential to become the most resource-efficient economy in the world.

I am convinced that this will benefit both industry and the environment.

Jürgen Becker is permanent State Secretary at the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.
You can recharge your batteries at the Baltic Sea coast. EnBW (Energie Baden-Württemberg AG) also wants to achieve this with EnBW Baltic 1 – the flagship commercial offshore wind farm in Germany has been converting the Baltic Sea winds into electrical currents since spring 2011. But which position can offshore technology adopt in the energy mix? The energy change has meant mainly one thing up to now: turning away from nuclear power. The equally exciting question is: What can we achieve in the renewable sector?

2011 was a very eventful year for the energy industry. After the amendment to the Atomic Energy Act, the framework conditions in the energy industry have changed fundamentally. The energy change is bringing along new, additional challenges. One main focus is the development and use of renewable energies. Unlike any other German energy company, EnBW has invested around €2.2 billion in renewable projects since 2005. Alongside their traditional high dedication to hydropower, they have also been specifically focusing on wind power.

In May 2011 EnBW sent out a clear signal when the offshore wind farm EnBW Baltic 1 was put into operation after a three-year planning and construction period. However, EnBW is also thinking further ahead: All of the major contracts with a value of €1 billion have already been allocated for the second and considerably more ambitious project, EnBW Baltic 2. The construction of the 80 wind turbines is planned to begin in
2012. Onshore wind power has proven to be reliable and cost-efficient up until now, so they want to develop this potential even further. The onshore wind park capacity has increased sixfold over the past two years.

Generating offshore energy is more than just onshore energy on the sea. Wind speeds of more than 120 km/h and waves up to 5.5 m high cannot be ruled out on the Baltic Sea. Construction puts the highest demands on people and machines: Wind turbines as high as church steeples need to be anchored in the deep sandy sea floor, our specifically constructed substation needs to be secured against heavy currents and tides, and kilometers of cable-harnesses need to be installed in the sea.

Both German coasts are generally well-suited to generating electricity from wind power. Due to the high average wind speeds, the capacity rate is approximately 40 to 50 percent. The offshore wind not only blows more consistently but also stronger, thus guaranteeing a higher output.

The decisive point is that we always use the technology responsibly, in a social-political sense. Extensive advance studies and monitoring during and after construction ensure that the impacts on the environment are kept as low as possible. Wind power will be a central pillar in the future German energy mix. The trend toward the maximal reduction of CO₂ will continue due to necessary climate protection. By 2050, the German energy system should ostensibly be free of CO₂. EnBW’s aim is to secure their position as a low-CO₂ energy producer and establish themselves on the market more as a provider of decentralized energy solutions.

The important thing now is to set the course for the development of renewable energies so that EnBW can compete internationally for locations and mobilize the necessary capital. By 2020, they want to double the installed output in the renewables segment to around 6,000 MW. Around €8 billion would be necessary to do this when considering the current output—an ambitious aim, but one they are taking on.

The energy change represents not only a challenge, but moreover a chance to take active part in forming a sustainable focusing of the German energy industry. At EnBW, they are convinced that it can be achieved—as evidenced by EnBW Baltic 1 and 2—but it certainly will not be easy.
Bayer: Intelligent Technology for Climate Protection

The greenhouse gas CO₂ is believed to be the main cause of global warming. Numerous methods have been devised to lower global CO₂ emissions or avoid them altogether. Bayer’s approach to the problem is quite different: The Dream Production project focuses on harnessing the greenhouse gas CO₂ as a raw material for plastics production.

CO₂ as a raw material? This issue has fascinated chemists worldwide for many decades. For a long time it was considered impossible from a technical point of view. But now German engineers have made a breakthrough: Working together with utility supplier RWE, RWTH Aachen University, and the research institute CAT Catalytic Center, Bayer has developed a process to turn CO₂ waste gas into a raw material. This is used in the manufacture of a precursor for high-grade polyurethane – a versatile material that is used in many everyday things, from seating, mattresses, and lightweight materials to coatings, adhesives, and highly efficient insulating materials.

Making climate-unfriendly carbon dioxide accessible as a raw material for high-tech materials necessitated a major innovative leap in technology. To date, it has required a great deal of energy to use CO₂ for polymer synthesis. As part of its precursor project, Dream Reaction, Bayer researchers found a catalyst that enables the use of CO₂ in plastic products. Without this, the Dream Production initiative would not have been possible.

The partners involved in the project cover the entire value chain – from the raw material to the finished product. Under Bayer’s project management, synergies in areas such as raw material availability and catalysis can be optimally harnessed. Since February 2011, Bayer MaterialScience has operated a pilot plant at Chempark Leverkusen in which CO₂ is built into a chemical precursor for polyurethanes. The carbon dioxide comes from the waste gas generated at one of RWE Power’s lignite power plants. There, the CO₂ is separated from the flue gas stream, made accessible in a liquefaction and filling plant, and stored as a raw material for polyurethane products. As a result, it should be possible to partially replace scarce crude oil with carbon dioxide, which is available in huge quantities.

Some 5 percent of the oil extracted each year is needed for plastics manufacture. CO₂ could be used here in place of oil because, like oil, it contains carbon – an essential component for the chemical industry. This is a real contribution toward conserving resources and protecting the climate. The first products should reach market maturity by 2016. Using greenhouse gases as raw material instead of fossil fuels like oil will make prices of end-products less dependent on volatile crude oil prices. Therefore, in the future, consumers will benefit from more stable calculations and prices. Additionally, they will contribute to carbon reduction and mitigation by consuming such products.
Climate change, population growth, and rising standards of living are increasing the pressure on existing water resources that are already scarce. If methods are not found to adapt to climate change, food security will disappear. Evonik, through its STOCKOSORB system (STOCKOSORB increases the utilizable water-holding capacity of soils and potting mixes on a long-term basis), can make an important contribution to combating soil erosion. The soil aid can absorb many times its own weight in water and should make reforestation easier. This development recently won Evonik the Responsible Care Award from the European Chemical Industry Council.

Morocco, which enjoys a Mediterranean climate in some parts, is not a classic desert state, but long-lasting periods of drought are destroying once fertile regions here as well. The Argan tree is native to a region that is approximately 800,000 hectares in size. Its versatile uses and very robust nature make the Argan an ideal agricultural crop. Its hard wood serves as a building material, its leaves and tender shoots feed livestock in the region, and the pit of its fruit produces premium oil. Since the tree is resistant to heat and needs little water, it grows in areas where otherwise there would be only desert. Yet the Argan population has been continuously decreasing for a number of years. There are a variety of reasons, one in particular being that the stock has been greatly reduced because of climate change, clear-cutting, and overgrazing. In order to put a halt to this decline, UNESCO declared the remaining Argan forest a biosphere reserve in 1998.

In recent years, however, the level of the water table in the region has lowered considerably. One of the reasons for this is the use of the water in industrial agriculture. The effects of this policy are being noticed by the people who live on the Souss-Massa basin in the Atlas Mountains: “There are many farmers who have lost their livelihoods because the groundwater is being pumped away. This has made the water table so low that they can no longer get to it with their traditional wells,” explains Jürgen Gräbener of the German company Eco Consult. In the meantime, the water table is dropping by up to three meters a year, and survival has become increasingly difficult under these conditions for the Argan trees as well.

The STOCKOSORB soil additive should help solve the problem: “The granulate is what is known as a superabsorbent. It can absorb and store many times its mass in water, so that it can improve the water storage ability of poor soil,” reports Annette zur Mühlen, an Evonik expert on innovative agricultural solutions. The granulate slowly and evenly releases its stored water, reducing the stress on plants at precisely the times when there is a threat of the soil drying out because of long-term drought. Farmers are already enjoying these positive attributes for vegetable crops, animal feed cultivation, and forestry. They have seen clear success come harvest time: The concrete increases observed have been anywhere from 40 to 150 percent.
“Germany’s climate policy will need to be coherent and transparent”

Global warming is one of the biggest challenges of mankind in the 21st century. Mitigation and adaptation measures must include, among other things, a clear energy scenario focusing on renewables and early participation of the general public, says Klaus Milke, Chairman of Germanwatch. German industry, he adds, is already a champion in environmental technology. They should use their know-how to support those who suffer from climate change.

Is Germany’s energy turnaround a model for a new global energy concept? How can it be brought to diverse regions around the world and be adapted to their specific conditions?

Klaus Milke: Germany’s phase-out of nuclear energy and the so-called Energiewende is somehow a model laboratory for the great global transformation toward a low-carbon society in 2050, especially with its high unconditional reduction targets (a reduction in emissions of 40 percent by 2020) taking the 2 degrees Celsius limit into account.

This was very obvious at the climate summit in Durban, where there were many events and questions on how the Germans would do it in detail. And many from abroad stated: If there is a country capable of being successful, it is Germany.

A consequence of the energy turnaround might be that we will have to use more coal and gas power plants. Doesn’t this harm global climate targets?

Of course Germany’s climate policy will need to be coherent and transparent and stick to its own reduction targets. So new coal power plants are not compatible with the Energiewende scenario. Therefore, we have to focus on a rapid implementation of using renewable energies, on energy efficiency, and on energy savings. If there is any gap, we will have to take new gas power plants into account, which are more climate friendly than coal plants.

Environmental groups call for a more regional and decentralized energy generation. But the reality is complicated: We see many residents and local stakeholders opposing renewable energy and new public power lines when they are located in their backyards. So how can we improve the required multistakeholder dialogs?

As the long conflict over nuclear power is now history, it is necessary to build up new trust and confidence concerning the planning and implementation of the needed infrastructure for 100 percent renewables by 2050. Early participation and building up ownership for new small and large energy grids and storage systems, for example, is absolutely crucial. The “not in my backyard” behavior is real everywhere in the world and we should overcome it in an intelligent and creative manner.

Clean technology has become a vital industry. What role can and must German industry play globally?

Germany is already a champion in many environmental technologies, in renewables, as well as with tools and products for climate protection. There are many additional opportunities ahead for a highly industrialized country like Germany. But Germany has more responsibilities than to its own economy.

There are many countries in the world already suffering from the negative effects of climate change. So what are needed are money and assistance for
adaptation and the new Green Climate Fund, more technology cooperation, and more capacity-building in the most vulnerable regions.

Klaus Milke

Klaus Milke is Chairman of the Board of the non-governmental organization Germanwatch.

» So what are needed are money and assistance for adaptation and the new Green Climate Fund, more technology cooperation, and more capacity-building in the most vulnerable regions. «

German government fosters sustainable development with various specialized programs and a coherent CSR action plan. What aspects should be improved from your standpoint?

New guidelines on corporate accountability have been put forward this year by the UN, OECD, and EU. Those include the Guiding Principles of John Ruggie with their smart mix of voluntary and mandatory approaches, the reform of the OECD guidelines for multinational corporations, and the new CSR Communication of the EU.

They provide cornerstones for a further debate in Germany and a review of the sufficiency of the existing CSR Strategy. Human rights aspects and environmental limits, for instance, make it necessary for countries to look for clear answers as to how they protect those aspects and for companies as to how they respect those aspects, in addition to providing guidance for those who are affected as to how they can receive remedies.
Transit and power generation make a decisive contribution to global CO2 emissions. Even though existing alternative, environmentally friendly technologies can be optimized and others developed, in many cases these are not yet marketable. The Fraunhofer Institute is working on these weak spots in order to promote this research. As an example, German researchers are developing innovative approaches to sustainable mobility, energy-efficient airplane systems, and wave-energy harvesting.

The lighter the electric car, the less energy it needs to accelerate and the longer it can go between charges. Engineers from the Fraunhofer Institute for Chemical Technology in Pfinztal, Germany, are working on developing manufacturing concepts to decrease the total weight of an electric car. These concepts should allow individual elements of the vehicle to be replaced gradually by lightweight components. The challenge of these lightweight components is that they must ensure the stability of the pieces and the safety of the passenger. The experts have now developed such a prototype: an electric sports car called the Artega GT, with its motor at the rear of the car. A battery housing that surrounds the 340 kg battery and weighs only 35 kg was developed to be able to withstand a crash in addition to being suitable for mass production. Such cases were previously made from steel components that weighed up to 25 percent more than the new battery housing. It can survive an accident at over 10 times ground acceleration, protecting the ultra-sensitive battery from external impacts and moisture and allowing the battery cells to “breathe” by means of a semi-permeable membrane to equalize pressure. All of this is possible because of the fiber-reinforced composite material from which the housing is made. Until now, this was only available to the airplane construction sector, but not on the production scale that would be necessary for automobile manufacturing. Because mass production presents special challenges for materials, the experts at the Fraunhofer Institute have developed an appropriate process chain for it. Here, many steps can take place at the same time, so that the individual components can be fit together and molded in a one-shot process.

Energy-efficient airplane systems

The Fraunhofer Institute’s Clean Sky Project is an attempt to create air travel that is sustainable and environmentally conscious. Researchers with the project study the interplay between thermal and electrical systems in airplanes. Their goal is to make energy management on board more efficient by investigating the thermal behavior of airplanes under extreme differences in temperature, such as those that the machines are exposed to when flying through distinct weather conditions and climates at various times. The means toward this end is a piece of equipment, the thermal test bench, that is to be integrated into the flight tests at the Fraunhofer Institute for Building Physics. This allows them to simulate different climates and to test the interplay between new electrical systems and parts of the airplane under changing conditions. It will illustrate such things as how the heat loss from lights or electrical components acts on the environment within the plane, or vice versa. This gives the researchers information on how the systems should be arranged and how “waste heat” can be meaningfully reduced or reused.

Ships as wave generators

The Fraunhofer Center for Manufacturing Innovation (CMI) is also committed to reducing global warming, through its research into harvesting energy from ocean waves. Here, the experts are discovering areas with potential for improvement that could decrease the cost of this type of power and make it more attractive for the market, such as their development of a
concept to use ships as low-priced wave generators. These have the advantage that they would obviate the need for undersea cables to transport the power to land. The ships accumulate and store the energy until they reach their next port. This change alone decreases costs enormously, since the price of one kilometer of undersea cable is over $500,000. Moreover, the departures of these energy-generating ships can be planned so that they return to port at peaks in consumption. This way, the power can be fed into the grid only when it is really needed. There would be no great investment necessary for infrastructure at ports, since yachting ports would provide sufficient mooring. Another advantage of these mobile ships is that when generating power, they can always head into regions where the seas are good. In addition, they do not need to achieve the same robustness as conventional wave-power generators: If there is bad weather, they can simply head to the next port. The combination of these advantages leads to a significant decrease in the costs to generate energy of this type. CMI researchers calculate that one kilowatt hour under this concept will cost $0.15. This is half the price of previous wave-power solutions. At this price, the technology would also be competitive with other energy sources, such as offshore wind power.
Good Work

“The global market economy has demonstrated great productive capacity. Wisely managed, it can deliver unprecedented material progress, generate more productive and better jobs for all, and contribute significantly to reducing world poverty. But we also see how far short we still are from realizing this potential. The current process of globalization is generating unbalanced outcomes, both between and within countries. These global imbalances are morally unacceptable and politically unsustainable. We believe the dominant perspective on globalization must shift more from a narrow preoccupation with markets to a broader preoccupation with people. Globalization must be brought from the high pedestal of corporate boardrooms and cabinet meetings to meet the needs of people in the communities in which they live. The social dimension of globalization is about jobs, health, and education – but it goes far beyond these. It is the dimension of globalization that people experience in their daily lives and work: the totality of their aspirations for democratic participation and material prosperity. A better globalization is the key to a better and secure life for people everywhere in the 21st century.”

International Labour Organisation (ILO), World Commission on the Social Dimension of Globalization: “A fair globalization: Creating opportunities for all”
Standard of Living and Labor Productivity in OECD countries

*Purchasing power parity

Source: OECD, National Accounts of OECD Countries, Main Aggregates, Volumes 1 and 2, 2009.
Responsible Market Players Benefit from Fair Work

As a society, we can only be strong if we have strong economies. Without competitive enterprises to serve as the foundations of our prosperity, many societal and social achievements would sooner or later be jeopardized. We should not forget that there are always new challenges for the economy and society, challenges that we must respond to together – from climate change to demographic developments and the globalization of work. This calls for responsible action that must originate in each and every enterprise and cover its entire value chain.

Responsible action by companies also includes treating their own employees fairly, offering them prospects, and supporting them in their development. Policymakers must work together with social partners to set the relevant framework:

• Germany and Europe must sustain their capabilities to meet the challenges of the future and remain socially responsible.

• Everyone should be able to participate in society’s prosperity.

• The goal is to ensure that working conditions are safe and healthy, that people are given work, and that they are offered help in utilizing opportunities.

• Not least, there is a commitment to strike a fair balance between social interests, economic aspects, and ecological issues.

Much has been settled by collective agreements in a sustainable manner. In dialog with all stakeholders, comprehensive statutory minimum standards for fair work are being developed. They

» We should not forget that there are always new challenges for the economy and society, challenges that we must respond to together – from climate change to demographic developments and the globalization of work. «

Gerd Hoofe
benefit the interests of employees but also provide protection against competitive disadvantages and social dumping for the great number of companies that are committed to fair work.

In addition to the need for legal solutions, there is also a requirement for voluntary measures. Our social system is based on freedom and property and their being utilized in a responsible manner. With fair work, companies that meet their responsibilities can benefit directly from economic success. They have good arguments to persuade talented employees to remain with them on a long-term basis. Customers, consumers, and investors also pay close attention to conditions of production. The demand for products and services produced under fair conditions is continuously increasing, and investors are looking for new ways to minimize the social and ecological risks that may be involved in their investments. To help implement fair working conditions in companies, the New Quality of Work Initiative, which was founded by the Federal Ministry of Labor and Social Affairs 10 years ago, is supporting the CSR activities of the German government. The clear message in connection to this is:

Corporate social responsibility is worth the effort! It safeguards access to talent, customers, and capital.

Gerd Hoode is State Secretary in the Federal Ministry of Labour and Social Affairs.
Great entrepreneurial personalities have shaped the German economy. One of the most important of these is Robert Bosch. Born in Albeck bei Ulm as the son of an innkeeper in 1861, Bosch founded the Robert Bosch Group and became one of the most influential men of his era. Today his company is active in over 60 countries, and through careful management, it has achieved a yearly turnover of more than €47 billion. The success of Robert Bosch GmbH and its more than 350 affiliated companies have always rested on the corporate testament of the founder and a clear faith in staff and locations.

As the 11th of 12 children, Robert Bosch finished at the Ulm secondary school in 1876 and worked as a mechanic’s apprentice after finishing his studies. He used periods of work in the United States and England to deepen his knowledge before opening his Workshop for Fine Mechanics and Electro-Technology in Stuttgart in 1886. After preliminary success with the Bosch low-tension magneto ignition system, an invention from staff member Gottlob Honold finally brought a breakthrough for the company. Developed in 1902, the high-tension magneto ignition for motor vehicles did not take long to become the global standard. As a result, the business expanded into other European countries and the United States. Aided by a strategy based on social responsibility and respect for workers, the budding corporate empire survived the great crises of the 20th century and developed into the most important provider in the world for the automotive and electrical industries.

Robert Bosch always believed that the well-being of the company was connected to the well-being of its workers. This also meant that he guaranteed the greatest possible freedom to his employees in executing their tasks, as he had done with Honold. In addition, he paid his employees according to his own guiding principle: “I don’t pay good wages because I have a lot of money; I have a lot of money because I pay good wages.” In 1911, when the average yearly wage for a worker was around 1,341 marks, Bosch was already paying his employees an average of 2,000 marks.

In Germany his name is also closely associated with the introduction of pension and disability care and with limits on working hours. By instituting the eight-hour day in 1906, in honor of the 100,000th magneto ignition, Bosch could also make better use of the machines through a two-shift operation. The company founder’s mentality makes this impressively clear: “In the long term, an honest and fair approach to doing business will always be the most profitable.”

By 1921, Robert Bosch had founded the Bosch GmbH business trust in order to carry on these policies in the event of his death. The trust was meant to ensure the implementation of his social and corporate principles after his eventual demise.
Now known as the Robert Bosch Foundation, the foundation continues to influence company policy and to safeguard its founder’s sustainability standards.

A global player with global responsibility

Today Bosch employs some 270,000 people worldwide. Following company tradition, these workers are the most important capital. This is why the Robert Bosch Group not only invests in jobs and wages, but also operates a consistent continuing education program. The firm spent around €200 million in 2009 alone on improving employee skills. Each employee went to an average of two seminars during the year. Preparing specialist and executive staff for the challenges of the future in a targeted way is an important instrument. Bosch training centers in Brazil, the United States, Germany, India, China, and Japan also provide the basis of a group-wide system of competence management.

Work-family life balance is also becoming more and more important in industrialized countries. Bosch offers over 100 variations of flexible working hours, telecommuting, and help with childcare in order to retain employees and offer them the greatest possible freedom in designing their workday. This also includes collaboration across locations with an independent staffing agency that offers consulting and hiring of nannies, in-home daycare, and au pairs, as well as a childcare exchange forum on the Bosch Group intranet. Measures such as summer camps for children of employees and childcare facilities operated in tandem with neighboring firms round out the options offered.

Another important pillar of company policy is the social environment, especially where production facilities are located. In many regions, the Bosch Group is the largest employer and contractor. The group supports economic development in these regions through local fundraisers, such as the Nashik Run in India, which raised approximately €100,000 that was donated to finance educational facilities and basic medical care for poor population groups. Along with the philanthropic aspects already cultivated by Robert Bosch, the company’s future sustainability also plays an important role. But the Robert Bosch Group needs healthy, skilled, long-term employees in order to ensure sustainable success.

This is why they also motivate their own workers to get involved in volunteering. The company’s internal volunteering program is an important tool for this, with Bosch Rexroth trainees in Lohr (Germany) working for a week in facilities for the disabled, for example. This increases the social competence of employees, strengthens staff morale, and at the same time is of use to society.

» In the long term, an honest and fair approach to doing business will always be the most profitable. «

Robert Bosch
In Germany, the overwhelming majority of management positions in business enterprises are still in the hands of men. Deutsche Telekom has decided to introduce a binding women’s quota for management positions. As the first major DAX-30 German company to do so, Deutsche Telekom introduced a group-wide women’s quota for upper and middle management in order to increase its share of women to 30 percent by the end of 2015. Telekom could contribute to the initiation of a broad societal debate around the chances for women in management that has gathered momentum both in the political and economic spheres.

Given the 19 percent proportional representation of women on executive floors worldwide when the quota was introduced in early 2010, the 30 percent target is an ambitious mark that needs the joint efforts of the whole enterprise in order to be reached. For Deutsche Telekom, after a long period of lacking progress in the promotion of women, the introduction of the women’s quota was the ultima ratio. The commitment to increase the share of women at the management level was by no means driven purely by motivations for justice.

As Deutsche Telekom is a company in a highly dynamic and innovation-driven business environment, raising the proportion of women in management would be a positive step, as it is closely tied to economic success. Europe’s largest telecommunications company intends to leverage the creative potential of diverse management teams, which have been widely proven to boost economic performance and innovation. In addition, another sweeping trend in Telekom’s business environment shall be counteracted by the women’s quota: demographic change. In Germany, talent scarcity is a challenge affecting all business companies, including Deutsche Telekom. Ignoring the collective potential of an ever growing number of qualified female university graduates would be negligence and companies cannot afford to do so.

Thus, with regard to its recruitment practices, Deutsche Telekom is not only focusing on the top rungs of the executive ladder but also filling its talent pipeline from the bottom. The 30 percent women’s quota applies to all steps in the talent pipeline – starting at the bottom with the recruitment of graduates from universities and dual courses, continuing to the internal talent pools and to all executive development programs, and up to the short lists for nominees of top management functions. Moreover, at least 30 percent of the participants of management training programs need to be women as a mandatory prerequisite for starting these programs.

Paving the way for female managers also means addressing the balance of work and private life. Hence, Deutsche Telekom Group aims at shaping a diverse and open corporate culture to replace the face-time culture currently manifest. The re-entry after sabbaticals or parental leaves has been optimized, especially for women who take responsibility for both work and family. At the same time, Telekom has massively expanded its child care facilities in Germany and has started to offer regular summer holiday care for employees with school children. With the introduction of its Work-Life Policies, Deutsche Telekom has committed to show respect toward the families and private lives of their employees and to allow for more flexibility and sovereignty. The promotion of part-time options for all employees, e-mail-free weekends, and maintaining contact with female employees during parental leave shall become deeply anchored in Telekom’s corporate culture.
Globalization opens up new economic potential for export-driven sectors of industry and business enterprises. Economic success, however, cannot disregard the aspect of corporate social responsibility.

Corporate social responsibility in this age of globalization always has to be seen as an international responsibility. Participation in the UN Global Compact, the formation of trade union corporate networks, and the conclusion of international framework agreements by successful German companies all show that corporate social responsibility is not tantamount to competitive disadvantages. Milton Friedman’s dictum that “The social responsibility of business is to increase its profits” is no longer applicable; especially after the financial and economic crisis of 2008, ethical actions play an increasingly important role in the public eye. Profit is no longer acceptable as the sole benchmark in business, as this would be diametrically opposed to the concept of sustainability.

For some years, many companies have therefore used the expression “corporate social responsibility” (CSR) as the tag for their social commitment. The IG BCE demands that this term has to be more than just a marketing strategy. The trade unions and work councils have to be involved in designing corporate social responsibility and verifying its effects. Reference standards for the international responsibility of business enterprises have existed for years, the most important of which include global standards, such as the UN Human Rights Declaration, the ILO Labour Standards, and the OECD Guidelines for Multinational Enterprises.

Corporate social responsibility activities are voluntary for business enterprises – but voluntary must not be confused with non-binding. In the opinion of the German trade unions, corporate social responsibility can be seen only as a supplement to minimum legal standards such as employee representation, co-determination, and collective bargaining.

Accordingly, companies have to ensure that their corporate social responsibility activities are transparent, and it would be advisable to have this topic investigated by the legally prescribed economic committees and supervisory boards together with the employee representatives. Sustainability reports that are drawn up on the basis of international standards can also create the necessary transparency for the general public.

The IG BCE believes that the only plausible corporate social responsibility concept is one that is based on the principle of social partners. At the association level, the IG BCE and the Federal Chemical Employers Association (BAVC) have implemented this ideal in the Wittenberg Process, the results of which led, among other things, to their joint code of ethics for responsible actions in a social market economy.

There are already many positive examples from business practice, such as the BASF South American Network, which has succeeded over the years in eliminating problems at the South American locations in dialog between the social partners. This example stands for a great ideal – the globalization of corporate social responsibility. Then, and only then, can global justice become a reality.
Long before corporate social responsibility became a popular topic for discussion, Volkswagen was already developing a corporate culture of sustainability and codetermination. This has included equal emphasis being placed on pursuing economic goals and securing jobs. For Volkswagen, corporate social responsibility is about having the ability to harmonize its own business goals with the long-term goals of society. The three core elements of the concept for sustainability are:

- **sustainable products**, that is, the forced improvement of conventional propulsion technology; innovative vehicle concepts; BlueMotion Technologies and EcoFuel; hybrid models and electric mobility; as well as mobility services as contributions toward a goal of CO₂-neutral mobility;

- **sustainable production**, that is, energy and resources management, the use of renewable energy sources, logistics, and green information technology; and

- **sustainable structural development**, that is, the networking of production sites with local economic and social development that works toward their own interests and takes responsibility for their own actions.

In this third pillar of sustainability, involvement in overcoming social problems meets the company’s vested interest in having qualified and motivated employees, in offering preventative healthcare, and in fostering the environment necessary for its long-term development.

At the Group’s headquarters in Wolfsburg, Volkswagen has demonstrated how the economic strength of a region can be enhanced and structural weaknesses can be overcome. The joint venture company founded with the city of Wolfsburg, Wolfsburg AG, has created a total of 13,500 jobs since 1999 and initiated more than 640 start-ups and relocations. Together with the development agency project Region Braunschweig – in which Volkswagen is also a partner – Volkswagen is creating a model for the future in the form of a regional alliance called “Allianz für die Region” (Alliance for the Region). Following this example, Volkswagen has also founded public-private partnership companies that create economic stimuli and employment through industrial settlement and start-up aid programs.

To enhance the innovative capabilities of the company as well as the production sites, the company seeks joint ventures with scientific and research institutions. In Ingolstadt and Munich, an especially close network of cooperative relationships has developed between the Group brand Audi and the technical universities. It is dedicated to the development of future technologies – from automobile construction to urban development.

In places where Volkswagen has been producing for many decades, close relationships have also developed with civil society.
organizations, and networks for helping others to help themselves have been created. The company has established corporate foundations dedicated to this purpose in Brazil and South Africa.

Volkswagen of South America has created more than 5,000 jobs in the structurally weak Eastern Cape Province and indirectly created more than 20,000 jobs at the supplier end, thus generating income. It is also involved in the Volkswagen Community Trust in the struggle against AIDS, in the construction of schools, in literacy campaigns, and in the promotion of soccer and other sports. Every investment is a commitment to the region and the people who live there.

The company’s involvement is supported by its employees in its own “culture of helping.” Every year, the workforce’s contributions benefit numerous nonprofit organizations and initiatives concerned with social projects in the surrounding region.

Since the turn of the millennium, the workforce has been supporting street children throughout the world through the International Group Works Council by providing homes, food, and education. The project “An Hour for the Future” is implemented together with the renowned children’s aid organization Terre des Hommes. The workforce representation sent a special message of hope during the 2010 soccer World Cup in South Africa with its initiative “A Chance to Play.”

At German production sites, the Volkswagen initiative “Pro Ehrenamt” – an agency for voluntary work – promotes the willingness of employees and former employees to become civically involved in local social and ecological projects. In Cordoba, Argentina, Volkswagen employees formed their own initiative to provide help in the slums in their spare time.

Volkswagen production sites also enhance their reputation through active nature conservation. In this way, while generally working in close cooperation with environmental organizations, the company has worked for the restoration of moors and waters (in Germany), reforestation (in Spain, the United States, and Brazil), and the protection of endangered species like the panda (in China) and the Andean condor (in Brazil).

Not far from the Puebla plant, Volkswagen de Mexico is also organizing an ecological project – the large-scale reforestation of the volcanic massif around Popocatepetl – in which suppliers will also join step-by-step. The objective is to stop soil erosion and to improve the regional water supply to the advantage of both the inhabitants and the factory.

More than 60 production sites throughout the world belong to the Volkswagen Group. At all of the sites, the company takes care of its surroundings in coordination with those who are locally involved and orients its actions to the needs of the region.
Global Standards

“The present globalization of the economy and society is accompanied by the twofold problem of institutional and organizational deficits. In contrast to international standards – which are decided on by individual states or intergovernmental organizations, and subsequently enforced throughout the world – the design and establishment of global standards and rules is still at the very beginning of the development process. This is due to a lack of internationally recognized and motivated organizations capable of promoting such a development process for globally accepted norms to regulate fair individual and organizational rules for behavior. The UN Global Compact and the ISO 26000 norm can be mentioned here as exemplary and valuable exceptions. Furthermore, new stakeholders need to be included in the process of developing norms, and new methods have to be created to generate norms in order for behavioral standards to be accepted by societal actors as legitimate norms throughout the world. Multistakeholder dialogs are an example of this kind of method.”

United Nations Global Compact International Yearbook 2011
## Leading players in merchandise trade 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports (US$ billion)</th>
<th>Exports (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1,900</td>
<td>1,500</td>
</tr>
<tr>
<td>China</td>
<td>1,100</td>
<td>1,480</td>
</tr>
<tr>
<td>Germany</td>
<td>700</td>
<td>980</td>
</tr>
<tr>
<td>Japan</td>
<td>300</td>
<td>1,100</td>
</tr>
<tr>
<td>France</td>
<td>-100</td>
<td>800</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-20</td>
<td>480</td>
</tr>
</tbody>
</table>

Responsible Entrepreneurship in a Global Context

The core labor standards of the International Labour Organization, the UN Global Compact, and the OECD Guidelines for Multinational Enterprises provide a major contribution toward global corporate social responsibility. They are the most important recognized instruments and initiatives developed at the governmental level.

The OECD Guidelines are recommendations from 42 states for companies active in an international context. The Guidelines urge virtuous behavior in a variety of relevant areas, such as human rights, environmental protection, combating corruption, and rights of workers.

Based on the number of participating countries, the Guidelines cover a significant portion of the world’s total foreign investments. Implementation is supported by the possibility of an appeal process through National Contact Points, which are composed by the governments of participating states.
The OECD Guidelines were drafted in 1976 and extensively revised in 2000. From June 2010 to May 2011, there was a further review of the Guidelines to incorporate developments and trends of recent years.

The revised Guidelines were adopted by participating governments on May 25, 2011 – the 50th anniversary of the founding of the OECD. On September 30, 2011, the official version of the revised Guidelines was published in English, French, and German.

During the review of the Guidelines, a new chapter devoted entirely to the protection of human rights was added. Moreover, the Guidelines were expanded to include not just investments, but also supply chains and other business relationships, and a duty of due diligence was introduced as a benchmark for entrepreneurial behavior in almost all areas.

The Guidelines encourage companies to responsibly consider the various aspects of their business environments, while recognizing the limits of their control. Because of these and other innovations of the OECD Guidelines, I see the revisions of last year – based on a broad consensus of governments, business, trade unions, and nongovernmental organizations – as a major achievement for international CSR. They ensure the future effectiveness and leadership of the OECD Guidelines.

The updated version of the OECD Guidelines thus underlines the continuing relevance in the 21st century of the “honorable merchant.” Just like nearly a thousand years ago, a respectable businessman can successfully master the challenges of voluntarily accepted guidelines, and in doing so effectively and enduringly take advantage of unique opportunities.

The validity of the principle is, so to say, independent of the times. Building on this tradition even today, the German economy will continue to lead in the area of good corporate governance – according to Robert Bosch’s motto: “The fairest way of doing business is also the most consistent.”
Cotton Made in Africa – Helping People to Help Themselves

The Aid by Trade Foundation was initiated by Dr. Michael Otto (see page 62) in 2005. “Cotton made in Africa” (CmiA) is the foundation’s central initiative, and so far it is the only one. The CmiA initiative is supported and funded by private sector and public organizations. They include NGOs such as Welthungerhilfe, WWF, NABU (Naturschutzbund Deutschland e.V.), the Bill & Melinda Gates Foundation as well as public sector organizations such as the Federal Ministry of Economic Cooperation and Development in addition to private companies in the fashion, textile, and cotton sectors.

“Cotton made in Africa” works on the principles of a socially responsible business. That means the initiative operates in accordance with sound business methods, except that it does not aim to maximize the profits of individuals, but rather to improve the living conditions of a large number of African smallholder cotton farmers. In order to do that, it is building an alliance of international retail companies that have targeted demand in the global market for sustainably produced cotton and will use this raw material in their products. CmiA acts in accordance with the rules of the market, avoiding subsidies or interventions in the
system of world market prices, which are determined by supply and demand, as are the prices of practically all raw materials.

Training programs are conducted to teach small cotton farmers modern, efficient growing methods and environmentally sound uses of pesticides based on the principle of damage thresholds. That means certain pesticides are not used until a certain degree of pest damage has occurred. That degree is determined after a systematic search of the fields for pests. A simple and easy-to-use tool has been developed for this purpose. It not only reduces the use of pesticides, but also teaches the farmers to distinguish pests from useful insects and how to use this information for growing. Other key contents of the training are the efficient use of rainwater and moderate, careful use of fertilizers, in particular the production and use of organic fertilizers. This knowledge helps the farmers to improve the quality of their cotton, to keep the soil fertile, and to obtain greater crop yields. Depending on the region, the organization of the training programs is managed by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) or by the cotton companies on location, as they have a key interest themselves to increase the productivity of the smallholder farmers who supply to them.

In Europe and North America, CmiA has created the Demand Alliance – an alliance of international clothing companies and fashion brands that specifically source the sustainable African cotton for their global textile manufacturing and retailing. CmiA is currently working with more than 20 textile companies—one of which being the global sportswear company PUMA, which joined the CmiA initiative in 2009. With a strong presence on the African continent and a large assortment of cotton textiles, it is obvious why PUMA belongs to the largest customers of CmiA cotton in 2011.

In return for the right to use the CmiA label on their products, the members of the Demand Alliance pay a licensing fee to the foundation. Revenues from this fee are passed on in accordance with the principles of socially responsible business to the partners who have made the label possible by means of their work, that is, the smallholder farmers in Africa. This holistic approach provides a win-win situation for everyone involved: the partners of the Demand Alliance receive cotton produced in accordance with social and ecological standards, without paying a significantly higher price for it; the African smallholder farmers and their families receive several advantages—they learn more-efficient growing methods so that they can improve their income through better yields, and they benefit from social projects such as improvement of schools. The planned future distribution of surpluses shall further improve the income of the cotton growers.

The most important roles for the initiative are to provide stimulus and to act as a mediator. The initiative shows where there is the need and opportunity for support and brings together all partners involved in order to ensure the best possible realization of joint projects. In practice, these are the “Cotton made in Africa” community projects, which aim at improving the social/educational infrastructure within a project region, for example by establishing literacy programs for adults or by renovating and building primary schools in remote cotton areas. Those projects are the results of the joint approaches of cotton companies, farmer organizations, and European textile companies, all of which are connected through the “Cotton made in Africa” initiative.
The German Round Table Codes of Conduct

Initiated and launched in 2001, the Round Table Codes of Conduct is a multistakeholder forum chaired by the German Federal Ministry for Economic Cooperation and Development (BMZ). Consisting of representatives from the private sector, trade unions, nongovernmental organizations, and government institutions, it provides a platform for open and constructive dialog on issues that are currently the subject of international debate, such as public procurement policies, business and human rights, the establishment and implementation of sustainability standards in different sectors, and the development of the “ISO 26000: 2010, Guidance on social responsibility.”

Joint learning through pilot projects

The Round Table was initiated for participants to discuss different experiences and learn from one another. For this purpose, pilot projects are implemented jointly to better understand and demonstrate how social standards can be implemented throughout the international supply chain. The topics addressed by the Round Table in its pilot projects are always innovative, deal with the major issues of the day, and contribute to a new understanding regarding the implementation of social standards internationally.

At the time when the Round Table was initiated 10 years ago, pressure from trade unions, NGOs, and consumer groups had grown and companies were starting to design Codes of Conduct for their global supply chains. A number of voluntary standards systems (VSS) had been developed for the purpose of promoting better social conditions in international supply chains and manufacturing processes. Auditing schemes and certification procedures had been introduced, sometimes resulting in very demanding processes for the supplier companies. However, best practices and lessons learned were very rarely exchanged among the parties concerned.

Since then, the approaches and strategies for implementing social standards more successfully and sustainably have been adapted over the years, taking account of experiences and lessons learned. There has been a move from improving audit processes and certification at the outset toward improving implementation through dialog and training as well as promoting integrated approaches to standards in corporate management strategies.

The approach of initiating a dialog between management and workforce developed as a concept at the Round Table. It was implemented between 2004 and 2006 in Romania and Bulgaria, reaching more than 10,000 employees and setting new trends. By focusing on tools to enhance the dialog between management and workforce, social dialog has been shown to be a suitable and effective instrument for improving company processes and performance. In-house conflicts may not disappear completely by applying the dialog approach, but can be resolved more constructively. Generally, democratic involvement leads to more ownership on the part of the workers, which can have positive impacts in terms of higher productivity and economic benefits. The approach has been used – adapted to the situation at hand – in subsequent and current projects and in cooperation with the private sector.

Dialog with partner institutions from developing countries

The Round Table has always emphasized the importance of dialog with partner institutions from the South for joint learning and successful implementation of social standards. In December 2009 the Round Table members organized a Round
Table Expert Exchange – titled “Social Standards: learnings, opportunities and challenges from northern and southern perspectives” – for an exchange of views and experiences regarding the implementation of social standards and CSR activities with partner institutions from the South.

The Round Table took up the revival of international interest in “living wages” in its program of 2010/2011 in order to develop a joint action program. In the beginning of 2012, the Round Table will hold a dialog event with experts, partner institutions from the South, and various multistakeholder initiatives to elaborate the topic further, to exchange experiences, and to identify approaches and good practices, which can then be taken up by the members.

Framework of conventions and initiatives

The Round Table follows the frameworks of the Universal Declaration of Human Rights, the international human rights accords and conventions, the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact initiative. The Codes of Conduct – or guidelines for companies – as put forward by the Foreign Trade Association of German Retailers (AVE), the Organisation for Economic Co-operation and Development, the Ethical Trading Initiative in the United Kingdom, and the International Confederation of Free Trade Unions provide important orientation for the work of the Round Table.
TÜV Rheinland: FIT\textsuperscript{5} – Factory Improvement Training in China

To increase production and at the same time be a socially responsible employer is challenging. Examples in the sportswear and textile industries are particularly well known. Being the supplier to protected trademarks that are sold all over the world often means adopting the standards of the brand owner. The goals of the FIT\textsuperscript{5} (Factory Improvement Training) program are to enable the suppliers to have a say in the process and to decide which standards are important to them. The key to success is to transfer responsibility and ownership, thereby making it a desired change that comes from within rather than through the request of clients or buyers. TÜV Rheinland Group in Shenzhen and CSR Asia – in collaboration with the German non-profit capacity-building organization Inwent gGmbH (part of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH since January 1, 2011) – have developed a multi-supplier training program linking productivity, quality management, CSR, and essential basic rights with respect to selected International Labour Organisation standards, Chinese labor law, and workplace conditions. Factory owners learn how to appraise the factory’s performance and how to build capacity to establish systems for continuous improvement of the management system. FIT\textsuperscript{5} seeks not only to remedy shortcomings, but also to introduce behavior that will be long-lasting and create sustainable change.

The implementation of the program usually lasts six months, during which time experts accompany the factory’s man-

**Continuous and sustainable improvement**

(Figure 1)

- **Communication**
  - complaints/grievance procedure
  - between workers and management
  - with brands

- **Social Accountability**
  - COC awareness
  - wages & working hours
  - employment relationship
  - child labor & forced labor
  - harassment & abuse
  - discrimination
  - social insurance
  - social management system

- **Human Resource Management**
  - new staff mentoring
  - training systems
  - performance systems

- **Occupational Health and Safety**
  - OHS awareness
  - OHS management
  - fire, safety and emergency
  - chemical storage & management
  - sanitation maintenance
  - PPE
  - machine safety

- **Lean Manufacturing**
  - production lead time
  - labor efficiency
  - production output per hour
  - quality yield and rework percentage
  - multi skill levels
agement and staff to help improve processes in various areas. Instead of rushing to comply with corporate social responsibility, the program establishes a process of continuous and sustainable improvement. Five integrated modules consisting of communication, human resource (HR) management, lean manufacturing, occupational health and safety (OHS), and social accountability are the core of the program (see Figure 1).

As a consequence, a lot of the bottleneck problems, such as excessive work hours and enormous waste production, could be solved at the end of the process. The continuous assessment and sustainable improvement during the program has led to many achievements in the monitored factories, such as higher production efficiency, reduction of waste, lowered costs, retention of engaged employees, and risk reduction. As a result, factory management searches for solutions by getting to the root of a problem. Subsequently, improving the performance of corporate social responsibility has become the major goal. Thus it enhances sustainable development through continuous improvement of the internal management.

More than 30 factories from various industries all over China have successfully completed the FIT® project introduced in March 2006. Because of its sustainable success, the system has been expanded into FIT® GREEN – like FIT®, it is based on five modules, but with a clear focus on environmental issues: sustainability strategy, managed energy, execution capacity, green production, and carbon management.

A factory HR manager was able to summarize what makes both programs so innovative and sustainable: “FIT® turned out to be most inspiring, revealing, and enlightening. We are not told what to do, but are shown what we can do, and for what reason. We are guided to look at our own problems in a whole new different way and approach. It does not tell us what to do in order to comply with our clients’ codes. Instead, it shows us the way how to better equip ourselves so that compliances come as a natural by-product rather than a deliberate effort to obey. It is proactive, not reactive.”

Corruption in business has become topical as never before. Over the past years, many spectacular corruption cases involving companies have been reported in the media. Thus, the question arises: Why do individuals in companies act corruptly? To answer this question, scientists from the University of Bayreuth conducted an empirical study using a business game that simulates a cut-out of the real business world, with participants slipping into the roles of decision-makers in companies. Participants were faced with the temptation to bribe others or to accept bribes offered by others under different conditions. Although one would expect that people are more prone to act corruptly in cases where they strongly desire and intend to achieve a certain private goal (e.g., personal financial gain) or a certain organizational goal (e.g., a business contract for the company), the results show that this is not the case. Situations in which people have a strong motivation to achieve certain goals do not automatically translate into people acting corruptly. Rather, when people are offered the opportunity of corruption, three factors determine whether they decide to give in to the temptation or not:

- The actor’s attitude toward corruption: How does the actor judge corrupt behavior?
- The norms of relevant others regarding corruption: How is corruption judged in the actor’s environment and by the important people (e.g., colleagues, supervisors, family) in his or her life?
- The control the actor believes to have over corrupt behavior: How does the actor judge the probability of successfully conducting the corrupt action with low risk?

Moreover, business codes that do not explicitly state the non-tolerance of corruption may also contribute to a higher temptation to act corruptly. If an organization simply demands integrity in general from its employees, the deterrent effect is weak.
Sustainable Consumption

“The WBCSD’s Vision 2050 report, and the Sustainable Consumption Facts and Trends report that preceded it, both stated that technological innovation will not be enough to address the sustainability challenge; there will also be a need for transformations in mainstream lifestyles and consumption patterns. Surveys have shown for many years that people are increasingly concerned by environmental and social issues, and want to make better and more sustainable choices; but relatively few of them translate this willingness into behavior.

Consumers rely on businesses to provide goods that have been made in a more sustainable way. They also look to businesses for help and guidance on which products and services to choose, how to use them efficiently, and how to ensure that they are reused or recycled. Politicians set the framework conditions for trade; business has a clear role to play in advising them wisely and encouraging customers and staff to vote for change. This is a tough challenge that will require the business community to work in partnership with each other, with consumers, and with other key stakeholders.”

World Business Council for Sustainable Development: “A vision for sustainable consumption”
## Structure of exported goods

Exports by top 10 product groups in absolute numbers and percentage worldwide

<table>
<thead>
<tr>
<th>Product Group</th>
<th>Exported value in 2008 / 2010 in US Dollar thousand</th>
<th>Trend in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral fuels, oils, distillation products, etc.</td>
<td>2,839,263,722 / 2,309,488,431</td>
<td>18.6</td>
</tr>
<tr>
<td>Electrical, electronic equipment</td>
<td>1,917,724,695 / 1,972,203,927</td>
<td>2.8</td>
</tr>
<tr>
<td>Machinery, boilers, etc.</td>
<td>1,947,738,456 / 1,802,004,156</td>
<td>7.5</td>
</tr>
<tr>
<td>Vehicles other than railway, tramway</td>
<td>1,239,668,462 / 1,084,195,856</td>
<td>12.5</td>
</tr>
<tr>
<td>Plastics and articles thereof</td>
<td>479,484,234 / 483,292,597</td>
<td>0.8</td>
</tr>
<tr>
<td>Optical, photo, technical, medical, apparatus etc.</td>
<td>439,516,928 / 476,494,103</td>
<td>7.8</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>399,719,014 / 444,130,168</td>
<td>10.0</td>
</tr>
<tr>
<td>Pearls, precious stones, metals, coins, etc.</td>
<td>353,854,171 / 415,981,574</td>
<td>14.9</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>387,381,295 / 520,213,692</td>
<td>25.5</td>
</tr>
<tr>
<td>Organic chemicals</td>
<td>368,295,153 / 372,932,924</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: ITC 2011 based on United Nations Commodity Trade Statistics Database
CSR and Consumers –
A New Culture of Interaction

In a social market economy, production and consumption go hand-in-hand with one another. Companies and consumers are on an equal footing. But however important economic prosperity and the production and sale of goods are, it takes more than that to live well. To live well, it is absolutely necessary to assume responsibility on the market. Carrying out voluntary work for others and having an ethical commitment to the world and the environment supplement purely economic activities. In Germany this commitment has a long tradition.

With the corporate social responsibility (CSR) approach, companies voluntarily assume new responsibility and become actively involved in their business area to contribute to solving economic, environmental, and social problems. This also improves the company’s standing and reputation.

But consumers, too, are increasingly showing “consumer social responsibility” for their consumer behavior and for the conditions under which goods and services are produced and provided. Consumers are much better informed than they used to be and are increasingly taking up the challenge of acting as economic citizens and going beyond pure consumption, using the companies’ CSR commitments in the different spheres of public life to assess them positively or to criticize them accordingly. This can definitely influence purchasing decisions.

Nowadays, committed consumers want to know whether companies offer adequate labor conditions and wages at production sites both here and overseas or whether they are indifferent about these issues. They want to know whether coffee, tea, cocoa, bananas, flowers, and other products are produced under environmentally and socially acceptable conditions and whether they are Fairtrade products. And they want to know whether companies are taking any action to solve social problems in their own countries, for instance by helping improve the work-family balance, providing better training conditions, facilitating integration, enhancing the range of cultural activities at the local level, improving health and encouraging healthy eating. There is consequently an increasing “moralization of the markets” and “strategic consumption” is becoming increasingly popular. This constitutes the first signs of a move in society toward a culture of sustainability, whereby consumers reward the efforts of companies to meet environmental, animal welfare, and social requirements.

Consumers in Germany are being supported in their efforts on the one hand by the federal government, consumer advice centers, and civil society organizations, and on the other by
There is consequently an increasing “moralization of the markets” and “strategic consumption” is becoming increasingly popular.

Dr. Robert Kloos

rapid technological developments. In addition to the traditional media, such as newspapers and television, consumers are now also benefiting from comprehensive Internet websites and, lately, from smartphone apps.

Even if the reasons behind the purchasing behavior are complex, sufficient information and comprehensive consumer education constitute the essential basis for the “mature consumer,” which is the guiding principle of our social market economy. Inspired by the CSR process at the European Union level, and based on the National CSR Strategy of the German Federal Government, the Federal Ministry of Food, Agriculture and Consumer Protection has initiated projects that contribute to providing consumers with clearer information and more intensive education in this area.

In addition to general CSR information brochures, this mostly comprises special projects that bring together theory and practice. For instance, the ministry cooperated with education providers to develop CSR teaching units. They have proved very popular, because education has a particularly strong impact if it is used at an early stage. These media packages are called MitVerantwortung (co-responsibility) and include didactic texts, worksheets, interactive presentations, overhead transparencies, CSR videos, and an Internet-based CSR database with resource materials for teachers and young adults/pupils in different school years and types. This comprehensive, multi-unit CSR education project on consumer information won the Comenius EduMedia Award and also an award from the German UNESCO Commission: the CSR MitVerantwortung project is consequently an official project of the UN Decade of Education for Sustainable Development.

Another of the ministry’s CSR projects investigates the establishment and scope of new information channels between companies and consumers. Companies are now beginning to address consumers directly via CSR and supply them with information so that they can assume more individual responsibility in their consumer behavior. This new CSR communication is reflected in the energy-saving portals of energy utilities or in commercials by car manufacturers that include information on environmentally sound driving. This consumer communication is particularly instrumental in strengthening the credibility and visibility of CSR in the public perception.

Against the backdrop of the European and national CSR strategies, the ministry has set itself the goal of supporting consumer-oriented CSR communication and other contributions to corporate social responsibility and consumer responsibility. The new culture of interaction between companies and consumers in voluntarily taking on new responsibility helps to improve social integration and economic innovation and, consequently, the quality of life for everyone.

Dr. Robert Kloos is Permanent State Secretary at the Federal Ministry of Food, Agriculture and Consumer Protection.
For decades, German household appliance manufacturers have been synonymous with innovation, long life, and natural quality. But another positive attribute has caught on among consumers in recent years: efficiency. In view of climate change and the rising prices for resources such as water and oil, energy and resource consumption is becoming a selling point more and more often. The more households that decide to opt for high-efficiency appliances, the greater the effect on the climate and the environment. German manufacturers are therefore relying on the international nature of the consideration for efficiency. In this way, as market leaders in the premium sector, they create opportunities for companies, the environment, and society.

Refrigerators, washing machines, and other appliances have become an indispensable daily help – households have an average of four large electronic appliances. Altogether, they are responsible for about one-third of the electricity used by residential customers in Germany, and one-quarter of the water consumption. In order to make a positive contribution to protecting the climate, more and more people are depending on careful, efficient use of energy and water. The changes do not mean that consumers will do without, but simply that they will swap their appliances for solutions and models that respect natural resources.

Consumer, corporate, and social interests coalesce on precisely this topic: energy. Less use of electricity means a reduction in energy costs, and with it a decrease in CO₂ emissions. With their high-efficiency appliances, German firms are playing a leading role worldwide. By 2010, the efficiency categories introduced by the European Union in 1994 and their expansion into A+ and A++ distinctions in 2003 were no longer sufficient to distinguish between machines. The EU therefore expanded the labels again in 2011 to include an A+++ class. Appliances with this label use a total of 60 percent less energy than the best brand from 1994.

The issue of water has also gained increasing importance in recent years. In 2010, the UN declared water to be a human right. Even so, experts estimate that there are approximately one billion people who have insufficient or no access to safe drinking water. Four thousand children die every day as a result. At the same time, nowhere else in the world do people consume more water than in the developed countries of the northern hemisphere.

What all German manufacturers have in common in addition to this is their careful consideration for resources in their production practices and the long life of their appliances. When calculating ecological footprints over the entire lifetime of an appliance, no other companies can match the small footprint of machines made in Germany. Innovation, long life, quality, and efficiency are the foundation of the success that German products have enjoyed on the market.
**Bosch and Siemens Home Appliances Group**

When it comes to water, Bosch and Siemens Home Appliances Group (BSH) is banking on its newly developed i-DOS technology. This method promises savings of more than 7,000 liters of water per year. The technology has been integrated into many of the firm’s appliances since 2010, and analyzes wash loads before the wash cycle by their size, soil level, and quality in order to determine the exact amount of water necessary. The company is also making inroads on energy efficiency. BSH is approximating natural drying methods by using Zeolite in its dishwashers – mineral pellets that can absorb moisture and emit heat energy in the process. BSH was awarded the Utopia Award for this technology in 2010.

**Miele**

Large amounts of naturally occurring raw materials are needed to produce so-called white goods. In addition, both production and assembly processes create emissions and contaminate water. The average lifespan of a washing machine of eight to ten years leads to a permanent loss of resources. Miele believes in quality: The company used 101,893 tons of raw material in the 2009/2010 fiscal year – 93 percent of it being metal. The high percentage of high-quality materials used in production is also a guarantee of an especially long lifespan of its appliances. Results from a test by the wfk Cleaning Technology Institute showed Miele washing machines performing for up to 20 years. In addition, an environmental management system integrated into all production locations ensures the responsible handling of the resources used.

**Liebherr, Siemens, and Bosch**

Longer program times, better insulation, and more effective refrigerants in refrigerators, washing machines, and other appliances have developed into vital elements of every German appliance manufacturer’s strategy for innovation. By now, most of the machines at each of these companies boast an energy efficiency rating of A++ or A+++ . The “ProfiLine” machines from the Liebherr company are just one example of how small changes can often have a great effect in this area: They use an innovative LED concept that saves up to 30 percent more energy than traditional models with neon or fluorescent tubes.
The Sustainable Shopping Basket

Day after day we make decisions that have an influence on whether the climate is protected, if limited resources are preserved, or if human rights are respected. It starts with the breakfast egg in the morning, continues with the choice of the means of transport for the way to work, and does not end in flipping through a catalog looking for the new fridge, which should be taken into consideration. Consumers have power, and with their consumption and lifestyle habits they can influence the range of products and services or even the business practices in entire industrial sectors.

Consumption is not only wastage. Consumption patterns will become sustainable as soon as one-way thinking is eliminated – by individuals, but also by retailers and production facilities. Consuming and producing sustainably still requires a high degree of initiative: looking for reliable information, spending more money for socially responsible manufactured products, more reflection by the producers and service providers.

Already today sustainable consumption is possible. A sustainable lifestyle encompasses purchasing the right products as well as different types of consumption and conscious non-consumption. Such a lifestyle can save time, money, and make worthier goods affordable.

Up to now the issues of sustainable consumption and CSR have mostly been viewed separately. The aim of the “Sustainable Shopping Basket” is to counteract this. This guide for better shopping asks various questions about the most important thing: getting started. Anyone can take the first steps toward a more sustainable lifestyle. The Sustainable Shopping Basket lists signs and labels for socially and/or ecologically responsible goods in which consumers can trust – provided by stakeholders or proven in external audits.

The Sustainable Shopping Basket overcomes difficult decisions with simple rules. Buying regional, seasonal products is one of those rules. Five servings of fruit and vegetables is another, which leads to a climate-friendly and healthy lifestyle. You do not always have to discuss all aspects of farming, globalized supply chains, or transportation. Sometimes good judgment can help a lot, too.

Good food and nutrition are part of a good life and acting upon this can make a special contribution to society’s well-being. It would be unfortunate if sustainable consumption were solely something for well-off people. It is important that modern lifestyles and sustainable consumption can be combined. Therefore, the German Council for Sustainable Development is making a contribution with its framework that encourages competition between companies for the best sustainability solutions and a sustainable economy in general. If companies introduce strategic sustainability approaches into their core business, choices for sustainability will be an integral part of any daily decisions.

Sustainable lifestyles will not become a mainstream trend automatically. It is necessary to promote sustainable consumption as a topic in schools and as part of occupational training for commerce and in the service sector. And it is indispensable that politicians themselves set a good example and gear both services and public procurement to sustainability criteria.
Bionade – For the Region and the Environment

Bionade is the globally unique, non-alcoholic refreshment drink that is produced organically through a fermentation process using natural raw materials. All agricultural ingredients are derived from raw materials that are certified organic. All the malting barley, elderberry, and mint are grown in the region according to the criteria of the German associations for organic cultivation. “We produce Bionade with a huge amount of commitment and the claim that 100 percent of our ingredients come from organic cultivation. This attitude matches our idea of how to deal with nature as brewers and is the foundation of our product,” says Peter Kowalsky, Managing Partner of Bionade GmbH.

The brand is on its way to becoming international and has been launched successfully in the urban centers of Austria, France, Belgium, the Netherlands, Scandinavia, as well as selected metropolises in the United States.

Ultimately, nature itself showed the way to the master brewers: The fermentation of water and malt – absolutely naturally as in traditional brewing – became the key to this new beverage. All ingredients originate from “controlled organic cultivation” and are 100 percent officially certified. The addition of colorings or preservatives is strictly prohibited. Moreover, owing to the special processing method, Bionade contains up to 30 percent less sugar, and thus fewer calories than conventional sugary soft drinks. A high level of social responsibility and ecological behavior have been inseparably linked to the notion of Bionade right from the onset. “We believe that societal change needs role models and acting in common. Hence we are committed to alternatives to conventional cultivation methods in conjunction with our partners,” says Kowalsky. Bionade’s understanding of sustainability is rooted in the principle of regionalism, which is linked to the principles of organic farming. For the purpose of the sustainable use of agriculture and protection of the ecosystems, and thus people, it is far better to promote the cultivation of plant-based raw materials in accordance with the standards of organic farming, adds Kowalsky.

Thus, Bionade initiated the “Bio-Landbau Rhön” project in 2005. The aim of this innovative cooperation is to cultivate as many raw materials for Bionade as possible in its home region. Almost 100 percent of the elderberry required is grown right outside its door, so to speak, in the Rhön biosphere reserve by now. The result is short transport routes, guaranteed traceability, and support for the own region.

Another long-standing cooperation is in place with the “Trinkwasserwald e.V.” association. The project of “We plant drinking water” regenerates the drinking water Bionade needs in a year for the bottling of its products. In conjunction with Trinkwasserwald e.V. and school children from throughout Germany, Bionade is transforming monoculture coniferous forests into deciduous forests. Thus, 800,000 liters more of rainwater are verifiably added to the groundwater each year. Bionade is one of the first companies in Germany that has committed itself to the protection of and increase in the amount of drinking water on a large scale.
Tradition + Convictions = Success

What do entrepreneurs Dr. Michael Otto, Anton-Wolfgang Graf von Faber-Castell, Claus Hipp, and siblings Marli Hoppe-Ritter and Alfred T. Ritter all have in common? A long tradition in business, unwavering convictions, and success that proves them right. All of them have integrated sustainable business practices into their corporate concepts and have products that enjoy worldwide recognition.

Dr. Michael Otto:

The story of the Otto Group began in the 1950s with one shoe shipment. In the six decades since, the company has developed into the largest mail-order firm in the world. Dr. Michael Otto, who joined his father’s business in 1971, plays a leading role in these operations. Today the company consists of e-commerce, service, and financial services departments. Besides Germany, its highest sales markets include the United States, France, Great Britain, and Russia. The Otto Group promotes the sale of sustainable products through global shipping: For example, they sell goods from the “Cotton made in Africa” project – goods that are made from sustainably grown cotton and in accordance with social and environmental standards. Wood is another of the raw materials that the Otto Group uses most, along with cotton. In their catalog and furniture manufacturing, the company and the enterprises within its Group use wood that is certified by the Forest Stewardship Council. As for household appliances, the company only includes products with a high level of energy efficiency. In Dr. Michael Otto’s words, “Persistent destruction of the environment can hinder social and economic advances or even ruin them. This is why it is important to us to offer environmentally friendly and socially compatible goods in our product ranges and to orient our business by these criteria.”

Anton-Wolfgang Graf von Faber-Castell:

Pencils have been manufactured at the Faber-Castell castle for 250 years. Despite increasing competition from products such as tablet computers, items such as pencils, fountain pens, and ballpoints still hold a solid place in our everyday lives. Faber-Castell extracts some benefit from this too: In 2011, the company did €538 million in sales – an increase of 19 percent over the previous year.

The company operates and markets its products in Europe, North America, Latin America, and the Asia-Pacific region, and has registered sharp growth in the latter two. Anton-Wolfgang Graf von Faber-Castell, who took over the company from his father in 1978, has consistently advocated consideration for the environment and the protection of its resources. Twenty-five years ago, Faber-Castell initiated a forestry project in Brazil that was certified by the Forest Stewardship Council as being environmentally friendly, socially fair, and economically...
sustainable. Environmental protection programs are firmly integrated into the forestry management of the 10,000-hectare plantation, including soil and water analyses to protect against erosion as well as environmental education for the population and protection of flora and fauna. The change from traditional varnishes to environmentally friendly water-based varnishes for its colored and lead pencils is also beneficial to the environment. Faber-Castell developed this water-based varnish on its own and introduced the technology in 1992.

Claus Hipp:

HiPP is known for baby food that has been pleasing children and adults alike for many years. Georg Hipp, the father of the current company director, Claus Hipp, laid the foundation for this success in 1956, when he switched to organic products. This move did not make him very popular; to the contrary, many of his staff and farmers did not ascribe to his concept. But Georg Hipp could not be deterred. He promised the farmers personally that he would do the work of convincing people.

Ten years later, Claus Hipp came aboard at the company, continuing his father’s ideas and developing HiPP into one of the largest baby-food manufacturers in the world. Today over 6,000 farmers from all over the world supply HiPP with organic staples such as fruit, vegetables, and meat. The cultivation of organic foods for HiPP spares over 15,000 hectares of soil and groundwater each year from over 4,000 tons of artificial fertilizers and 5,000 kilograms of pesticides. As Claus Hipp puts it, “To me, sustainability means keeping the world livable and lovable for the next generation. Our job is to be vigilant about the quality of the soil, avoid exhaustive cultivation, and handle raw materials responsibly.”

Marli Hoppe-Ritter and Alfred T. Ritter:

Siblings Marli Hoppe-Ritter and Alfred T. Ritter are the third generation to head Alfred Ritter, the company started in 1912 as a chocolate and sweets factory. The chocolate manufacturer saw sales of 140 million in the first half of 2011 – an increase of some 10 percent. The Ritter Sport brand is now sold in about 90 countries, and the company makes preserving natural resources a priority. With the aim of preserving resources and improving the living conditions of local people, the company has been supporting small farmers in Nicaragua since 1990 through the “Cacaonica” project. In that time, the cooperative founded by Ritter Sport has developed into a coalition of around 20 cooperatives with several hundred farmers. Aid is primarily based on transmitting knowledge of organization, business operations, and agriculture. There is also a focus on environmentally friendly agro-forestry management practices. While the farmers are not required to sell their raw materials to Ritter Sport, the company pays more than the world market price for cacao. With an eye toward environmental protection, Ritter Sport has also converted its packaging from composite material to completely recyclable single-material (polypropylene) packaging. The significant decrease in packaging weight has saved some 1,000 tons of packaging each year for the 100 g Ritter Sport squares alone.
Societal Responsibility

“Eradicating extreme poverty continues to be one of the main challenges of our time, and is a major concern of the international community. Ending this scourge will require the combined efforts of all, governments, civil society organizations and the private sector, in the context of a stronger and more effective global partnership for development. The Millennium Development Goals set timebound targets, by which progress in reducing income poverty, hunger, disease, lack of adequate shelter and exclusion — while promoting gender equality, health, education and environmental sustainability — can be measured. They also embody basic human rights — the rights of each person on the planet to health, education, shelter and security. The Goals are ambitious but feasible and, together with the comprehensive United Nations development agenda, set the course for the world’s efforts to alleviate extreme poverty by 2015.”

United Nations Secretary-General Ban Ki-moon
Human Development Index

The HDI combines measures of life expectancy, literacy, educational attainment, and GDP per capita for countries, so only four of several possible development measures, which is why some have called the HDI a “crude” measurement. The index was developed in 1990 by Mahbub ul Haq, Sir Richard Jolly, Gustav Ranis and Lord Meghnad Desai, and is used to rank countries by level of “human development.”

Sustainable Economic Development As a Means of Achieving Justice in Globalization

In today's globalized world, many countries, in particular developing ones, are facing multiple challenges. In order to address these challenges and harness existing potential, German development cooperation focuses on education, health, rural development, good governance, and sustainable economic development with a view to achieving justice in globalization.

Sustainable economic development is vital for growth and prosperity. Economic growth that reaches all sections of the population must therefore be at the core of any poverty reduction strategy. It needs to balance people’s economic, political, and social living conditions on the one hand with the long-term conservation of vital natural resources on the other. Therefore, the principles of the social and ecological market economy serve as the regulatory frame of reference for the BMZ’s (Federal Ministry for Economic Cooperation and Development) economic promotion activities.

In the developing world, as elsewhere, a thriving economy is important in enabling countries to take responsibility for independently building a better future for themselves. Our experience has shown that economic development cannot be decreed by government but that a vibrant private sector is needed to create jobs and income and to provide skills, knowledge, and capital.

More and more enterprises are accepting their responsibility, taking account of sustainable development criteria in their business strategies, and committing themselves to comply with ecological and social standards. They are doing this, not least, in order to maintain their international competitiveness. Corporate social responsibility has become an important competitive factor in the globalized world economy. It is a new currency for better development results.

The BMZ pursues a broad variety of efforts in support of corporate social responsibility, often in cooperation with the German private sector. We support our partner countries’ governments in setting up a social and ecological market system that fosters enterprises with sustainable business operations and precludes harmful business practices, for example by supporting the promotion of responsible private investment as part of the G20 development agenda. The promotion of environmental and social standards plays an important role in this context. We work to strengthen the dissemination and enforcement of internationally recognized standards for entrepreneurial activities, for example...
More and more enterprises are accepting their responsibility, taking account of sustainable development criteria in their business strategies.«

Hans-Jürgen Beerfeltz

by supporting the UN Global Compact. And we work toward binding bilateral and multilateral agreements in the international community so as to create a reliable international environment for enterprises. For example, we supported the drafting of the Ruggie Guidelines at the UN level, which for the first time lay down specific instructions for governments as well as enterprises on how to integrate human rights in economic relations. Partnership-based cooperation between government and the private sector – both internationally and within our partner countries – is vital for achieving sustainable economic development.

The BMZ acts as facilitator, advisor, and moderator in relevant dialog and negotiation processes between all relevant stakeholders. These processes range from the introduction of voluntary social and ecological standards in partner countries to the strengthening of enterprises’ responsibilities for human rights all the way through to creating transparency with a view to fighting corruption. For example, we support the establishment of strategic alliances with enterprises with a view to implementing national and international standards in value chains. In cooperation with other donors, we have set up the Business Anti-Corruption Portal, which provides detailed information about 60 developing and emerging economies as well as helpful tools and practical support for anti-corruption work.

Development policy is an investment in the future that is in everyone’s interest. In that sense, it is a global structural policy. We want to join other actors, especially the private sector, in breaking new ground on the way to viable and fair global development on the basis of human rights and democracy.

Hans-Jürgen Beerfeltz is the State Secretary of the Federal Ministry for Economic Cooperation and Development, the former Vice-President of the German Federal Agency for Civic Education, and the Chair of the Supervisory Board of the GIZ.
Welthungerhilfe is a private, non-profit, politically independent, and non-denominational relief organization that works under the patronage of the German President. It provides a range of assistance measures: from immediate emergency aid in the wake of disasters to long-term projects carried out in cooperation with local partners. Since 1962 Welthungerhilfe has carried out over 6,600 projects in 70 countries. We spoke with its President, Bärbel Dieckmann, about overcoming hunger and poverty.

“Many Companies are Already Embracing Responsibility”

Bärbel Dieckmann: No. We have achieved great successes in the last 50 years, such as the global improvement in education. The incidence of many diseases has declined, as has infant and maternal mortality. But the struggle against hunger and poverty remains the greatest aim of humankind, and the greatest global challenge. One billion people live in poverty and are excluded from globalization. Nine hundred million people are going hungry, 250 million children are working, 20 percent of all people have no access to clean water, developing countries are suffering from the consequences of climate change and soil degradation – this is a deplorable state of affairs that we must work together to change. There is an urgent need for action among all actors in society – in politics, industry, and civil society.

Price speculation on foodstuffs increased food prices by some 10 to 15 percent in the last financial crisis, so we are calling for better monitoring of the financial markets. Responsible economic management in a globalized world has to mean supporting developing countries as they go through processes of change, rather than harming them.

Some critics complain that development aid has made developing countries poorer and more corrupt, and has fostered bureaucracy and dependence. What would you say to them?

In a globalized world, the countries in the South, which – for various reasons – are less developed than countries in the North, are the ones that need our help. This is the only way that we can begin to equalize our respective living conditions. If the people most affected are the ones forced to make a move, it will lead to war and unrest. The struggle for resources has already begun. Even today, a whole series of current crises are due to climate change. Many of the droughts and floods are caused by the
North’s influence on the climate. The developing countries must make the most adjustments, but they are not the ones emitting CO₂. This is why corporations can and must play a key role. Many things have not happened until it has been far too late, but the process now looks to be moving along.

» How would you characterize a responsible corporation?

Business is already taking responsibility for the global effects of its actions on humanity and the environment. International standards such as those set out in the Ten Principles of the Global Compact must be the minimum requirement for companies. What’s more, the explicit adoption of credible responsibility as part of CSR must be measurable and verifiable. Many companies are already embracing this responsibility through means such as donations.

Don’t companies often do this just for sake of appearances?

No. Our sponsors include many committed companies whose names stand for social responsibility. Many of our projects could not be carried out without the willingness of companies to donate money. To meet the challenges of development cooperation, we need more than just the large multinational corporations that are able to provide direct support from their locations. All companies can help out in this area and review the way that they do business. CSR should always promote compliance with national and international laws as well.

What are some subjects and fields where companies should become more involved in the future?

The first priority is to combat hunger and poverty. More explicitly, energy scarcity is one of the largest problems that developing countries face. Many experts say that the energy issue should have been included as one of the Millennium Goals, but it was forgotten at the time. We also urgently need solutions for water and machines in agriculture.

» In a globalized world, the countries in the South, which – for various reasons – are less developed than countries in the North, are the ones that need our help. «

Bärbel Dieckmann

Bärbel Dieckmann is President of Welthungerhilfe and former Mayor of the city of Bonn.
Deutsche Post DHL, the world’s leading mail and logistics company with around 470,000 employees worldwide, recognizes that its market leadership comes with a special responsibility to benefit the world. As a publicly listed global company, Deutsche Post DHL is faced with navigating the delicate balance between economic, environmental, and social interests. The company has therefore made corporate social responsibility an integral part of its overall business strategy. Unified under the motto “Living Responsibility,” the company’s CSR efforts are channeled into three programs: GoGreen – environmental protection; GoHelp – disaster management; and GoTeach – education. When developing the three key programs, it was considered crucial that they positively impact society and the environment as well as the company itself. The example of Deutsche Post DHL’s humanitarian logistics program GoHelp demonstrates that both are possible.

Disaster response

Year after year, the world is confronted with news about the havoc wreaked by earthquakes, hurricanes, and floods, demonstrating how helpless humans are in the face of natural catastrophes, and how life-shattering they can be. When earthquakes, cyclones, or flooding have devastated a region, help usually comes from the international community with international aid workers and relief goods flying into regional airports. Especially in smaller and less developed countries, the airports are quickly congested by the food, medical supplies, and tents arriving from all over the world. Very often, the small regional airports are equipped to handle just a few commercial flights a day, and very few are able to handle cargo machines effectively. This is where
the DHL Disaster Response Teams (DRTs) step in to alleviate the bottleneck, cooperating closely with the UN Office for the Coordination of Humanitarian Affairs (OCHA). Should a natural catastrophe occur, OCHA issues an official request for the deployment of Deutsche Post DHL’s DRTs. A written agreement is made in advance, usually together with local authorities or relief organizations, regarding both the place and duration of deployment.

The DRTs consist of some 500 employee volunteers worldwide who are specially trained to handle the challenges of a deployment. The team members help manage the logistics of disaster relief goods arriving at the airports. Together with local authorities and airport staff, they take care of incoming relief goods and help set up and manage professional warehousing, which includes the sorting and inventorying of goods. DHL has three DRTs in place covering the world’s regions that are most vulnerable to natural disasters: DRT Americas in Panama, DRT Middle East/Africa in Dubai, and DRT Asia Pacific in Singapore. The teams are ready for deployment within 72 hours after being called. Each deployment involves a total of 20-25 volunteers, with teams of 5-10 working at the airport for about a week before being replaced by the next team. The support by the DRTs is provided free of charge. Initiated with the UN in 2005, the disaster response program has proven to be an important support in tackling logistical problems.

Disaster preparedness

Effective disaster relief hinges on airport logistics, and it includes preparing people and facilities for the unpredictable. As if disasters were not devastating enough, a post-disaster situation can quickly turn from bad to worse when international relief aid begins to arrive but cannot reach the people in need. The training program “Get Airports Ready for Disaster” (GARD) helps break this cycle by stepping in before disaster occurs. GARD is designed specifically for airports located in disaster hot-spot areas. The program guides local communities in pro-actively identifying surge capacity gaps as part of their disaster response mechanisms before disaster strikes. The training was developed in 2008 by Deutsche Post DHL and the United Nations Development Programme (UNDP). It offers a hands-on approach to disaster preparedness, mixing classroom elements, on-site assessment work and applied surge capacity assessment reports to provide airport authorities and local officials with the tools and know-how they need to make their facilities and people disaster-ready.

GARD was piloted in 2009 at the Makassar and Palu airports in Indonesia, both located on the earthquake-prone island of Sulawesi. After training individuals and getting these two hot-spot airports disaster-ready, the program was adapted for other regions of the world. In 2010 GARD was taken to Nepal. DHL experts worked with the UNDP, Nepal’s national disaster agency, and local airport authorities to prepare a total of five airports. In 2011, the DHL trainers established GARD at two airports in Bangladesh and still another two airports in Indonesia. In addition, participants from 15 other airports were trained. Deutsche Post DHL plans to roll out GARD to other disaster-prone regions throughout the world.

Employees are actively involved

And how does this fit into the company’s overall strategy? Deutsche Post DHL wants corporate social responsibility to be an integral part of its everyday business. Initiatives carried out in the spirit of “Living Responsibility” are not only humanitarian acts. They also play a significant role in ensuring the long-term success of the company by improving employee motivation and identification, increasing recognition for CSR engagement, enhancing reputation among customers, and thus strengthening competitiveness. The idea behind “Living Responsibility” is directed in great part toward the company’s employees – and they have responded. All around the world, the employees demonstrate daily their enthusiasm for and commitment to GoHelp, GoGreen, and GoTeach by volunteering their time and expertise. Those who have spoken with DRT members can feel the sense of pride they have in being part of the effort – the effort of offering humanitarian logistics in a very specific, true-to-company way.
BASF: Securing Yields Through Sustainability

How do we respond to the world’s increasing demand for food while protecting the environment and biodiversity for future generations? BASF’s sustainable agricultural work helps to address these global challenges. They provide farmers with reliable and innovative products, but also support them with know-how.

BASF understands the many challenges farmers face today – running a successful business, protecting the land they live on and farm, as well as providing us all with an increasing quantity of healthy, affordable food. Many farmers around the world simply do not have access to the right products or to technology that is individually tailored to their needs. Alternatively, they may not have the appropriate knowledge or skills. According to a UN report, every second person suffering from chronic hunger is a small-scale farmer. If these smallholder farmers are lucky, their harvests are just about sufficient to meet their family’s needs. They could significantly improve their finances and the well-being of their families by increasing yields. However, according to a study by Deutsche Bank Research, farmers need access to education, knowledge, capital, loans, markets, and risk-management strategies.

In India, soybean yields have been extremely low in international comparison, amounting to only about a third of the worldwide average. The BASF India team found that there were many reasons – inappropriate fertilization, excess seeding, and incorrect use of crop protection products coupled with a general lack of knowledge about good agricultural practice.

Knowledge transfer

In 2006, the “Samruddhi” idea was born. Meaning prosperity in Sanskrit, Samruddhi represents a holistic business approach that helps farmers and their communities become more sustainable. The idea was simple: Talk with farmers, find ways to boost their yields and profitability, and offer hands-on advice. In 2007, the Samruddhi project was initiated in Madhya Pradesh, an Indian state, where about 75 percent of the land used for soy cultivation is located. BASF sent 280 agronomists to work with farmers. Starting three months before planting and ending when the soybeans were sold to market, these agronomists conducted thousands of workshops, harvest days, market days, and visits to individual farms. Each agronomist provided support and guidance to around 150 to 225 farmers. Advice ranged from selecting the right seed to educating farmers as to when they should apply crop-protection products during the harvest, in addition to advice being offered about sales and cost-control measures such as price-making and negotiation practices. Each farmer received an individual worksheet to help them track costs and earnings and to calculate profit per acre.

The results were amazing – in 2008, the soybean yield increased by 31 percent compared to traditional cultivation methods, with farmers increasing their net income by 60 percent. In 2009, comparative yield increases averaged 24 percent, despite a severe drought. Mahendra Singh (a 32-year-old who owns a six-acre farm) in Sayri, India, has used Samruddhi practices for the last two years. “Thanks to Samruddhi, my yield has increased from six quintals per acre to eight quintals per acre. With this additional income, I was able to get my house repaired and buy a generator for irrigation work. This year, I am planning to purchase a motor bike.”

While the initial project benefitted about 30,000 Indian farmers, the success story is ongoing. In 2008, the Department of Agriculture of the State of Madhya Pradesh signed a Memorandum of Understanding for activities in an additional region, the Harda District. Currently, around 170,000 farmers in India are collaborating with 700 BASF agronomists in order to make soy cultivation as sustainable as possible. The project has also delivered business benefits for BASF. In the period 2006 to 2009, the company saw revenues for its soybean plant-protection products increase 60 percent annually.
Encouraged by this success, BASF has ambitious goals for the future. Similar projects will make potato cultivation in India more sustainable, and help increase the yield of chilies, guar beans, and peanuts. In 2010, BASF extended Samruddhi to Indonesia and Sri Lanka. BASF also plans to launch a customized version of the project in Africa.

Respecting nature and biodiversity

Sustainable agriculture is not just about increasing yields, but also about taking nature and biodiversity into account. A project in the United Kingdom illustrates how conventional farming methods and biodiversity can co-exist in mutual harmony. Since 2002, BASF has been working with a conventional farmer near a small English village, Rawcliffe Bridge. Within just a few years, the Hinchliffe family’s arable farm has developed into an attractive habitat for around 100 bird and 150 plant species, some of them endangered. The idea was developed in collaboration with the Farming and Wildlife Advisory Group and the Royal Society for the Protection of Birds.

One hectare near woodland was sown with a grass mix while two hectares nearby were sown with field margin mixtures – all aimed at encouraging beneficial insects, and farmland birds, for example skylarks. The farm also provides popular retreats for animals like the water vole and the brown hare. Some farming practices were also slightly changed to minimize the impact to birds and their source of food, particularly at nesting time. “I want to stress that there was almost no impact to our commercial business – we didn’t use any special methods – the only commitment on our side was patience, a willingness to modify some farming practices, and a bit of time,” explains Mr. Hinchliffe, manager of the family farm.

The results show that commercial farming systems – based on best practice – combined with sensible field margin and woodland management can deliver best practice biodiversity without impacting the commercial viability of the farm. This example sets a new precedent and should serve to inspire farmers everywhere.
Water for Megacities

The majority of people today live in cities. In the decades to come, population growth and changes in the climate will significantly increase this trend: The UN estimates that by 2050 some 70 percent of the global population will be living in urban environments. Most people will be in megacities with insufficient infrastructure. This is why German development aid organizations, local companies, and research institutions are putting more effort into developing solutions for better water infrastructure and water supply.

These solutions also include water-supply and disposal systems that must be flexibly adapted to the specific conditions in various cities. Conventional, centralized systems cannot fulfill this purpose. The IWAR institute at Technical University Darmstadt – in collaboration with the National Engineering Research Center for Urban Pollution Control at Tongji University, which is their partner university in Shanghai – has therefore developed an approach to flexible infrastructural systems that make efficient use of resources: the “semcentral” concept, based on smaller supply and disposal systems that can be expanded as needed and focus on water reuse. Most wastewater treatment plants are located far outside cities, which increases the cost of water treatment. The semcentral concept should make it possible to situate these inside the city proper. The buildings for the semcentral sewage treatment plants will be about the size of a multilevel parking garage and will be able to supply water to 100,000 people simultaneously. For example, the wastewater from showers or washing machines can be collected, purified, and resupplied as water for flushing toilets. Not only does semcentral conserve resources, it is also environmentally friendly: Water from flush toilets can be treated and supplied to companies as reclaimed water – and sewage gas can be generated in the process, to be used to supply energy. Field applications have yet to be determined.

Leaks mean water loss

In the Hessen city of Ladenburg, on the other hand, people are relying on ABB (Asea Brown Boveri Ltd.) of Zurich for a completely integrated water management system. After several years of research and development collaboration with seven colleges and two water suppliers, ABB is now offering a market-ready system that should take care of the problem of water loss because of leaks – so-called seepage – in piping systems. Along with the difficulty of detecting and locating holes in the pipes, transporting water takes a lot of energy. Damage to the systems substantially increases the amounts of...
energy used and carbon dioxide emitted. ABB’s solution gives water suppliers a comprehensive view of their supply network, which makes it possible to achieve sustainable operation and foresighted maintenance of the supply network.

Its most important element is the system to detect and manage leaks. It gathers data from such sources as hydraulic simulations, analytical algorithms, and geographic systems, and in this way enables early detection and site-specific containment of leaks. The faster detection significantly reduces the amount of water lost. An integrated energy-management solution also offers high potential for savings. It automatically coordinates the pumps and valves distributed throughout the network, based on information such as water usage data, reservoir levels, pressure indicators, and electricity charges. An additional alarm management system alerts the water supplier to problems in the network and analyzes them by their negative effects; this type of classification according to priority can improve emergency management capability.

According to ABB, a water supplier using this system with a supply area of 12 million people and a leakage rate of over 20 percent could save enough water to supply a city of 320,000 inhabitants. The potential for energy savings could be up to 30 million kilowatt hours per year.

**Mobile water supply – the Siemens SkyHydrant**

Siemens, with its SkyHydrant water filtration system, is also tackling water-supply issues. This solution developed by Siemens Water Technologies transforms tainted water into drinking water by using low pressure to force the liquid through a membrane system. An ultra-fine filter removes pathogens and impurities. The SkyHydrant produces some 10,000 liters of drinking water per day, and its height of approximately 1.5 meters and weight of 12 kilograms allows it to be easily transported. The installation and operation of the machine has also been kept deliberately simple. In addition, it uses an extremely low amount of energy, needs no chemicals, and permits the reuse of precious drinking water. The system was originally developed for rural areas in order to improve local living conditions and to prevent migration from the countryside. Since then, some 900 units have been put into operation in 42 countries. Some SkyHydrants can also be found in large cities in countries such as Bangladesh, Haiti, India, and Cambodia, where they are of great use in slums. Siemens is also continuing to develop this water purifier, which has resulted in the AquaVendor. The AquaVendor has the same functions as the SkyHydrant, but with two important differences: With the AquaVendor, manual operation is no longer required. A control system takes care of the regulation, the filtration process, and the purification. At 25,000 liters of drinking water per day, the AquaVendor also produces substantially more than its predecessor. All that is required for its operation is a power point, and it is designed for apartment buildings, hotels, or small industrial operations in areas with weak infrastructure.
Mercedes-Benz in South Africa: Siyakhana Health Trust

The Siyakhana SME Project forms part of a portfolio of significant corporate social responsibility initiatives implemented by companies in the Mercedes-Benz Group in South Africa to mitigate the impacts of HIV/AIDS on disadvantaged members of society.

South Africa’s Minister of Health, Dr. Aaron Motsoaledi, acknowledges that South Africa is struggling with a quadruple burden of diseases and health issues: HIV and tuberculosis; maternal and child mortality; non-communicable diseases; and violence, injuries, and trauma. To deal effectively with these, he believes that there is an urgent “need to find creative and innovative ways to deal with all four contributors to morbidity and mortality in a way that balances national needs. For this to take hold, partnerships between governments, regions, and the international community, including technical partners, bilateral agencies and agreements, as well as the multilateral organizations, are critical.”

The South African private sector contributes about 42 percent of the country’s GDP and over half of all private sector employees work for small and medium-sized businesses (SMEs). Unlike their corporate counterparts, SMEs in South Africa typically cannot afford to pay for the HIV/AIDS treatment, care, and support of their employees and dependents, and historically they have provided inadequate provisions for the funding of healthcare benefits.

Mercedes-Benz initiated the Siyakhana SME Project in 2006 in an attempt to catalyze the wider local business community of the Border-Kei region of the Eastern Cape, South Africa. The lessons learned from a successful workplace intervention have informed the approach of Mercedes-Benz South Africa to HIV/AIDS awareness-raising and support in the broader community. At first, they ensured that the SME Project was extended to suppliers, aligning it with the company’s strategic objective of managing risk in its supply chain. However, the need was clearly broader and was most urgent in smaller companies. Before taking action, Mercedes-Benz met with national and local governments and held a summit with the National Department of Health to explain their rationale at the end of 2005. The SME Project furthermore delivers nurse and doctor training on treatment of HIV/AIDS and tuberculosis as well as the training of SME managers and peer educators.

SMEs subscribe to participate in the Siyakhana Project on a biannual basis and do so by making financial contributions that are linked to the size of their workforces. Each company is represented in the project by one or two coordinators who are trained by Siyakhana. Coordinators also take part in an ongoing capacity-building forum, where project implementation and further development is tracked bimonthly.

Fifty-six SMEs have so far been supported by Siyakhana. Between 2006 and June 2011, Siyakhana conducted 85 successful onsite HIV Counseling and Testing (HCT) campaigns, during which over 13,500 employees received HIV education/counseling. Of those, over 10,500 took an HIV test, of whom well over 1,000 were HIV positive.

The strength of Siyakhana is that it does not offer off-the-shelf solutions, but is flexible and responsive enough to provide the services that the SMEs require, helping them to manage the risk of HIV/AIDS in their workplaces. All services are provided so as to minimize interference in day-to-day operations of the businesses.

In preparation for enrolment into the Siyakhana treatment program, candidates take part in a treatment literacy workshop, where they are informed about available benefits, processes, and procedures for accessing them as well as treatment options, possible treatment-related challenges, and how to deal with them. Currently, over 580 people receive HIV/AIDS treatment through Siyakhana. This equates to 580 households that might otherwise have suffered a lack of income had the disease not been discovered and left untreated. The impact of the awareness creation campaign on the number of new cases seen since the inception of Siyakhana is immeasurable. This provides a win-win situation for both employers and employees.

Through achieving clear and measurable results, Siyakhana has also built up a solid reputation as an efficient and trusted...
service provider to SMEs and employees in its region. Functional partnerships have been established with business, governments, and community stakeholders. Siyakhana is a joint program of the Border-Kei Chamber of Business, from which it receives both financial and non-financial support. It also has a functional partnership with both Buffalo City Metropolitan Municipality and the Eastern Cape Department of Health. These stakeholders are represented on the Project Steering Committee, which oversees project implementation. A Board of Trustees composed of respected industry and community leaders looks after project implementation and governance.

However, it has been a challenge to engage SMEs through the recession, when even the small participation fee that companies are expected to pay has been difficult to raise. The need for a sustainable funding mechanism for the SME Project remains a considerable challenge. In 2012, various funding options will be explored further. Focus areas will include international and local donors, corporations, participating SMEs, and public sector business support agencies including the Department of Labour, the International Labour Organisation, among others.

Although the SME Project has been a huge success, it soon became clear to the Siyakhana partners that company-level HIV and AIDS initiatives would be of limited success if the supporting healthcare systems and services were not improved. Siyakhana also aimed to strengthen public primary healthcare by conducting periodic quality-of-care audits and management advisory services in 10 selected clinics in the Buffalo City Metropolitan Municipality, home of the Mercedes-Benz manufacturing plant in South Africa. Two such audits were carried out in September 2006 and May 2007 and both of them showed that inadequate human resource capacity was the single most important factor militating against the delivery of good quality care in the affected clinics.

This public-private program was governed by a Memorandum of Agreement between the Siyakhana Health Trust and the Eastern Cape Department of Health and was guided by a Steering Committee made up of stakeholder representatives drawn from both the public and private sectors of the economy. It received some financial support from the US government through BroadReach Healthcare.

South Africa has one of the highest HIV prevalence rates in the world – over 11% of the population is estimated to be infected.

Siyakhana was designed as a project to assist SMEs to manage the impacts of HIV and AIDS on their employees and businesses.
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