

Susanne Hoffmann
Director "International
Employment and Social Policy"
German Federal Ministry of Labour and Social Affairs

Corporate Social Responsibility: Challenges posed by the G8
Dresden Ministerial Meeting and Heiligendamm Summit
follow up

Symposium on the OECD Guidelines for Multinational Enterprises
Increasing the Role of the Guidelines in South East Asia
Tokyo, 25 February 2008

Ladies and Gentlemen,

Dear Mr Evans,

It is a great pleasure and an honour to me to have the opportunity to speak at this symposium today. And I am also looking forward to a lively exchange of opinions, which in addition will surely present many good suggestions for the coming Prep-Com Meeting of the G8 Labour Ministries at the end of the week.

I. CSR and the German G8 Presidency

The German G8 Presidency began in 2007 with the goal of placing the political design of the social dimension of globalisation at the core of the work of the G8 governments, but also those of large threshold countries. CSR is a concrete facet of the social dimension of globalisation. CSR stands for corporate action striving for sustainable economic success on the basis of a balanced consideration of social, ecological and economic interests. Interaction between workers, employers, shareholders, consumers, investors and civil society organisations (stakeholders) is to be particularly taken into account here. One should however also include the governments, which help to enable the living development of CSR by creating appropriate framework conditions.

CSR has increasingly established itself in recent years as a model which is based on the principles of voluntariness, transparency and dialogue, and which expects enterprises to enter into a commitment over and above meeting statutory norms and minimum standards.

It makes sense for enterprises to become committed – on a voluntary basis – to the working conditions in their enterprises, as well as to the environment and the region in which they are located, and to their workers and families. This includes reviewing suppliers' production methods.

CSR is important to us because we are sure that enterprises which implement CSR have a better position in global competition – and hence also strengthen their domestic economy. At the same time, this promotes growth and prosperity at home. Secondly, we do our utmost to support CSR because we regard it as a contribution which enterprises can make towards a society which is based on solidarity, and which is hence also stable. CSR can make an especially valuable, concrete contribution towards giving globalisation a social face, particularly where inadequate national regulations and ineffective multilateral standards prevail.

On the basis of this conviction, it was a particular concern for the German G8 Presidency to give CSR a sustained position in the G8 process. With this aim in mind, we came a long way during our German G8 Presidency:

The Conclusions of the Dresden Labour and Employment Ministers Conference, as well as the final declaration of the G8 Summit in Heiligendamm, make explicit mention of the fact that it is necessary and possible to lend globalisation a social face, and that strengthening enterprises' social responsibility plays a major role here. The most important messages here were:

- Recognition of the potential of CSR for workers' sustainable development and their quality of life;

- An effective, open exchange of experience as an important element to further improve CSR;
- The promotion of the dissemination of CSR in small and medium-sized enterprises;
- Support for the OECD Guidelines for Multinational Enterprises, support for more effective action on the part of the National Contact Points stipulated in the OECD Guidelines, and encouragement of enterprises in the G8 States to respect the OECD Guidelines;
- Support for the application and refinement of the ILO's Tripartite Declaration concerning Multinational Enterprises and Social Policy;
- The further dissemination of the United Nations' "Global Compact", together with enterprises from the G8 States, as well as from threshold and developing nations;
- An appeal to the OECD to compile the most important principles in the field of CSR in order to make the different standards and principles more visible and clearer, in cooperation with the ILO and the Global Compact; at the end of last year, Germany asked the OECD to put together such a compilation, and work is now underway.

Furthermore, there was an appeal to the governments of threshold and developing nations to accede to the OECD Guidelines. What is more, it was proposed to invite threshold countries to engage in a high-ranking dialogue on CSR at the OECD. This was one of the "initial steps" to the Heiligendamm Process.

II. CSR in the Heiligendamm Process

The joint declaration of the G8 chair of 7 June 2007, together with the outreach states Brazil, China, India, Mexico and South Africa, called for a joint view to be taken of responsible business activities.

The declaration states that cooperation between the G8 and G5 States should help promote more favourable investment conditions, both for domestic and for foreign investment, aiming to push forward economic growth and sustainable development.

This agreement was incorporated in the so-called Heiligendamm Process concept paper, in the topical section on investment. The HDP concept paper has however now developed to become a particularly laborious process. It has undergone amendments from one session of the HDP Steering Group to the next. This regrettably applies particularly to CSR, where the paper has currently moved very far from our ideas:

Whilst a call goes out in the first version of the paper under the title "Responsible Business Conduct/CSR" to engage in a discussion of the OECD Guidelines, of the ILO's Decent Work Agenda and of the Global Compact, as well as to identify joint interests in cooperation between the G8 and the G5 on the basis of the principles, values and standards of the above guidelines, the concept paper has now developed in a completely different direction.

For instance, the text on CSR has shrunk to half its length in the latest version of the paper negotiated with the G5. The title no longer refers to CSR, but only mentions "Responsible Business Conduct". Furthermore, the foreword from the original version of the concept paper is missing, which

contained the explicit wish of the G8 to assume a joint position on CSR, as well as the proposal to carry on a high-ranking dialogue on “social responsibility issues”. Of the above CSR principles, only the Global Compact is represented. The reference to the ILO and to the OECD is only contained in a footnote as a previous proposal. Future cooperation in this field between the G8 and the G5 is now only to be “examined”. Conversely, readiness to work together is evidently questioned from the outset.

The coordination process between the G8 and the G5 countries has hence now reached a stage at which the focus is on wrestling for definitions and content reductions, before any discussion was commenced in the competent HDP working party on “Investment”. This situation is clearly the result of the G5 states’ anti-CSR approach.

What are the reasons for this critical approach taken by the G5?

Does this indicate a specific idea or expectation of the G5 towards CSR in contradistinction to responsible business conduct? And why is the Global Compact obviously more readily accepted than the corresponding ILO and OECD declarations and guidelines?

These questions must be resolved very soon. The more one-dimensional “responsible business conduct” definitely should not become a priority of the HDP. Priority should rather be awarded to the multidimensional CSR approach. CSR goes further than responsible business conduct. CSR addresses both enterprises and many other players, both from the state and from civil society. CSR hence has a multi-stakeholder approach in contradistinction to responsible business. This is why the G8 partners spoke of CSR in Dresden and

Heiligendamm. This consensus on CSR should certainly not be countered by the Heiligendamm Process.

Rather, the resolutions that have been adopted under the German G8 Presidency should be placed on an even broader footing at international level in the Heiligendamm Process.

III. International CSR tools

I would like once more to briefly describe the fundamental principles of CSR that we are speaking of here, and in doing so place a certain emphasis on their common features, as well as highlighting their differences.

These are the OECD Guidelines for Multinational Enterprises, the ILO's Tripartite Declaration concerning Multinational Enterprises and Social Policy, as well as the United Nations' Global Compact. There is no questioning that these are the most important international reference documents for CSR in the current globalisation debate.

The ILO's Tripartite Declaration concerning Multinational Enterprises and Social Policy of 1977, revised in 2006, addresses governments, trade unions, employers' associations and multinational enterprises. The Declaration formulates comprehensive, detailed demands to MNE in the field of labour and social standards. The Declaration therefore also included the ILO Conventions, in particular the core labour standards, and therefore especially also trade union rights. The most important messages of the Declaration continue to relate to working conditions, employment, job security, training, as well as living and working conditions. The ILO Conventions also serve as a reference for many other standards and tools – including in

enterprises directly. This is a major advantage of the ILO Declaration. However, the Declaration does not make provision for a real complaints procedure, only a reference for interpretation, which is however somewhat laborious.

The 1976 OECD Guidelines are broader in thematic terms. In addition to worker rights, these relate to human rights, the environment and consumer protection, the fight against corruption, information, technology transfer, competition and taxation. The OECD Guidelines address multinational enterprises – from the OECD Members and nine further signatory states. The Guidelines are recommendations from the governments to their enterprises. The OECD Guidelines also have a monitoring and control mechanism in addition to their thematic breadth: The governments have undertaken to supervise adherence with *national Contact Points*. This mechanism is operated in very different ways in the individual states – however the possibilities are there, even if supplier responsibility is not interpreted very broadly.

The United Nations' Global Compact, which has reached a relatively high degree of public awareness, directly addresses enterprises which have voluntarily declared their accession. They undertake to adhere to the principles which Secretary General Kofi Annan introduced in 1999. The principles relate to human rights, worker rights, the environment and corruption. The enterprises declare their accession by submitting a letter to the United Nations. The advantage of the Global Compact is that it functions as a broad platform for dialogue or also as a forum for learning. The GC is an opportunity for enterprises to enter into a commitment. Members naturally also include enterprises from developing and threshold countries. However, more national networks could still be created in these countries. A

disadvantage of the GC is that the principles are worded in very general terms and that control or sanctions are virtually non-existent, apart from the fact that one must expect the GC logo to be withdrawn in the event of violations of the duties to report or of the principles.

It follows from the above that there are common thematic features between the ILO, OECD and Global Compact principles, but also major differences when it comes to the groups of addressees and the control and sanction mechanisms. For instance, merely invoking the Global Compact and neglecting other principles does not advance the debate. On the contrary, virtually no control would be possible. Governments would be released from their responsibility, and de facto there would be virtually no tripartite structure in CSR. This cannot be the goal. Therefore, all three CSR principles, that is those of the ILO, of the OECD and of the Global Compact, must be included in order to understand the topic of CSR, to comprehensively and expediently implement it, and to refine it. This also applies to the Heiligendamm Process in particular.

IV. Our goals in CSR, including in the HDP

Our goals for the political CSR dialogue, including in the HDP, remain as follows:

- Increased transparency and understanding of existing CSR standards and principles: in particular by the joint study of the OECD, the ILO and the Global Compact that has been commissioned on CSR.

- Dialogue and process of understanding on best practices of CSR concepts, accompanied by an exchange of experience and cooperation.
- Increasing enterprises' social responsibility (CSR) in the G8 and G5 states by the various players involved, such as:
political dialogue on suitable measures with which governments can create a favourable environment for a living, diverse CSR;
- Information campaigns on CSR (awareness raising)
- Assumption of the role of moderator by Ministers/Ministries in national multi-stakeholder processes;
- The creation of national CSR dialogue structures on specific issues: What for instance do individual players and groups expect from one another and from their governments? What conditions should the political arena define? My Ministry will for instance be holding a multi-stakeholder conference this spring in Berlin dealing with this and with similar questions.
Further topics and measures can be to promote research in the CSR field or CSR criteria in the award of public contracts.

V. Refining the HDP

I remain optimistic that we will reach the goal that has been set within the HDP timetable. The rounds of working party meetings on the four pillars of the HDP to be held in the Heiligendamm Process must be effectively used to this end. As to the topic of investment, the first session is to take place in Paris on 25 and 26 March. At least on the G8 side, we have strong allies here.

We are also very much relying on positive cooperation with the Japanese G8 Presidency for expedient fundamental orientations and further interim results on the HDP at the Japanese G8 summit.

Furthermore, we also need strong civil society partners from outside the G8 and G5 governments. The commitment of the social partners and hence of the trade unions is called on here in particular. I would be interested in the following in the further course of today's event:

What steps are being planned by Rengo and TUAC to further promote CSR, and hence to also further promote CSR in the Heiligendamm Process? How do Rengo and TUAC estimate the general mood towards CSR in South East Asia? How can the trade unions exert an influence, and what does the dialogue with the Japanese government look like in this sense, as well as with other governments in the South East Asian region?

Even if there are still a large number of different ideas here on the further design of CSR outside and within the HDP process, there is one thing that is important above all else: It is not confrontation, but only listening to one another, an exchange of experience and resulting joint convictions, that can form a basis for cooperation between the G8 and the G5.

I am confident that if we follow this path, we can reach as an interim result of the Japanese G8 summit clear joint fundamental orientations on the basis of which we can then achieve good, operative results at the 2009 G8 summit in Italy.

Thank you for your attention!