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Friedrich Ebert-Stiftung

(in cooperation with BAATPE)

Corporate Social Responsibility (CSR)

Which are the advantages of CSR?

How is the international situation?

High Level Representatives of Friedrich Ebert Foundation,

High Level Representatives of the Bulgarian Federation of Clothing and Textile Industry,

Ladies and Gentlemen!

Since about ten years the three letters CSR are increasingly often mentioned in newspaper articles and speeches of politicians, environmentalists, entrepreneurs, representatives of Trade Unions, representatives of Industrial Associations, Publications of the EU Commission etc.

Seminars and workshops have been devoted to this topic and books have been written on CSR.

But what is really meant by CSR/ Corporate Social Responsibility?

The definition made by the EU Commission is as follows: CSR is a concept, which serves companies as a fundament - on a **voluntary** basis - to integrate social and environmental matters into their business activities.

CSR relates to measures, which exceed the respective legal requirements.

Therefore the term CSR covers all kind of activities in respect of economical, social and ecological matters which exceed the legal requirements of social, environmental and other laws and regulations.

CSR has three dimensions: environmental, social and economic responsibility.

Mr. Manfred Novak, Professor for International Law and Human Rights in Vienna recently pointed out: With regards to an international and globalised economy companies have - aside of maximisation of profit - also the responsibility of acting sustainable. This includes environmental and social sustainability.

It should also be mentioned that many companies nowadays mention "CSR" in their web-sites as it is "in" or "fashionable" to present the firm as CSR-minded enterprise.

The number of company websites containing CSR related texts has almost exploded in the last years.

Often it is just "green washing", this means pretending to engage in social and environmental matters but in reality doing very little to fulfil the claim of being CSR-minded.

CSR has - as you could read in the Financial Times last but one weekend "become a quasi-amulet companies wear as protection against future social strife". As reported by a journalist who has been at the World Economic Forum in Davos some days ago Unilever's head of marketing earnestly outlined the social and environmental initiatives the company was pursuing to help consumers from his point of view. "Whereas Unilever formerly used to think of Corporate Social Responsibility as separate from core business these days CSR is at the core of everything it does", he said. The journalist titled her article "When making shampoo becomes a service to society". This example shows the curious outcome of mixing up an idea with public relations activities.

Another example is the also internationally acting Coca-Cola company which (as a globally acting enterprise) started battling Aids in Africa some time ago with a strong impact.

Just to mention: At a respective conference of 130 top Austrian managers in November 2011 in the "Hernstein Institute of Management and Leadership" near Vienna the CSR topic was intensively discussed. It was agreed that top management should be enthusiastic of realisation of CSR, otherwise the realisation of CSR principles in a company will not work out.

Also present at this conference was Mr. Reinhard Backhausen, President of the Austrian TBSL Association.

Just last week the German Dialogue Textile-Clothing, Munich, organized a one day meeting concerning this topic. One of the speeches had the title "The honourable business man and his responsibility" referring to the terminus "An Honourable Merchant" already used in the Middle Ages. An honourable merchant was a person whom you could trust fully in business and who also cared for his employees as much as possible.

"Why should I engage in CSR?" You will certainly ask yourselves.

A guideline of the Austrian Federal Economic Chamber for the Textile-Clothing-Shoe Industry gives an answer: Studies show that companies applying CSR principles are more successful by gaining a better image for their products and a better image as employer as well as economic advantages.

A company can achieve better relations eg with employees, clients, consumers, suppliers, local, regional and national governments, neighbours, trade unions and workers council representatives, press and general public.

Now I should like to present some examples for CSR activities:

Economic aspect of CSR: By checking energy consumption and effectiveness of use of electricity, oil etc. you could find a financially positive savings potential concerning energy, also with environmental aspects.

Social aspect of CSR: In my hometown years ago a clothing company established a company "Kindergarten"/nursery school to be attractive for younger ladies and to compensate somehow the lower wages a clothing company normally can pay. Therefore - by officially demonstrating its social engagement - the company gained an competitive advantage versus other employers and had also the chance to reintegrate (earlier or at all) trained seamstresses from maternity leave. By doing so the earlier investment in training before maternity could be again recuperated by that company, too.

Creating possibilities for training (workshops etc.) would create a higher qualified workforce to the benefit of employees and companies (win-win situation), thus also

increasing the image of the company in the local community especially for people looking for a job.

Further examples: Reducing noise at factory floor, equal chances for women and men, providing chances for ladies after childbirth / maternity leave - advantage of bringing back Knowhow; establishing a system of incentives for the staff to make suggestions and ideas for improving eg the production process or save energy etc.

Environmental aspects of CSR: Examples could be the reduction of waste where possible eg maybe packaging or in unnecessary printing of emails. Some financial savings could be achieved by doing so.

There could also be a focus on utilisation of recycled or recyclable materials if possible eg paper, hangers, packaging material.

Corporate Social Responsibility could also be applied by reliability in business and other relations, engaging for the benefit of the local community, sticking to contracts, fair treatment of claims, cooperation with regional suppliers if possible, payment moral etc.

By doing so a company normally becomes respected and gets a good reputation as an employer as well as a partner of suppliers, clients and contractors.

Concerning realisation of a CSR the "Guideline of the Federal Economic Chamber, Vienna, for Textile, Clothing and Shoe Industry/Trade" suggests a road map:

1. Planning and collecting of ideas and possibilities in the given situation of a company
2. Realising
3. Evaluation
4. Repeating this procedure in intervals again to possible realise new ideas and potentials

After mentioning this simple roadmap I should like to stress that many aspects of CSR are already since a long time present in companies but unstructured. If a CSR management concept is established those existing components should be integrated.

In a survey made by the German "Home Textile Magazine" in November 2011 71 % of the entrepreneurs agreed that social and environmental responsibility finally result in financial advantages. They agreed that the financial benefits are higher than the cost arising.

93 % agree that the public will care more in the future about companies acting socially and environmentally conscious.

84 % agree that qualified workers / employees will in the future prefer CSR minded companies and finally

80 % agree that business partners and customers in the future will have a stronger focus on the responsible acting of their suppliers.

And in a poll initiated by the German Textile Clothing Press "Textil-Wirtschaft" one in four customers was prepared to pay more for products being made under environmental aspects and social standards. Ladies were more prepared to pay more than men.

Generally it can be pointed out that concerning CSR aspects (always more into the spotlight of media) also consumer awareness is raising. CSR is a also marketing argument and should be seen as positive chance.

Furthermore NGOs like Green Peace and Clean Clothes Initiative are permanently monitoring textiles and clothing companies to find out if companies or their sourcing partners are applying at least ILO standards as well as at national level social and environmental laws. As a consequence big international companies with well known brands faced problems in the recent past and were mentioned in press campaigns of some NGOs.

In this context I should like to point out that the higher legal requirements in Europe concerning social and environment matters are an advantage in competition with producers in Asia. A buyer of clothing or textiles made in Europe can be confident that normally at least basic (EU) legal standards are applied by his sourcing partner, therefore there are less risks for the buyer.

And what is happening concerning CSR on international and EU level?

Since November 2010 the ISO Standard 26000 is existing, defining dimensions of social responsibility, necessary steps and including a guide book / action book. However, a company cannot be audited on basis of this standard.

99 states have cooperated in creating ISO 26000.

The Austrian Economic Chamber however is only cautiously positive about ISO 26000.

The EU level: The EU Commission has published on October 25, 2011 a guideline concerning CSR with the title "A new EU strategy 2011 to 2014 for social responsibility of entrepreneurs".

Our Austrian Chamber sees in this guideline at the horizon the danger of compulsory company activities based to the CSR idea. It is therefore important to closely monitor respective developments in Brussels.

Austria: The Austrian Economic Chamber, the Industrialists Association, several Ministries and others formed a respective platform 2002 to promote CSR. Every year a prize is given to an outstanding CSR minded company in a big event covered by most media.

Nevertheless there are of course also company owners/managers with a negative attitude. They fear (rightly or not) that voluntary action may later on become an obligation or they are afraid of a possible increase of influence of Trade Unions. They do not see the chances for the company by applying CSR.

Coming back to the mentioned EU guideline some experts say that this guideline is a "Kick off" for more CSR aspects in public procurement. Also in Austrian national discussions about the rules for public tenders we notice a tendency to enclose CSR aspects in future procurement activities.

If therefore a Bulgarian company produces directly or as subcontractor uniforms, shirts etc. e.g. for Austrian military, police etc. it will in the future probably be an advantage to have a CSR record. Similar developments are ongoing also in e.g. German or Dutch public procurement.

Concerning CSR aspects in public procurement one can have different points of view. On the one hand including CSR aspects could be seen positive as producers within the EU normally have obey minimum EU standards. Products made in the EU would therefore have a competitive advantage versus products sourced in Asia.

On the other hand the question arises how to qualify CSR activities of EU companies? The situation is different from enterprise to enterprise depending on its size, financial situation, structure and on the area of its location and cannot be measured in an objective way.

To find a respective position pro or contra is not easy for a textile and clothing industry association in discussions with government.

So, to make a resumé in reference to the title of my contribution:

1. CSR is gaining importance - also Europe wide and overseas - since several years due to the fact that not only politicians, but also entrepreneurs have to bear responsibility for the economy and society (also to secure a sound basis for our children and grandchildren).
2. The main advantages are a better image of products, company and company owner / CEO as well as personal satisfaction by acting responsibly and sustainably. Furthermore, many business relations can be strongly improved.

I should like to end with a Chinese proverb:

“If the wind of change is blowing, some people build walls against it, but others build windmills.”

May I invite you to draw your personal conclusions from this proverb.

Thank you.

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Clothing, Shoe and Leather Industry