# ANALYSIS OF THE NATIONAL AND EU POLICIES SUPPORTING CORPORATE SOCIAL RESPONSIBILITY AND IMPACT

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# 1    INTRODUCTION

The purpose of this report is to provide an overview of the place of governmental policies in encouraging and supporting Corporate Social Responsibility (CSR) and their effectiveness therein.  It does so principally through an analysis of the academic and practitioner literature on CSR and government in Europe and through an analysis of current national EU member and EU policies for CSR.

As section 2 reveals, whilst CSR has been seen in some quarters as somehow incompatible with public policies, there has been a remarkable general growth of public policies designed precisely to encourage responsible business. Section 2 explores the reasons for this.

Section 3 contextualises the comparative element of this study of national and EU policies for CSR with a brief discussion of comparative approaches to CSR.  The premise for this section is simply that the appearance of certain types of CSR in certain countries at particular times may not be entirely random but that rather it might reflect something about the business systems in which the CSR is designed, managed and applied. In as much as CSR is so patterned there may be implications for our understanding of comparative government policies for CSR.

Section 4 provides a brief conceptualisation of the terms 'CSR',  'government', 'policies' and 'effectiveness' as employed in the context of the wider FP 7 IMPACT project.

Section 5 presents the main findings of the analysis of academic and practitioner literature.

Section 6 presents the main findings of the analysis of the member and EU government policies.

The Concluding section, 7, discusses the findings and their significance for understandings of CSR in Europe and for policymakers reflecting on the design and implications of policies for responsible business.

# 2    CSR AND GOVERNMENT

The very thought of a relationship between CSR and government policies would, from some perspectives, seem counter-intuitive or simply wrong.  From these perspectives it would appear to be a category error that a concept founded on voluntarism, viz. CSR, should be shaped by the antithesis of voluntarism, viz. public policy.   This section considers reasons why this 'dichotomous' view of policy and CSR cannot be substantiated, given changes in the types of policies enacted, changes in national and global governance systems, and the focus of 'laws for CSR'.

Early definitions of CSR excluded business actions in response to the law or public policies (e.g. McGuire 1963). Paradoxically, this view is also entailed in Friedman's (1970) critique of CSR in which he opines that public policies should be left to political representatives and public officials, and that business people should stick to business.  Moreover, CSR definitions of some leading

contemporary CSR scholars also echo McGuire's concerns (e.g. McWilliams and Siegel 2001). Their concern is presumably to avoid a category error of confusing and conflating voluntary and discretionary behaviour with that which is mandated and required.

Notwithstanding the apparent good sense of this position, it has come increasingly into question both conceptually and empirically. At a most general level, a strict 'dichotomous' view of public policy and CSR seems impossible given that company policies described as CSR tend to be 'embedded' (Moon and Vogel 2008) in the rules and morés of the business systems in which the corporations operate (Matten and Moon 2008 – more broadly see Dahl and Lindblom 1992 [1953]; Fligstein 1996; Granovetter 1985).

The European Commission initially defined CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis' (EU COM 2001). This raises the question of how far policies could actually go and at which point company action will no longer be voluntary? Perhaps as an acknowledgement that the dichotomy between public regulation and voluntary CSR programs is increasingly unproductive or problematic, the most recent Communication on CSR (2011) defines CSR as "the responsibility of enterprises for their impacts on society" (EU COM 2011: 6). This stresses the expectation of responsible behavior rather than the origins of such behaviour.

Within the IMPACT project we agreed on the following approach towards distinguishing CSR from compliance with regulation. Where there is strong governmental requirement to behave in a certain way, where the required behaviour is clearly spelt out, as are penalties for failure to comply, the behaviour in question would not be characterised as CSR but as command and control. However, CSR is more than simply 'pure voluntary action' for two reasons:

First, there is a spectrum of policies which governments may use to encourage CSR and these vary by their 'regulatory density' in that they impose different levels of requirements and space for discretion upon business. Strong governmental mandate is merely one end of this spectrum rather than the totality of regulation (see Moon, Kang and Gond 2010). Moreover, in many jurisdictions there are few or no costs to non-compliance with government mandate on some issues. Thus, paradoxically, what might legally appear to be a matter of compliance in practice is a matter of corporate discretion (e.g. concerning taxation, employment of migrants).

Second, our conceptualisation of CSR also enables the IMPACT Project to investigate the dynamics between the institutionalisation of CSR and different government policies. The Project identifies comparative regulatory settings as part of the business environment in order to establish the significance of respective business behaviours therein.

Nevertheless it might be complicated to decide whether individual policies are only supporting CSR or whether they go beyond that and command certain business behaviour. A rough test of whether policies are still CSR policies or whether they are command and control regulation is to answer the following questions:

1. Does the policy establish any kinds of requirements for compliance?

2. Does the policy establish any kinds of penalties for non-compliance with above mentioned requirements?

As soon as both questions have to be answered with "yes" we would not speak of CSR policies, but of command and control regulation. Of course there remain cases which have to be assessed individually: as mentioned above, there are issues where non-compliance is regular practice of companies, which could mean classifying some policies which superficially require compliance as CSR. Additionally there are policies, which might be legally obligatory and as a result non-compliance gets sanctioned, but which could still be classified as CSR policies as they aim at behavioural changes going beyond the literally legally required. For example mandatory reporting rules for CSR and sustainability aim at raising attention and creating publicity to sustainability issues, with the intention of leading to related behavioural changes, such as increasing energy efficiency etc.

There is a variety of ways in which policies can inform business behaviour, in this case for CSR. First, policies may simply constitute incentives (e.g. subsidies, tax expenditures, access to public sector markets) for companies to engage in CSR. Secondly, policies could shape a regulatory vacuum which companies are motivated to fill but which would, in other systems, be 'gaps' government leave. As a result of these policies companies can contribute to the provision of social goods (e.g. arts, culture) or public welfare (e.g. health, economic well-being). Thirdly, policies may simply reinforce heavily socially sanctioned expectations of business behaviour as embedded in the neo-corporatists post-war welfare state and industrial relations frameworks which allocated responsibilities to business and other actors (e.g. the German regulations concerning apprenticeships which build on four hundred year old voluntary practices).

In the last three decades particularly, however, governments have introduced policies which are explicitly directed at encouraging CSR rather than creating environments in which CSR might be fashioned. This can be conceptualised as a middle ground between the dichotomous view of CSR as either voluntary or mandatory. Most significantly, governments have used policies associated with the theme of 'new governance' (Moon 2002; and more generally see Rhodes 1997; Pierre 2000). These policies deploy governmental resources which fall short of direct mandate. These have been classified in various ways but include: endorsement, facilitation, and partnership. They tend to rely on multi-stakeholder consensus around norms and processes (Braithwaite and Drahos 2000) and encouragement to self-regulation (Teubner 1997). A legal literature has emerged in this respect around the 'new corporate accountability' at the national and international levels (McBarnet et al 2007).

Relatedly, and most conspicuously in the last decade or so, national governments have become entailed in various new global governance initiatives for CSR, in many of which national governments contribute to their inception (e.g. the UK government was instrumental in the launch of the Extractive Industries Transparency Initiative), or to their operation (e.g. member country governments act as Contact Points for the OECD Guidelines on Multi-National Corporations). These initiatives expressly reflect the character of new governance in which the stress is upon

participation, learning, and consensus about appropriate standards of business behaviour, and which are mainly policed by reputation (Rosenau 2005).

Countries such as the UK, Germany, France, Sweden and Denmark have all adopted social reporting laws requiring large institutional investors to disclose the relevance of social and environmental criteria in investment decisions. Under the 2006 UK Companies Act, companies listed on the London Stock Exchange have to report on non-financial issues relevant to their business within annual reports. Furthermore, the UK Financial Reporting Council's Stewardship Code now requires asset owners and asset managers to report on their adherence to the UN Principles for Responsible Investing. Since 2004, German companies have been required to indicate within annual reports on non-financial indicators that materially affect their performance, though this regulation is not framed in relation to CSR. In France the 2001 New Economic Regulations Act requires listed companies to disclose data on 40 social and environmental criteria in their annual reports. Since 2009 Swedish state-owned companies are required to produce annual sustainability reports in accordance with Global Reporting Initiative (GRI) G3 Guidelines. In 2008 the Danish Parliament adopted an Action Plan for Corporate Social Responsibility that made CSR reporting mandatory for large Danish firms and institutional investors. The Danish government recommended that institutional investors follow the UN Principles for Responsible Investing and that large companies join the UN Global Compact. Several other European countries have specific national Socially Responsible Investing legislation in place that covers their pension systems including Austria (2005), Belgium (2004), and Italy (2004).

Notwithstanding this weight of evidence that governance is not simply a question of mandate or nothing (the 'dichotomous' view – Moon and Vogel 2008) and thus that public policies are entirely compatible with CSR, it should still be noted that in some jurisdictions there are regulations which appear to mandate CSR through law which does leave the sort of conundrum that McGuire (1963) and Siegel and McWilliams (2001) were presumably keen to avoid. Perhaps this is most apparent in the case of CSR in China or the Black Economic Empowerment requirement in the Republic of South Africa but it is also the case in Western systems.

Can we still consider such policies as potentially informing CSR as defined? Whilst these should probably be taken on a case by case basis, there is evidence that the law is being used to encourage business responsibility rather than proscribe or prescribe certain behaviour across the board (e.g. regulations against pollution which would fall on individuals, companies, non-governmental organisations, and governmental organisations). Hence the stress is not so much on the 'voluntary' as on the business responsibility (McBarnet 2007).

Nonetheless, even laws for CSR appear to leave some corporate discretion. For example, UK regulations which require Pension funds to report their environmental, social and ethical impacts (Pensions Act Amendment 1999) and companies to report on material environmental, employee, social and community matters (Companies Act Amendment 2006) give no guidelines as to what would constitute an appropriate or acceptable report, and do not specify punishment for failure to report. Moreover, no prosecutions have been brought for reporting shortfalls. In other words, the

mandate in effect is more of an endorsement of desired behaviour. In some jurisdictions public purchasing requirements reflecting responsible sourcing may be enshrined in legislation but again these do not impose on companies who choose not to supply public bodies (McCrudden 2007). Even in cases where CSR is mandated, companies still have a range of choices about how to respond. They can disregard the mandate, they can be diffident about it, they can conform to it, or they can be motivated by it to raise their standards of responsible business. This point has been neatly put by Rivera (2010) in his analysis of environmental and social protection processes. He noted that whilst compliance with regulation might be a common response of firms in the US it is 'not of those in developing countries' (2010: 2) and moreover that 'in the US it has taken decades to enact and implement these protective policies and for them to reach the point of being internalized by business managers and other influential social groups' (2010: 2). Rivera's study includes reference to 'manipulation', 'defiance', 'avoidance' and 'compromise' as well as 'acquiesence' and 'beyond compliance' as possible US business responses to public policy demands (2010: 14 – 17).

Lastly, it should be noted that it may well be that two different governments introduce policies – be they for social, economic or environmental responsibility - which ostensibly address similar issues. In one case the policy may explicitly refer to the responsibility of business. In the other the injunction is general and no special link is made to business responsibility: that remains implicit in the broader framing of the policy. In the former case we would infer that the government is making some special appeal to business to legitimise the policy. In the latter case we would infer that the government is assuming that a distinctive business appeal or role is inappropriate or unnecessary (though this does not necessarily detract from the value of that policy – Matten and Moon 2008). Thus, the former appears to be a policy to use CSR as a means of addressing a problem. The latter relies on a wider range of means to address the same problem. For the implications of this point for our analysis see the description of our methodology below (section 6.1).

## 3   COMPARATIVE CSR

Although CSR has developed from its US origins to acquire a global currency it should also be noted that its manifestations also vary according to where the responsibilities are being demanded or enacted (Moon, Kang and Gond 2010). The point is most apposite in the present context as a number of studies have pointed to a key difference between US and European CSR being the greater role of government in Europe than in the United States (Matten and Moon 2008).

Most of the studies which have addressed this comparative CSR issue are framed in terms of the related literatures of 'national business systems' (Whitley 1999, 2002), 'varieties of capitalism' (Hall and Soskice 2001) and 'diversity of capitalism' (Amable 2003). The premise here is that governments and companies operate in environments which are in large part structured by rules,

organisations, social norms and moralities, and various sub-systems which could collectively be defined as institutions.[1]

Although European capitalisms are often lumped together and contrasted with the USA as 'organised'/coordinated rather than 'liberal', on closer inspection differences in the European capitalisms emerge.  First, the UK and Ireland are sometimes more closely associated with the USA by virtue of the relative prominence that markets play in the allocation of goods (e.g. the proportion of businesses which are publicly owned through relatively dispersed shareholding), though this also rather belies the historic power of labour, size of the public sector, and role of the state in health and welfare in the UK. Scholars have also distinguished between the Scandinavian systems of capitalism and their northern European, Rhenish (Albert) neighbours particularly for the former's relative open-ness and re-distributive effort. Even the Rhenish category unpacks as the French economy has been distinctly statist and the Netherlands betrays some liberal features (e.g. comparatively low levels of corporate taxation).  Another category is identified in the case of the Mediterranean systems. Since the collapse of the USSR and the entry of the former Eastern Europe into the democratic capitalist camp another, rather residual category has been identified as the former socialist economies.

So what implications has the varieties of capitalism perspective had for analysis of European CSR? We adopt the framework developed by Fox et al (2002) in order to differentiate different types of policy. Fox et al (2002) distinguish four types of public sector roles in encouraging CSR and developing public policy: endorsing, facilitating, partnering and mandating. The endorsing role involves providing political support and endorsement of the concept of CSR and related initiatives. The facilitating role involves incentivizing companies to engage with CSR through subsidy schemes and tax incentives. The partnering role involves collaboration of government organisations with firms or business associations, in which public sector bodies can function as participant, convenor, or facilitator. The mandating role involves the definition of minimum standards for responsible business performance embedded within the legal framework (Fox et al 2002; Gond et al 2011). These roles are not mutually exclusive: an endorsement of CSR through information campaigns may for example be supported by a multi-stakeholder partnership.

Based on the varieties of capitalism perspective, we expect the liberal Anglo-Saxon block to favour market-based facilitating instruments to promote CSR, and statist economies such as France to prefer mandate-type policies. We would expect countries in the Nordic model with its emphasis on redistribution to rely on partnership policies (Alberada et al 2007). Whilst similar partnership approaches are expected for continental countries with a long tradition of implicit or embedded CSR (Matten and Moon 2008) these might not necessarily be labeled as CSR policies. These expectations are broadly consistent with the propositions about the national

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[1] We can distinguish a traditional institutional approach which focused on formal institutions (e.g. executive – legislative relations, centre – local relations, bureaucratisation) and a variety of 'new institutionalisms' which focus variously on state traditions, rational choice or organisational analysis.  In each case, new institutionalism concedes more to interests and behaviour in explaining both the reach and limits of institutions than did their more traditional counterparts (see John 1998: 57)

framing of CSR-government configurations, path dependence, and government agency in CSR-government configuration shifts made by Gond, Kang and Moon (2011). We would expect Mediterranean countries to prioritise endorsement policies on the basis of Alberada et al.'s (2007) characterization of their 'agora' CSR policies.  Lastly, as relative newcomers to the agenda, we expect CEE countries to mainly employ endorsing policies.  Although communist systems such as the People's Republic of China might be expected to initially stress mandatory policies (Gond et al 2011), we expect CEE countries - which expressly threw off the statism associated with communism - to develop CSR policies which are consistent with the liberal economic model which was ideationally adopted in 1989.

# 4    CSR, Public Policies Government, and the FP7 IMPACT Framework

As in all cases of analysis and evaluation of government policies and of business behaviour, much hangs on the choice and use of terms.  Part of the FP7 IMPACT project has been devoted to developing a common understanding of key terms in order to enable researchers from disparate disciplines and national backgrounds to integrate their analysis.   It is therefore appropriate to set out our use of the key terms and their relationship to each in this context.

*CSR*

The IMPACT project adopts the broad EU definition of CSR: 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis.  It is about enterprises deciding to go beyond the minimum legal requirements and obligations stemming from collective agreements in order to address societal needs.' (EU 2006: 2).

The EU definition of CSR is broadly consistent with, but not identical to, other mainstream definitions of CSR, such as Carroll's (1979) distinctions of economic, legal, ethical and discretionary responsibility (which are interrelated with each other). This definition of CSR already contained the specific aim of creating good impact instead of just not causing harm as Carroll specified later on (1991). It is also consistent with Dahlsrud's (2008) conclusion that there are five consistent dimensions to CSR definitions: stakeholders; the social; the economic; the voluntary; and environmental. However, a number of issues arise concerning the EU definition here which warrant clarification, interpretation and elaboration.

We interpret the word 'social' relatively broadly by including the social impacts of companies' economic and political behaviour.  This usually relates to the quality of community, family and individual extra-work life but we also see some aspects of work around the quality of jobs as falling within the social.

We use the term 'ecological' to capture business impacts on the natural environment in three areas: mitigate climate change, protect natural resources from pollution, conservation of natural resources. These can include the use of natural resources, the impacts of emissions on the ecology (including on water and air quality, climate change effects), and the impacts of wastes and by-products.

In both the social and the ecological spheres our research lens is designed to address effects 'up' and 'down' the supply chain, including via suppliers, customers and consumers.

We interpret the word 'concerns' as meaning expectations held by stakeholders of company responsibilities for and to society.

'Business responsibilities *for* society' refers to provision be it akin to positive contributions such as to welfare or culture, or in the form of compensation for its own negative externalities. This is often managed through a stakeholder model.

'Business responsibilities *to* society' refers to accountability and is more likely to reflect responses to societies' demands for business transparency and conformance with socially legitimised and sanctioned standards of behaviour. This is also often managed through a stakeholder model but may also reflect new institutions which articulate accountability standards and review their respective practices.

By 'society' we refer to the populations and communities where companies do business (i.e. to include home and host countries). However, our empirical research is principally confined to EU societies complemented by an interest in the way in which EU companies manage their impacts on extra-EU societies (but not on the assessment of those impacts themselves).

Figure 1 presents the basic conceptual framework used in the overall project.

**For figure one please see page 36**

*Public Policies*

In this context, 'public policies' can be understood as part of the environment in which companies operate and act, responsibly or otherwise. Policies can include laws, revenues, expenditures, public employment and the organisation of government (Rose 1984). They are an accumulated legacy of a variety of governmental decisions, actions and reactions, reflecting strategies and impulses of parties which are often opposed to one another in terms of ideology or the interests which they represent. Public policies, therefore, reflect the 'inheritance principle' (Rose 1990). This is not to say that successive governments are entirely bound by their predecessors but rather that the inherited weight of policies in any single era is usually much greater than the sum of the impact of a single administration.[2] This applies as much to CSR as to any other sphere, as

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[2] This is particularly true in constitutional and representative political systems which have built in mechanisms against wholesale change which and these can be effective even in tempering the impacts of would-be radicals in 'majoritarian' (Lijphart 1984) political systems (see Moon 1993 on Margaret Thatcher).

illustrated by the long term effects of charities acts, and welfare state and industrial relations systems formation on company manifestations of responsibility as noted above.

*Government*

Whilst individual governments govern in an environment mainly shaped by their respective inheritances, they are also agents with their own agendas in their distinctive day to day issue environments (Downs 1972, Baron 1995). From a company perspective, therefore, governments can be considered as stakeholders; one of a number of actors with a stake in the business which can effect and be effected by the company's operations and fortunes (Freeman 1984). Thus individual governments may create policies for responsible business, whether for its own sake or to address a wider governance problem which they are unable to resolve alone (see Gond, Kang and Moon 2011 on 'policies as structure' and 'governments as agents' in explaining the comparative dynamics of CSR).

*Impact*

Whilst the overall aim of the FP7 IMPACT project is to assess the impact of CSR, this element of the project is intended to take a step back and consider the impact of government policies upon CSR and the extent to which the policies themselves address the question of CSR impact on companies' external environment (see figure 1).

Simple as this may sound, questions of impact and effectiveness of policies are notoriously difficult to disentangle. In brief, there are questions of counterfactuals, what would have happened anyway. For example, it is possible that companies would report their environmental, social and governance impacts without the introduction of a regulation. Indeed, it is often the case that regulation follows practice as can be observed in the case of policies for social reporting in a number of countries. The term 'deadweight' is used to describe the creation jobs or firms under governmental resources that would have been created anyway.

Secondly, there is the question of isolating the effects of any single phenomenon in explaining another one: after all most human phenomena appear susceptible to multiple causation. This can be illustrated with reference to ongoing disagreements about what explains the development of welfare states (e.g. from capitalist survival strategies to democratic empowerment) and their effectiveness (e.g. from dependency cultures to personal security, capability enhancement and equality).

Thirdly, governments often stress the policy output in response to an issue or challenge, be it the creation of an organisation or the allocation of resources in response to a problem. They rarely build in either criteria for evaluation of effectiveness or capacity for that evaluation into their policies (see Pressman and Wildavsky's classic 1984 study of implementation). This can often be because governments introduce policies for political or 'placebo' purposes rather than for the ostensible policy challenge in hand. This was the conclusion of analysis of expenditures on counter-unemployment measures under the Thatcher government, including those which

subsidised CSR initiatives (Moon and Richardson 1985: 181 – 185).  This view was endorsed by the Financial Times:

> "Schemes of this sort [assistance to small firms] were introduced in the early 1980s as much for political as economic reasons.  The Government wanted to be seen to be doing something about unemployment, which was then rising very rapidly." (Financial Times, 10 August 1988)

Thus, some of these schemes to address the problem of rising unemployment could be deemed as successful in that (aided by 'creative accounting' for unemployment) the official figures of increasing unemployment were first stalled and then reversed. Conversely, this did not necessarily mean that the number of people in work increased. This point is often related to the power of policy fashions in the policy formulation stage 'with no effective countervailing base of scepticism on which a thorough programme of evaluation might be founded' (Moore et al 1989: 110).

In their study of the impacts of local partnership responses to the UK unemployment crisis (a manifestation of CSR encouraged, facilitated and partnered by public policy), Moore et al (1989) found a number of difficulties in capturing the partnerships' effectiveness.  First, as is common with a number of economic problems, there are structural explanations for the problem in the first place and thus the impacts of local or company level initiatives are i) likely to be modest and ii) difficult to disentangle from structural trends and remedies. Secondly, in some cases firms and jobs could be created by government resources (e.g. in a regional development area or enterprise zone – Jordan 1984) which simply 'displace' similar jobs and firms elsewhere in the economy.

Moreover, not all impacts of policies – or of companies' social responsibility - are easily susceptible to measurement.  In some circumstances simply legitimising new ways of thinking about responsibility and new approaches to engaging companies in their responsibilities may be deemed a sufficiently positive impact by the architects of many government policies for CSR (Moore et al 1989; see also Moon and Willoughby 1990).

Lastly, CSR initiatives are usually driven by the competitive position of the firm and in particular its degree of internationalization. CSR can be a substitute for government regulation, but this is more likely in the context of developing and emerging economies than in firm's home countries (Brown and Steen Knudsen 2011).

Our report now turns to two sorts of analysis, first the review of literature on public policies and CSR in Europe, and then in Section 6 to our own analysis of the policies.

# 5 LITERATURE REVIEW

In this section we present the findings of the review of the literature on public policies and CSR in Europe.

The review is presented under the following sections: Method of Analysis and Description of Data; CSR Issue / Challenge to which Policies are Directed and Focus of Policy; Types of Policy Instruments Used and Political Responsibility; and Performance, Impact and Best Practice.

## 5.1 Method of Analysis and Description of Data

The initial literature search was for papers containing one or more of a number of keywords and appearing in any of over a dozen journals.[3]

The keywords included:

- Government,
- Public policy,
- Regulation,
- Governance + CSR,
- Governance + CR,
- Governance + business,
- Governance + corporate + sustainab*,
- Governance + corporate + responsib*

The search was for papers published between January 2000 and March 2011. The initial keyword search revealed around 50 papers that looked pertinent. A review of these papers yielded about 100 papers that appeared potentially relevant. In the end, 85 papers were examined more closely, of which 40 were relevant to the review. Those 40 papers that make up the data for the report are presented in Appendix 1.

A limitation is that this review only considers journal articles, reports and book chapters available electronically. It did not consider book chapters that were available only in print. However, the impact of this omission is likely to be small, given that the arguments seem to be largely available elsewhere in journal articles, the principal conduit for work in this area.

A second limitation is that the review is of studies which have employed a variety of methodologies. Thus the data set will even include different definitions of CSR and of government policy, different search techniques, different balances of policy mapping (from representative to indicative), and balances of description, explanation, evaluation and prescription.

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[3] Journal of Business Ethics; various journals with the words "Corporate Governance" in the title; Business & Politics; Business & Society; Business Society Review; Business Ethics Quarterly; Common Market Studies; European Journal of Public Policy; Policy Sciences; various journals with "Public Administration" in the title; Business Ethics: A European Review; Journal of Politics; Political Studies.

Another potential limitation to this review is language. The literature searched was in the English language. It is, of course, perfectly feasible for researchers to report in an English language publication policies from their own countries originally presented in their own language. Yet, this may be their second choice medium. In any case there may still be a bias against research having been conducted on policies from countries whose languages are not widely spoken or which do not have researchers who publish on this topic in English language journals.

Only a few of the reports and papers claimed any EU-wide coverage and in some of these cases there was a certain amount of selectivity in the choice of and attention to countries (Alberada et al 2006; Bertelmann Stiftung 2006; Bertelmann Stiftung & GTZ 2007; De la Cuesta Gonzale et al 2004). Three other papers contained six or more countries, two of which were almost exclusively western European (Rivera-Lirio and Munoz-Torres 2010; Steurer 2010) and one of which was focused entirely on Central and Eastern European countries (Braendle and Noll 2006). Two focused on two or three countries (Albareda et al 2006 – Italy and UK; Albareda et al 2008 – Italy, UK and Norway). The remainder addressed only one country. Of those that addressed one country, twelve focused on the UK (including one which also compared the UK with China - Chambers 2005); three on Spain; two on Germany and France; and one each on Austria, Italy, Slovakia and Sweden.

Thus, our limitation on the coverage of the review is partly realised in the sense that there is disproportionate attention to the UK – one of the only two member countries for which English is an official language. However, it should also be noted that many commentators have regarded the UK government as something of a leader in policies for CSR (Bertelsmann Stiftung & GTZ 2007) and this may explain the disproportionate attention here. Notwithstanding these limitations, the literature does nevertheless provide opportunities for insights into CSR policies in a wide range of EU member countries.

Overall we find that much of the literature is descriptive. It provides details of the types of instruments used by governments to encourage CSR, and in some case explanations as to why these were employed. However, there is a paucity of attention to questions of best practice or performance or impact measurement.

The data are presented in a number of categories. These include the CSR issue or challenge being addressed; the type of government instrument employed; the focus of policy (whether at the company, sector or multi-stakeholder level); the political responsibility (the name of the responsible ministry or organisation); and evidence of interest in performance and impact measurement.

## 5.2 CSR Issue / Challenge to which Policies are Directed and Focus of Policy

The academic literature on CSR policies in Europe includes predominantly one-country case-studies and relatively few cross-country comparisons of national policy frameworks. The

academic studies in the main reveal the historical legacies that influence the general focus, aims and objectives of national strategies and policies that broadly touch on CSR related aspects of national government. For example, in the UK CSR policy development originated in the 1980s with the aim to mitigate some of the negative social effects of the deregulation and privatization of the Thatcher area (Bertelsmann Stiftung 2006; Albereda et al 2006). Over time this has developed to encompass a wide array of policies and initiatives covering social, ecological and economic aspects of CSR. Similarly, the *Bilan social* (Social Report) of 1977 in France is considered a precursor to current social accountability frameworks, which was based on input by France's labour unions. Today, the strong focus on social issues remains within the French framework, which has been broadened to also include environmental considerations (Bertelsmann Stiftung 2006).

In corporatist systems such as Germany, where CSR has generally been considered to be governed implicitly through wider institutional frameworks, networks and state regulation, policy initiatives have recently been developed that address sustainable development issues explicitly, for example through information provision and awareness raising. Like in Germany, explicit policy frameworks that have developed in Sweden and Norway are to a large extent externally oriented, focusing on the activities of corporations outside the national boundaries, such as issues of human rights (Norway) and responsible foreign trade (Sweden) (Bertelsmann Stiftung 2006).

Another parallel can be found in the academic literature with regards policy objectives in Denmark and the Netherlands, which shared similar social aims of fostering diversity, social cohesion and community development in their initial development (Bertelsmann Stiftung 2006). In both countries national policies now include environmental and economic aspects of CSR as well (Bertelsmann Stiftung and United Nations Global Compact 2010), whilst in Spain national regulation has remained broadly focused on social issues (Cantó-Milà and Lozano 2009).

Finally, a crude distinction can be made between policies which are drafted in terms of the business case for CSR and which address mainly business responsibilities for CSR, such as in the UK, versus those policies which are focused on fostering multi-stakeholder dialogue, addressing the responsibilities of a wider range of stakeholders, such as in Italy and Spain. The next section will specify examples of national policy initiatives to further build the categorization of public sector roles in promoting CSR.

## 5.3 Types of Policy Instruments Used and Political Responsibility

### 5.3.1  Types of Policy Instruments

We adopt the framework developed by Fox et al (2002) in order to differentiate different types of policy instruments are used for CSR. Fox et al (2002) distinguish four types of public sector roles in encouraging CSR and developing public policy: endorsing, facilitating, partnering and mandating. Table 1 provides an overview of these different types of roles and examples of

corresponding policy instruments currently employed in Europe, which we found in the academic and practitioner literature.

**For more details on policy instruments please see Table 1, page 37**

The endorsing role involves providing political support and affirmation of the concept of CSR and related initiatives (Fox et al 2002). This may include political approval through speeches, awards schemes and kitemarks, as well as stronger endorsement through public procurement policies (Moon, Kang and Gond 2010). An example of an endorsing policy instrument in Denmark is the network of business leaders on CSR, which awards annual prizes to socially responsible initiatives by public- and private-sector enterprises (Bertelsmann Stiftung 2006). In the UK, the annual Queen's award for enterprise includes a category for sustainable development. A Sustainable Procurement Task Force was established in May 2005 with the aim to make UK public procurement agencies among the most sustainable in all of Europe (Bertelsmann Stiftung 2006). Steurer et al (2008) found 103 sustainable procurement initiatives in EU member states in a 2007 survey, including educational activities, government-sponsored guidelines and awareness campaigns (Steurer et al 2008). Other examples of endorsing type policy instruments focused on information dissemination and awareness-raising are listed in Table 1.

What Albereda et al (2007) refer to as the 'agora model' of CSR policy also includes endorsing type policy instruments. Their model refers to Mediterranean countries, including Spain, Greece, Italy and Portugal, where public sector involvement with CSR mainly started after the European Commission's Green Paper (2001) and Communication (2002). In these countries policy has developed out of discussion processes in which governments sought to involve a broad range of stakeholders, with the aim to develop a social consensus around the concept of CSR (Albereda et al 2007).

The facilitating role includes providing incentives for companies to engage with CSR through subsidy schemes and tax incentives (Moon et al 2010; Fox et al 2002). A common example of this type of policy instrument is a tax incentive for corporate charitable giving. Both in Sweden and in the UK for example, payroll giving schemes encourage employees to donate to charity by authorizing a deduction from their gross pay before tax (Bertelsmann Stiftung and GTZ 2007; Steurer 2010). In Belgium, Community investment tax relief (CITR) offers tax incentives to encourage private investment through community development finance institutions (CDFIs) in both not-for-profit and profit-seeking enterprises in disadvantaged communities. Directed to individuals rather than firms, the Dutch Green Funds Scheme facilitates green investments in certified projects that meet certain environmental standards by granting tax exemptions to lenders and borrowers (Steurer 2010).

The partnering role involves collaboration of government organizations with firms or business associations, in which public sector bodies can function as participant, convenor, or facilitator (Moon et al 2010; Fox et al 2002). In Italy, the national government played a key role in the creation of the CSR multi-stakeholder forum. The Forum, set up by the Ministry of Labour and

Social Affairs in May 2004, is a body representing stakeholder groups, including government, employers, trade unions and civil society. Similar initiatives exist in other EU member states, such as Austria, Germany, and Sweden (Bertelsmann Stiftung 2006). The Ethical Trading Initiative (ETI) in the UK is another example of a partnering type of policy instrument. ETI is part-funded by the UK Department for International Development, and brings together NGOs, companies and trade unions with the aim to improve working conditions in the apparel industry. Partnering type policy instruments may also relate to international initiatives. In France, the government initiated the *Forum des Amis du Pacte Mondial*, a network of over 400 French corporate members of the Global Compact (Bertelsmann Stiftung and GTZ 2007).

As mentioned above the relationship between government regulation and CSR may seem counterintuitive for some. Nevertheless we find some evidence in the academic literature of a mandating role for government, which involves the definition of minimum standards for responsible business performance embedded within the legal framework (Fox et al 2002). As noted above, mandating policy instruments for CSR are often considered 'soft regulation', a common example of which are reporting requirements for companies on their social, environmental and ethical impacts (Moon et al 2010). These requirements exist in one form or another in the UK, France, Spain, Sweden, Denmark, Norway, Belgium and the Netherlands. Related requirements for transparency and reporting exist for pension funds in France, Germany, Belgium, UK, Sweden, which require public pension funds to disclose their investment activities related to social and environmental impacts.

### 5.3.2  Political Responsibility

By political responsibility we refer to the organisation or ministry responsible for the policies. This is instructive as it gives a sense of the section of government which most engages with CSR. From the literature review we identify a wide range of ministries responsible for CSR policies, including Labour/Social Affairs, Environment, and Foreign Affairs. Table 2 provides an indication of the ministerial departments involved in CSR government policies in the EU member states, based on the combined findings from the literature review and search of the public domain (see section 6). It appears from the literature that the most common ministry to have responsibility for part of the CSR policies is the ministry of Economic Affairs (including responsibilities for trade and industry). However in most countries, the responsibility for CSR policies lies with several ministries. The UK, France and Belgium each have designated specific ministerial portfolios or departmental responsibilities for sustainable development and CSR, in order to coordinate cross-departmental efforts.

## 5.4 Performance, Impact and Best Practice

The review of academic and practitioner literature highlights the paucity of credible measurement of the performance and impact of government CSR policies in Europe. As described in the section above, whilst various types of instruments have been developed in EU member states, there is a general lack of attention to impact and performance measurement of these policy instruments as described in the academic and practitioner literature. Even the UK, considered by some a leader in the field of CSR (e.g. Vogel 2005), receives critical reviews of the impact of its policy framework. As reporting and auditing standards in the UK are only 'quasi-mandatory', they are mostly designed to be enforced by market pressures rather than the regulator (Chambers 2005). Russel (2007) points out that whilst the UK has been more active than many other EU countries in developing policy instruments for CSR and sustainable development, most of these have been toothless in influencing the traditional economic concerns in UK policy making. This is partly due to questions over political support and poor integration across the different tools and policies (Russell 2007). Criado-Jiménez et al (2008) are equally critical regarding Spain's environmental reporting standard, which saw a high level of non-compliance in the period under study (2001-2003). The report by the Bertelsman Stiftung (2006) describe similar problems with the reporting requirements (NRE) in France, but do point to one example of impact measurement: the Danish National Strategy for Sustainable Development includes annually updated indicators to measure progress (Bertelsman Stiftung 2006).

We found two academic studies that attempted to systematically measure impacts of government CSR policies, one of which looked at the impact of CSR policies on company behavior, the other studied the horizontal integration in national policy frameworks. In a study of enterprise aid policies, Rivera-Lirio and Muñoz-Torres (2010) find that the approval of the European Strategy for Sustainable Development 2001 has done little to promote CSR in the European manufacturing industry, but some enterprise aid policies might nevertheless have been effective in contributing to sustainable development in individual member states (Rivera-Lirio and Muñoz-Torres 2010). Sedlačko (2007) develops a framework for measuring the impact of Slovakia's sustainable development strategy on national policies, finding that the sustainable development strategy is well integrated in the environmental and transport sector policies, but only to a limited extent in education, tourism and national and regional economic policies (Sedlačko 2007).

Some attention is paid in the academic literature to identifying best practices in CSR policies. Steurer et al (2008) classify groups of countries according to national business systems, and state that countries with an Anglo-Saxon socio-economic model have the most developed CSR policies, followed by those that share features of the Scandinavian model, and those that constitute the Continental model, whilst Mediterranean and Transition countries from Central-Eastern Europe pay the least attention to CSR. The authors also conclude that centralised approaches seem to help to better coordinate and focus activities, and to capture the attention of the media and companies more effectively (Steurer et al 2008: pp 21-23)

The 2006 report by the Bertelsmann Stiftung, titled 'Government as Partner? CSR Policies in Europe', implicitly reviews best practice policies of various member states as compared to the

(lack of) German policies. The 2010 follow-up report identifies a number of good policy options in Germany, the UK, Denmark, Sweden and France; and names Denmark's National Action Plan for Corporate Social Responsibility and Germany's Public Private Partnership (PPP) Program as innovative examples of public policies for CSR. These examples are selected as best practice based on the following criteria:

- The activity is voluntary and an effective complement to state regulations.
- The activity demonstrates public sector innovation in and commitment to fostering responsible business behavior with respect to social and/or ecological issues relevant to a given country.
- The activity draws on a government's earlier efforts in the field and responds to the national context.
- The activity allows the governments to adopt different types of policy interventions.
- The activity involves stakeholders or is based on a partnership.
- The activity is integrated into a national strategy and/or relies on stable administrative structures.
- The activity holds strong potential for generating substantial social and/or ecological change.
- The activity demonstrates sound practices and offers useful lessons learned for other governments facing similar problems or challenges (Bertelsmann Stiftung and United Nations Global Compact 2010)

Note that performance or impact measurement does not feature in this list, but the report highlights that a comprehensive analysis of the Danish Government's accomplishments related to its Action Plan is to be conducted in 2012; and an evaluation of 43 individual PPP projects was performed in 2009. This evaluation was aimed at assessing the impact and sustainability of public-private partnerships two to five years after each project's termination. The impact assessment covered topics including employee qualifications, technology transfer and influence on the national policy framework, among others (Bertelsmann Stiftung and United Nations Global Compact 2010: pp 35, 37).

# 6   POLICY ANALYSIS

In this section we report on our own analysis of government policies for CSR, based on searches of information regarding CSR policies found in the public domain.

The review is presented under the following sections: Method of Analysis and Description of Data; CSR Issue / Challenge to which Policies are Directed and Focus of Policy; Types of Policy Instruments Used and Political Responsibility; and Performance, Impact and Best Practice.

## 6.1 Method of Analysis and Description of Data

Three overview sources were used to form the preliminary data base: European Commission: Corporate Social Responsibility – National public policies in the European Union (2007; 2011); CSR Europe: A guide to CSR in Europe; Country Insights by CSR Europe's National Partner Organisations (2009); UNDP: Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonization, competitiveness and social cohesion in the EU (2007).

Furthermore, a Google search was undertaken with the following combination of search terms:

- Corporate; responsib*; policy; [the name of the country]
- CSR policies; CSR programs; [the country]
- Sustainab*; policy; [the country]
- Promot*; responsib*; [the country]
- Promot*; sustainab*; [the country]
- Government; CSR; [the country].

Resultant Google references led to various public policies government websites. Each website found was then searched for further policies. In addition, a search was conducted of current government websites for Corporate Social Responsibility, CSR; Corporate Responsibility; CR; Sustainab*; Responsib*.

A number of country specific inquiries were made to solicit any reference to policies that the above searches may have missed. These included national legal sources (e.g. the Hungarian Legal Catalogue), local UNDP offices (e.g. in the case of CEE countries), and national CSR experts.

A final qualitative check was made to ensure the policies found met our basic parameters:

- The search was for CSR government policies introduced between January 1st 2000 and December 31st 2011
- These are policies of national governments and the European Union (sub-national and non-EU international public policies are excluded).
- A policy is defined as a governmental output or public action (rather than simple intent): 'the substance of what government does' (Dearlove 1973: 2) (The Politics of Policy in Local Government CUP). It would be identified by the mobilisation of public resources such as regulations, financial resources (negative or positive expenditures), or organisational resources to a specified issue or challenge. Policy may be signalled by legislation but could also be simply be enacted by executives under the delegated authority of legislatures.
- CSR is defined as per the overall FP7 IMPACT project (see above)

It follows that if a policy does not spell out a particular business responsibility (as captured in our keywords) it does not get recorded as a CSR policy even though this may be implicit in the policy design.

The countries for which we research government policies included: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the UK. Thus, unlike most of the literature we have reviewed in Section 5, this section enables full European comparison.

## 6.2 CSR Issue / Challenge to which Policies are Directed and Focus of Policy

Our search of government policies both confirms and extends the insights of the academic literature review regarding the main issues that are currently being addressed in EU member states under the heading CSR. In our review of government policies in the last decade (2001-2011), we find that the scope of communications by the EU Commission, as well as that of policies in many EU member states has generally broadened to encompass social issues such as diversity and equality at work, and environmental issues, including climate change. In some member states economic issues such as innovation and competiveness are also increasingly connected to the sustainability debate.

In the decade under study, the European Commission published its Green Paper (2001), and three subsequent communications (2002, 2006 and 2011). Notably, the definition of CSR was changed in the latest communication to encompass 'the responsibility of enterprises for their impacts on society' (EC 2011). In the 2011 communication the Commission sets out various initiatives on issues such as dissemination of good CSR practices, transparency and education, and outlines its expectations of companies with regards to principles, guidelines and standards for CSR, especially with regards to human rights (EC 2011). The human rights guidance builds on the UN Guiding Principles developed under UN Special Representative Prof. Ruggie, which is supported by the EU. Sustainability is also addressed in the latest Growth Strategy, Europe 2020, which addresses initiatives regarding resource efficiency and 'greening' industrial policy (COM(2010) 2020 final). The wide scope of policies is also evident in the Sustainable Development Strategies, the first one of which was launched at the Gothenburg Summit in June 2001. The Strategy was revised in 2006 and a further review was undertaken in 2009. Whilst the strategy addresses predominantly environmental issues, attention is also paid to the link with social issues such as public health, social inclusion, demography, migration and poverty.[4] Lastly, the European Climate Change Programme (ECCP) adopted in 2000, which has led to the adoption of a wide range of new policies and measures, including the Emissions Trading System,

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[4] http://ec.europa.eu/environment/eussd/

shows the impetus on EU-wide policies and regulation related to climate change in the decade under study.

A similar trend in the widening of the scope of issues addressed in government policies can be observed in some individual EU member states. Several countries now address environmental and social issues under the general heading of sustainable development. In the UK this work has been led by the Sustainable Development Commission that acted as the UK Government's independent adviser on sustainable development between 2000 and 2011. France's sustainable development strategy has been updated in 2010, and whilst it still focuses mainly on environmental matters, issues such as education and migration are also now being addressed. The Mediterranean countries have been slower with the uptake of sustainable development strategies, but are addressing an increasing array of social issues, such as equal opportunities and work/life balance, under the heading of CSR. The Rhenish countries continue to include CSR in their social policies, as well as developing various initiatives focused on environmental issues, whilst in Scandinavian countries social policies are particularly focused on activities of multinational companies outside the EU. Policies in many CEE countries seem largely driven by EU-wide developments, and several have developed sustainable development strategies in recent years.

In terms of targets of government policies, SMEs have been a priority for the EU on the whole and work on promoting CSR has been led by a European Expert Group on CSR and SMEs, established by the European Commission in September 2005. Specific policy initiatives focused on promoting CSR to SMEs have been developed in the UK, Ireland, Germany, Austria, the Netherlands, Portugal and Denmark. In the last decade there has also been increasing recognition of the need for sector specific initiatives to address the challenges CSR poses in various industry sectors. The EC supports sector specific initiatives in the food, textiles, construction, chemicals, and pharmaceutical sectors. A few member states have developed sector specific initiatives nationally, such as the 'Clean Production' project aimed at the tourism industry in Romania. Lastly, a range of stakeholders have been addressed in EU-wide forums, including the European Multistakeholder Forum on CSR created in 2002, and the European Alliance on CSR, a business-lead initiative to promote CSR launched in 2006. National multi-stakeholder forums and networks have been created in the UK, Austria, Belgium, the Netherlands, Spain, Italy, Denmark, Luxembourg, and Sweden. The section below will specify in more detail the topics addressed by different types of policy instruments.

## 6.3 Types of Policy Instruments Used and Political Responsibility

### 6.3.1  Types of Policy Instruments

As in section 5.3, we adopt the framework developed by Fox et al (2002) in order to differentiate different types of policy in our search. Fox et al (2002) distinguish four types of public sector roles in encouraging CSR and developing public policy: endorsing, facilitating, partnering and mandating. Table 3 provides an overview of these different types of roles and examples of

corresponding policy instruments currently employed in Europe, which we found in the public domain. In the sections below we provide information on selected examples, both at EU and national level.

**For more details about policy instruments see Table 3, page 40.**

### 6.3.1.1 Endorse

Endorse-type policy instruments are used to raise awareness of CSR and promote good practices. This includes general information campaigns and website, award schemes and labeling or kitemarks. These are the most common type of instrument used in CSR policies. In addition, public procurement polices are treated here as part of endorsing CSR. Examples of endorse-type policy instruments found in the public domain can be found in table 3.

At EU level various policy instruments are geared towards raising awareness of CSR, which has been one of the objectives of the EC Communications on CSR since the publication of the Green Paper in 2001. The High-Level Group of Member States' representatives was formed with this aim in 2000, to share different approaches to CSR and encourage peer learning. Major dissemination events are also organised through the group. For example, in October 2008, the Commission jointly organised with the French Presidency of the EU, and the European Economic and Social Committee a conference on transparency and partnership. In November 2009, the Swedish Presidency of the EU organised a conference related to the work of UN Special Representative on business and human rights John Ruggie. The European Expert Group on CSR and SMEs (2005-2007) served as a forum for the collection and exchange of ideas and experience on how best to support CSR among SMEs. Further examples of awareness raising include the Pan-European Awareness Raising Campaign on CSR for SMEs, set up by DG Enterprise and Industry, in co-operation with EUROCHAMBRES (European Association of Chambers of Commerce) and UEAPME (European Association of Craft, Small and Medium-sized Enterprises in 2004 – 2005. The Environmental Compliance Assistance Programme (ECAP) started in 2007 to help SMEs minimise the environmental impact of their activities and to facilitate compliance with existing legislation, through websites, networks and training activities.

Ongoing EU-wide award schemes include the European Enterprise Awards and the European Business Awards for the Environment. With regards to labeling and kitemarks, the Directives on Eco-Design and Eco-labeling aim to reducing the energy consumed by products: labelling by raising awareness consumers on the real energy use in order to influence their buying decisions, and eco-design by imposing energy efficiency requirements imposed to products from the early stage on the design phase. The Eco-Design directive works indirectly by defining the conditions and criteria for setting environmental guidelines for specific products.[5] The Eco-label is a voluntary scheme that provides an product label based on environment impacts in a life-cycle

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[5] See http://ec.europa.eu/energy/efficiency/ecodesign/legislation_en.htm;
http://ec.europa.eu/environment/ecolabel/index_en.htm; http://ec.europa.eu/environment/emas/index_en.htm

assessment. Finally, the EU Eco-Management and Audit Scheme (EMAS) is a management tool for companies and other organisations to evaluate, report and improve their environmental performance. In 2009 the EMAS Regulation has been revised and modified for the second time leading to the EMAS III Regulation. The EMAS awards recognize the work of EMAS registered organisations in environmental protection annually since 2005.

Public procurement policies are generally considered a stronger form of endorsement for CSR. At EU level, a distinction is made between Green Public Procurement (GPP) and Sustainable Public Procurement (SPP). Whilst Directive 2004/18/EC and Directive 2004/17/EC provide Member States with the legal basis for including environmental and social considerations in the contract-award process, green procurement policies have been further developed. The Procurement Directives explicitly allow green requirements to be included at all stages of the procurement process (Wensen et al 2011). The 2008 EC Communication "Public procurement for a better environment" also focused specifically on Green Public Procurement (GPP). GPP is a voluntary instrument, which means that individual Member States and public authorities can determine the extent to which they implement it. Formal endorsement by member states includes drawing up National Action Plans and guidance notes. At EU level the European Commission set an indicative target that, by 2010, 50% of all public tendering procedures should be made in compliance with the core EU GPP criteria.

At a national level, endorse-type policy instruments aimed at awareness-raising are common across the EU. For instance, various German ministries host websites related to CSR and sustainable development. The UK hosts an Associate Parliamentary Corporate Responsibility Group to promote debate and understanding of corporate social responsibility within UK Parliament, by inviting speakers from industry and third sector organisations. Various government departments in the UK are involved in knowledge dissemination activities. For example in October 2006, HM Revenue and Customs (HMRC) hosted a Corporate Responsibility Summit for the public, private and voluntary sectors. The event focused on collaborative working across the three sectors. Linked to the Summit was a follow-up debate hosted by HMRC working in partnership with the Chartered Institute of Taxation and SustainAbility, to discuss whether tax should be considered as part of CSR (BERR, 2008).

Political rhetoric is also a form of endorsing CSR. The Minister of Labour and Employment in Luxembourg, François Biltgen, has been actively promoting CSR since 2003, through speeches and more specifically by leveraging the Luxemburg 'tripartite model' - bringing together the diverse entities of government, labour and corporate sectors to educate, inform and drive support for the development of CSR within Luxemburg (European Commission 2007).

National award schemes that reward companies for social and/or environmental of good CSR exist in the UK, Ireland, Germany, Austria, Greece, Portugal, Spain, Bulgaria, Hungary, Slovakia and Slovenia. Some are long standing, such as the Austrian Federal Ministry for Social Security competition rewarding the enterprise with the best equal opportunity and family friendly policy, running since 1999. Newer schemes are more explicitly focused on CSR and sustainable

development, such as the Bulgarian award for the socially responsible enterprise of the year, started in 2006.

Apart from national legislation to implement the Eco-design, Eco-labelling and EMAS initiatives, various EU member states have developed national label and kite mark schemes. In the UK, the Sustainability Integrated Guidelines for Management (SIGMA) project was launched in 1999 with the support of the UK Department of Trade and Industry. New SIGMA Guidelines were launched in 2003, which provide a set of principles and a management framework to integrate sustainability issues into core processes and decision-making. Regarding social issues, both France and Belgium have developed labels for diversity and equality management. In Belgium the Social Label is supported by the Ministry of Economic Affairs, and overseen by the Committee for Socially Responsible Production to monitor company compliance with ILO labour standards in company supply chains. The Danish Ministry of Social Affairs has sponsored a Social Index since 2000. The index provides a framework to score a company on employment related issues, which can be undertaken by employees and management collaboratively. The tool was re-launched in April 2007 as an affiliation scheme but was discontinued in 2011, and is currently undergoing revision.[6]

At national level, 21 countries that have green public procurement plans in place: Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the UK, whilst another 6 are in the process of preparing their plans: Bulgaria, Estonia, Greece, Ireland, Hungary, and Romania.[7] The UK Government was one of the earliest to introduce sustainable procurement specifications in 2003. In 2005 the UK Government's Sustainable Development Strategy set out goals to make the UK a leader in the EU in sustainable procurement by 2009 and a Sustainable Procurement Task Force was created to measure progress against targets set for all Government departments. In 2010 a voluntary supplier charter highlighted three priority areas for the public sector to concentrate on: SMEs, apprentices / youth unemployment and resource efficiency (Sustainable Development Commission 2011). [8]

### 6.3.1.2 Facilitate

Policy instruments that aim to facilitate CSR include subsidy schemes and tax incentives (Moon et al 2010; Fox et al 2002). This type of policy instrument is the least common, both at EU level (where state aid rules are prohibitive) and at EU member states level. Nevertheless, the LIFE funding can be identified at EU level as a funding scheme aimed at supporting environmental and nature conservation projects. The scheme includes a category for industry and production, which funds projects ranging from the demonstration of innovative clean technologies in various types of industry and other economic sectors, to the development and optimisation of methods for

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[6] http://www.detsocialeindeks.dk/

[7] As of June 2010, see http://ec.europa.eu/environment/gpp/action_plan_en.htm

[8] http://sd.defra.gov.uk/

monitoring and managing environmental impacts.[9] Two of the structural funds also address sustainability issues. The European Regional Development Fund (ERDF) seeks to reinforce economic and social cohesion by redressing regional imbalances through financing of: investment which contributes to creating sustainable jobs; investment in infrastructure; measures which support regional and local development, including support and services for businesses, in particular SMEs; and technical assistance.[10] The European Social Fund (ESF) promotes sustainable employment in EU member states.[11]

We found evidence of tax incentives schemes that grant tax relief for corporate charitable donations in Italy, Bulgaria, Poland and the UK. In CEE countries such as Bulgaria, Hungary and Romania further incentives schemes exist that aim to stimulate diversity and equal opportunities by granting tax relief or exemptions from employers' contributions for companies that employ previously unemployed workers. In the UK, Community investment tax relief (CITR) was launched in January 2003. The scheme awards tax relief to both individuals and corporate bodies investing in accredited Community Development Finance Institutions (CDFIs), which in turn provide finance to qualifying profit-distributing enterprises, social enterprises or community projects. The tax relief available to the investor is 5% per annum of the amount invested, up to 25% (UK Government CSR report 2004). Tax relief schemes that aim to stimulate ethical or green investment also exist in the Netherlands and Belgium, freeing returns on such investments from income and dividend taxes up to a certain threshold. Germany, the Netherlands, Belgium, Spain, and Portugal also have subsidy schemes to support CSR, including environmental and social subsidy schemes. These schemes are often aimed at SME's, for example the Belgium 'Plus award' scheme helped SMEs to develop CSR policies using various CSR tools such as audit and reporting standards.[12] Lastly, we found evidence of negative incentives employed in France, where since 2009 HGV's are charged a kilometer fee on free national roads, which is used to finance alternative transport modes.

### 6.3.1.3 Partner

Government can also rely on collaboration with firms, business associations or other stakeholders in their CSR policies. In these partnership public sector bodies can function as participant, convenor, or facilitator (Moon et al 2010; Fox et al 2002). This type of policy instrument is often combined with the endorsing type of instrument that seeks to raise awareness or disseminate knowledge. At EU level various multi-stakeholder forums exist, dealing with themes ranging from all encompassing CSR and sustainability issues to industry specific challenges:

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[9] http://ec.europa.eu/environment/life/themes/industry/index.htm

[10] http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm#2

[11] http://ec.europa.eu/esf/home.jsp?langId=en

[12] http://www.socialeconomy.be

- The European Multistakeholder Forum on CSR, was set up to enable dialogue about developments in CSR and European policy. The forum includes representatives from business, trade unions, non-governmental organisations and other groups.
- The 2006 EC Communication 'Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR' triggered the establishment of the European Alliance on CSR, a business-lead initiative to promote CSR.
- In 2009 the Retail Forum was launched, a multi-stakeholder platform set up in order to exchange best practices on sustainability in the European retail sector and to identify opportunities and barriers that may further or hinder the achievement of sustainable consumption and production.
- The European Food Sustainable Consumption and Production (SCP) Round Table, launched in 2009, is an initiative that is co-chaired by the European Commission and food supply chain partners and supported by the UN Environment Programme (UNEP) and European Environment Agency. There are member organisations representing the European food supply chain, including consumer organisations and NGOs.

The broad partnership approaches assist in the knowledge dissemination around CSR and sustainability issues, whilst the industry sector partnerships often play a key role in the development of guidelines, standards or codes. This is a popular type of policy instrument for promoting CSR in EU member states. At national level similar initiatives to the European Multi-stakeholder Forum on CSR exist in the Netherlands, Austria, Germany, Greece, and Italy.

More intensive partnering agreements exist in the UK, where the Government Department for International Development provides core funding for the Ethical Trading Initiative (ETI), an alliance of companies, trade union and non government organisations committed to improving working conditions in global supply chains. In another supply-chain related partnership agreement, the Dutch Ministry of Agriculture signed a memorandum of understanding with the fishing industry, the North Sea Foundation (NSF) and WWF-Netherlands to ensure that by the end of 2012 almost all of the fisheries in the country would be either Marine Stewardship Council (MSC)-certified or under assessment. The Dutch government is supporting fisheries for seeking certification through grants.[13]

With regards to social issues, the Federal Civic Participation Network in Germany is an example of a partnering policy instrument. The Network entails cooperation between the federal government and representatives of the Länder (regions) and municipal associations, companies and non-profit-making organizations with the aim of developing and implementing cross-sectoral measures to promote civil participation.[14] In Sweden, the Swedish Partnership for Global Responsibility disseminates knowledge of the OECD Guidelines and the Global Compact principles. Experiences are exchanged between the business sector, labor unions, NGOs and the government in order to promote and find practical solutions for CSR concerning human rights, the

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[13] http://www.guardian.co.uk/environment/2011/jul/11/netherlands-sustainable-fishing

[14] www.ec.europa.eu/social/BlobServlet?docId=1577&langId=en

environment, countering corruption and the quest for decent economic and social conditions. Other examples of partnering policy instruments can be found in table 3.

### 6.3.1.4 Mandate

Policy instruments that mandate involve the definition of minimum standards for business performance embedded within the legal framework (Fox et al 2002). Whilst relatively few of these types of policies exist, some regulation can be identified both at EU and national level. At EU level, a clear example of this type of policy instrument is provided by the reporting requirements for companies. The EU Accounts Modernisation Directive amends the existing accounting directives and stipulated that from reporting year 2005 onward, European companies must provide a Business Review including non-financial, environmental and social performance indicators, to the extent necessary for an understanding of a company's development, performance or position. Another amendment of the directives in 2006 introduced an obligation for listed companies to include a corporate governance statement in their annual report. All member states have chosen to exempt SME's from this directive upon implementation in their national legislation.

Climate change is an area that is increasing regulated by mandate-type policy instruments. The EU Emissions Trading Scheme launched in 2005 sets a cap on $CO_2$ emissions from installations such as power stations, oil refineries, factories making cement, glass, paper etc. National Allocation Plans (NAPs) set out the total quantity of greenhouse gas emission allowances that EU Member States grant to their companies in the first (2005-2007) and the second (2008-2012) trading periods. From 2013 caps will be set at EU level and half of the allowances are expected to be auctioned. Companies covered by the ETS are required to have an emission permit, monitor and report on their emissions.[15] As long as there are enough emission permits for covering the total amount of emissions each year, the decision whether to reduce emissions or to pay for a larger amount of emission permits is in the discretion of firms. In the long run there will be situations, without enough emission permits for the total amount of emissions – meaning that firms who couldn't buy permits have to reduce their emissions.

At a national level, countries that have implemented legislation regarding reporting requirements for companies are the UK, France, the Netherlands, Denmark and Norway. The law on the New Economic Regulation of 2001 and a further Decree in 2002 detail the reporting provisions for listed companies in France. The objective is to encourage companies to establish the tools necessary to measure the social and environmental impact of their activities in a strategic way. Regulation also exists in France regarding senior management reporting on financial risks. The

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[15] http://ec.europa.eu/clima/policies/ets/index_en.htm. Of course, further directives exist at EU for industrial emissions. The Directive on industrial emissions (2010/75/EU (IED) which was adopted in 2010 replaces several existing sectoral directives. However we do not consider these here as they fall under the 'command and control' type regulation (see section 2 of this report).

Danish regulation relates to large firms only – approximately 1.100 Danish firms (Brown and Knudsen 2011). Government supported guidelines for reporting (rather than mandates) exist in Austria and the Netherlands. In the latter country the Dutch Ministry of Economic Affairs, Agriculture and Innovation also conducts a "Transparency Benchmark", which ranks companies based in the Netherlands on their CSR reporting annually since 2004, and makes results publicly available.[16] Hungary's Recommendations on Social Responsibility of 2010 made by the Economic and Social Council also include a suggestion to make sustainability reporting obligatory for companies in which the Hungarian government has a majority stake, and similar recommendations were made by the Polish Working Group on CSR in 2011 (Ministry of Economy 2011; UNDP 2007).

In addition to reporting guidelines and regulations for companies, several EU member states, including France, Belgium and the UK, also have adopted legislation regarding reporting requirements for public pension funds. In the UK, a 2000 amendment to the Pension Act 1995 came into force requiring the Trustees of occupational pension schemes to disclose through their Statement of Investment Principles (SIPs) "the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments" (European Commission 2007; 2010). In addition, the Stewardship Code was published in 2010, which provides guidelines on the quality of engagement between institutional investors and companies. All UK-authorised Asset Managers will need to produce a statement of commitment to the Stewardship Code or explain why it is not appropriate to their business model from 6 December 2010.[17]

Some member states have implemented national climate regulation, in addition to their National Action Plans required for the ETS. In France the Law Grenelle II adopted in 2010 details enhanced responsibility of the parent-company in case of pollution by one of its affiliates, and a mandatory social and environmental report, including CO2 emissions, for large companies.

## 6.3.2  Political Responsibility

By political responsibility we refer to the organisation or ministry responsible for the policies. Similar to the findings of the literature review, we find a broad range of ministerial departments responsible for the coordination and implementation of CSR government policies. At EU level, the brunt of CSR related initiatives and policies is coordinated by DG's Enterprise and Industry and Employment, Social Affairs and Inclusion, whilst DG's Environment, Transport and Energy and Internal Market are increasingly involved with sustainability and CSR as well.

Table 2 provides an indication of the ministerial departments involved in CSR government policies in the EU member states, based on the combined findings from the literature review and search of policies in the public domain. Whilst responsibilities are generally dispersed amongst

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[16] http://www.reportingcsr.org/_the_netherlands-p-48.html

[17] http://www.frc.org.uk/corporate/investorgovernance.cfm

various departments, it is significant – and consistent with our analysis of CSR Issues (section 6.2 above) that in the Mediterranean Social Affairs/Employment departments generally take the main responsibility for the government policies related to CSR.

## 6.4 Impact

As in the literature review, there is a dearth of attention to impact of CSR in government policies found in the public domain. In our search, we distinguish the measures related to the impact of government policies from those that are aimed at measuring corporate performance and impact.

Regarding the former type of measure, the EU impact assessment framework is an important element of impact measurement of government policies. The framework was launched in 2002 to measure the likely positive and negative impacts of proposed policy actions by the Commission, and has since been extended to include 'substantive amendments' by the European Parliament and the Council. The impact assessments are necessary for legislative proposals which have significant economic, social and environmental impacts, non-legislative initiatives which define future policies and certain implementing measures which are likely to have significant impacts. The guidelines for impact assessment aim to assess all significant economic, social and environmental impacts of possible new initiatives. An independent Impact Assessment Board examines and issues opinions on all the Commission's impact assessments, which are publicly available.[18] Apart from the impact assessments undertaken in the framework, evaluations of EU policy instruments have been commissioned from time to time, for example the study undertaken by a consortium led by Università Bocconi, which informed the revisions to EMAS and the Eco-label. This study focused on the link between these policy instruments and environmental performance (as understood in the Impact research framework).[19]

The latest Communication from the Commission (2011) refers to progress made in the field of CSR and lists the following indicators to illustrate this progress (all of them are about performance rather than impact as understood in this project):

- The number of EU enterprises that have signed up to the ten CSR principles of the United Nations Global Compact has risen from 600 in 2006 to over 1900 in 2011.
- The number of organisations with sites registered under the Environmental Management and Audit Scheme (EMAS) has risen from 3,300 in 2006 to over 4,600 in 2011.
- The number of EU companies signing transnational company agreements with global or European workers' organisations, covering issues such as labour standards, rose from 79 in 2006 to over 140 in 2011.
- The Business Social Compliance Initiative, a European, business-driven initiative for companies to improve working conditions in their supply-chains, has increased its membership from 69 in 2007 to over 700 in 2011.

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[18] http://ec.europa.eu/governance/impact/index_en.htm

[19] For a copy of the study see: http://ec.europa.eu/environment/ecolabel/about_ecolabel/revision_of_ecolabel_en.htm

- The number of European enterprises publishing sustainability reports according to the guidelines of the Global Reporting Initiative rose from 270 in 2006 to over 850 in 2011.

In order to monitor progress on the Green Public Procurement communication (COM (2008) 400), the Commission proposes to establish two types of indicators: quantitative indicators to assess the progress of the policy and its impact on the supply side, and impact-oriented indicators allowing assessment of the environmental and financial gains made. This monitoring methodology was tested in the 2009 study 'Collection of statistical information on GPP in the EU'. In 2011, the Commission will evaluate the situation and make a review of the current state of GPP in the Member States. Results will serve as the basis for setting future targets.[20]

In 2006 the results of a study funded by the European Commission and undertaken by AccountAbility, ESADE, the European Policy Centre and INSEAD were published. The study builds on the work related to the Responsible Competiveness index (see below) to examine the link between CSR and competiveness in the Information and Communication Technology, financial services and pharmaceuticals sectors. The study found evidence of a link for some companies, whilst for other companies the two aspects seemed unrelated (MacGillivray et al 2006).

Various national impact assessments are undertaken in preparation for national sustainable development strategies. For example the Irish government commissioned in 2007 the study 'Counting what Counts', which was prepared by the Envirocentre. The study provides recommendations on national indicators for sustainable development, based on a review of current social, economic and environmental indicators, which could be developed alongside the EU strategy for sustainable development.[21] The report and subsequent follow-up work feeds into the development of the national sustainable development strategy. Similarly, Slovenia's national sustainable development strategy (2005-2013) includes a system of indicators used to monitor and evaluate its implementation. The set of indicators was prepared parallel to the strategy and served as a basis for annual implementation reports. Hungary's energy saving and efficiency decree (Resolution No. 1107/1999. (X. 8.)) outlines measurable goals in energy saving for a 10-year time-span, and means to facilitate the action plan.

Whilst we did find little evidence of national government policies specifically aimed at addressing or enabling corporate impact- as defined in this project- resulting from CSR practices, we did find some initiatives that assessed impacts of existing CSR tools and initiatives.

In the UK the Government commissioned AccountAbility to look at the connection between CSR and business performance, both in terms of the impact on the competitiveness of individual companies and of national economies. The then Department of Trade and Industry hosted and chaired an international conference launching both the Responsible Competitiveness Index and an international consortium of business and research groups working on these issues (CSR report UK Government 2004). AccountAbility and the Copenhagen Centre created the index by

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[20] http://ec.europa.eu/environment/gpp/studies_en.htm

[21] http://www.comharsdc.ie/themes/index.aspx?TAuto=6

integrating data on national CSR environments into existing indices on competiveness. They found that countries lacking an enabling CSR environment may suffer a significant loss of competiveness, whilst those with a 'responsibility surplus' could stand to gain (MacGillivray et al 2003). The study was repeated in 2005, finding again significant correlation between national competiveness and CSR policy environments (Zadek et al 2005). The Responsible Competitiveness index is currently a product offered by AccountAbility to develop responsible strategies for companies, industry sectors, and national governments.[22]

Another example of impact assessment in the UK was undertaken by the Ethical Trading Initiative, which commissioned the Institute of Development Studies at the University of Sussex to study the impact of the ETI code of labour standards on working conditions in countries around the world. The study was undertaken between 2003 and 2006. Based on interviews with over 400 workers, it found ETI had had most impact on health and safety, less impact in relation to freedom of association, discrimination, regular employment and harsh treatment, where serious issues frequently remained.[23]

# 7    CONCLUSIONS AND DISCUSSION

## 7.1 Public Policies for CSR in Europe

Our basic finding is that in general terms there has been a remarkable growth of public policies for CSR in Europe.  This finding is confirmed both by review of the relevant literature but also our own pan-European analysis.  No longer is CSR mainly implicit in public policies but it is also increasingly explicit in government policies (Matten and Moon 2008).  In other words, it is not simply that government policies structure the environment in which companies choose to behave responsibly or otherwise, but also that policies are precisely designed to encourage such behaviour.

These policies tend to reflect a general trend from endorsement (e.g. rhetoric, conferences, networks, awards, labeling, public procurement); through facilitation (e.g. subsidies, tax incentives); and partnership (e.g. governmental collaboration with business organizations and, very often, also with civil society organizations); to mandate (e.g. for accounting or reporting standards).  However, the trajectories between and combinations of these policy types also vary among countries (see below).  Collectively they tend to reflect broader trends in new governance which stress participation, networks and learning (Moon 2002).

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[22] See http://www.accountability.org/research/responsible-competitiveness/index.html for full results, including the 2003, 2005 and 2006 report summaries.

[23] See http://www.ethicaltrade.org/resources/key-eti-resources/eti-impact-assessment-part-1-main-findings for all findings.

The policies also represent a general broadening of issues and problems to which the CSR policies are addressed. In general terms these often originated around policies designed to engage business in addressing domestic social consequences of economic down-turns. However, these have broadened from policies designed to engage business in addressing international issues of human rights, climate change and sustainable development. Accordingly there has been some variation in the political responsibility for CSR as governments have shifted and combined ministries representing their policies. This suggests that governments have been prepared to encourage and deploy CSR in an ever widening range of problems and this in turn reflects the general dynamic more widely observed in company CSR policies (Gond and Moon 2011).

Turning to our interest in how public policies address the impact of CSR on society or on the problems to which they are ostensibly addressed, our finding is of a surprising lacuna, particularly at the national level. There is evidence of EU interest in assessment and indicators of CSR performance[24] but this is not widely shared within national government policies (exceptions include Eire and Slovenia policies for sustainable development and the UK Ethical Trade Initiative). It is unclear whether this reflects a general view that government should not micro-manage CSR or a more cynical view that governments have a greater interest in symbolic power of policy.

## 7.2 European Policies for CSR in Comparative Perspective

When we compare the blocks of countries based on their varieties of capitalism (see section 3 above), we can distinguish some broad trends in the data:

- Anglo Saxon countries and the Netherlands (which shares some Anglo-Saxon features) address a wide range of issues under the sustainable development agenda, led by their respective trade & enterprise and environmental ministerial departments. They are also distinct in using all four forms of policy (endorsing, partnering, facilitating and mandating) and this might be taken as a sign as a mature policy portfolio. However, the breadth of their approach might lead to coordination problems and a lack of integration in the long term.
- Our analysis found comparatively little evidence of domestic government CSR policies in the Scandinavian countries. Their policies tended to reveal a focus on external CSR policies (e.g. for Nordic-based multinationals when operating in countries outside the EU), which is highlighted in the varieties of capitalism literature (Albareda et al 2007; Gjolberg 2010). These policies take an endorsing and partnering approach, whilst main responsibility is spread under Foreign Affairs departments (Sweden, Norway), Economic Affairs (Denmark) and Social Affairs (Finland). This represents a shift from initial the focus of CSR policies. In Denmark for example initial CSR policies focused on social

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[24] This is reflective of the roles of national governments in federal systems which take an interest in evaluating policy because they have their hands on few levers of public policy.

inclusion/employment issues under the auspices of first the Ministry of Social Affair followed by the Ministry of Employment (Brown and Knudsen 2011)

- The Rhenish countries such as Germany and Austria have a long tradition of social and environmental mandate type policies that are implicitly related to CSR, but these policies on the whole don't seem to be promoted under this rubric (and were therefore not included in the analysis). The policies that explicitly address CSR issues are mainly using endorsing and partnering instruments, under the responsibility of Economic or Social Affairs ministerial departments.

- Countries in the Mediterranean have developed CSR policies that mainly employ an endorsing approach, with a focus on social issues as also signaled by the main responsibility of the Social Affairs departments in these countries.

- CEE countries have undertaken a lot of work in recent year to shape their national CSR and sustainability agendas.  To a large extent these are driven by the UNDP/EU project 'Accelerating CSR in New Europe', which provided support and guidance for various countries in this block. This has resulted in the emergence of more extensive policy frameworks in, for example, Poland and Hungary, consisting mainly of endorsing-type policy instruments. [25]

Whilst endorsing and partnering are still the most common type of policies in EU member states to promote CSR, the analysis shows a widening in the scope of government roles in the last decade with regards to two aspects.

First, the topics and themes addressed under the rubric of CSR or sustainability have, in most countries, become more explicit. In the Anglo-Saxon countries for example, traditionally separate policy areas addressing environmental and social topics have been brought together under the sustainable development agenda. In Mediterranean countries such as Spain and Italy, 'traditional' social policies have been brought into the CSR agenda. This trend is also reflected in the EU's growth strategy for the next decade: 'Europe 2020 – A Strategy for Smart, Sustainable and Inclusive Growth'. Employment, innovation, education, social inclusion and climate/energy are all to be addressed under this strategy that emphasizes the sustainable development agenda. Sustainable development frameworks have also expanded in the last decade to include Sustainable Consumption and Production, Sustainable Industrial Policy, and Integrated Product Policy (life-cycle assessment) themes.

Second, an incremental move from endorsing and partnering-type policies to a stronger mandate role can be identified in some of the EU member states. In conformance with the varieties of capitalism proposition, we see that a mandating role remains the most prevalent policy instrument in France. In countries where we would expect market-based policy approaches, such as the UK and Netherlands, we see a move towards soft regulation, mostly on the basis of a 'comply-or-explain' approach. Whilst some facilitating initiatives exist in the form of grant schemes and tax incentives in the most of the EU member states, this type of instrument remains underutilized in

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[25] http://www.acceleratingcsr.eu/

the promotion of CSR. The current economic and financial crisis does not offer great prospects for change in this regard.

Bringing together the review of academic and practitioner literatures and our own analysis of public policies for CSR enables several important insights.

First, there was clear evidence in the literature review that CSR policies have built on historical legacies in the types of issue to which CSR addressed.  This confirms our expectation of some path dependency in the development of CSR policies reflecting National Business Systems or Varieties of Capitalism. Notwithstanding the initial causes and problems to which governments addressed policies for CSR, our analysis reveals they now appear to have been applied to an ever widening range of social, environmental and economic issues. It is also instructive that many governments have developed CSR policies not simply to address individual issues and agendas but also to address distinctive types of business (e.g. SMEs, individual sectors) and to business-society networks. We see a general trend from a focus on domestic social inclusion initiatives at the EU level as well as at the domestic level (albeit with national variation) to a focus on international competitiveness, managing global supply chains and trade. In short, the government CSR policy focus shifts from domestic welfare state issues to managing globalization pressures.

Second, with regards to the types of policies espoused, we found quite a spread of CSR across the four types of CSR policies we distinguished:

> Endorsement policies included political support and affirmation; educational activities, awareness campaigns and guidelines; and, particularly in the Mediterranean countries, consensus building. In some cases we also found that governments endorsed CSR through kite-marks and almost all had green public purchasing policies.  It is also significant that many governmental endorsement policies are in conjunction with other legitimators of responsible business behaviour (e.g. the UN, the ILO, chambers of commerce, professional associations).

> Facilitation policies appeared least popular in the EU member states.  These types of policies mainly consisted of subsidies and tax expenditures for such causes as contributions to charities (possible the oldest government policy for CSR), the adoption of clean technologies, and the employment of designated types of workers.

> Partnering policies for CSR entailed collaboration with firms or business associations, and the instigations of multi-stakeholder initiatives.  These could be addressed to CSR issues in the broad or to very much more specific issues or types of business.  Perhaps the most intensive partnerships, involving all partners in manifestly material issues, are those devoted to ensuring supply chain standards and other concerns arising from the internationalisation of business.

> We see an incremental trend towards more "mandated" CSR (from voluntary to legal requirement). Current mandate policies tended to enshrine minimum standards for business behaviour.  At the national and EU levels these are mainly regarding reporting

and other transparency requirements both for companies and for pension funds.  The other main issue addressed here is climate change (e.g. through targets for emissions).

Whilst a number of countries utilised a range of endorsement, facilitation, partnership and mandate (and the UK used all extensively), it is striking that the endorsement policies are distinctly prevalent in the Mediterranean countries and mandate policies are distinctly prevalent in continental and the Scandinavian countries, confirming our expectations about CSR and government trajectories.

Third, turning to the political responsibility for CSR, again we found both a range of departmental sponsors (e.g. Labour / Social Affairs; Environment; Foreign Affairs) but also a concentration of responsibility on ministries of Economic Affairs / Trade & Industry.  In several countries there are multiple departments with political responsibility for CSR which can both speak of the ubiquity of its value to governments as well as pose questions about coherence and coordination of these policies.  One broad comparative observation is the responsibility of Mediterranean employment and social affairs ministries for their CSR government policies.

Finally, and most importantly, little attention is paid to questions of performance and impact in government CSR policies which are described by some critics as 'toothless'.  Even some of the analyses which do take an evaluative approach to public policies for CSR, do not address the performance and impact questions directly. One report (Bertelsmann Stiftung 2006), offers criteria for evaluating CSR public policies but this has no reference to performance and impact.  There are exceptions at the national level such as the Danish National Strategy for Sustainable Development and the Danish Action Plan which is praised for its evaluation of public private partnerships (United Nations Global Compact & Bertelsmann Stiftung 2010). The UK commissioned independent evaluations into the impacts of the relationships between CSR and national competiveness and of its own Ethical Trade Initiative.  Hungary and Slovenia both designed policies to enable companies to indicate their performance. The EU Commission notes trends in the commitment of European companies to responsible business but this is rather akin to companies focusing only on their CSR commitments and outputs rather than on their CSR impact. It also took an interest in the link between CSR and competitiveness as well as the impact of its green procurement policy.

In sum, we see national variation in government policies for CSR, which roughly correspond to clusters of varieties of capitalism and national business systems in different countries. In addition, our analysis has found limited evidence of policies addressing issues of impact related to CSR. Although the breadth of government policies addressing CSR has increased in the decade under study, no policy framework exists at this point in time that systematically sets out requirements for measuring the impact of CSR on society, the economy and the environment, or for mitigating negative impacts.

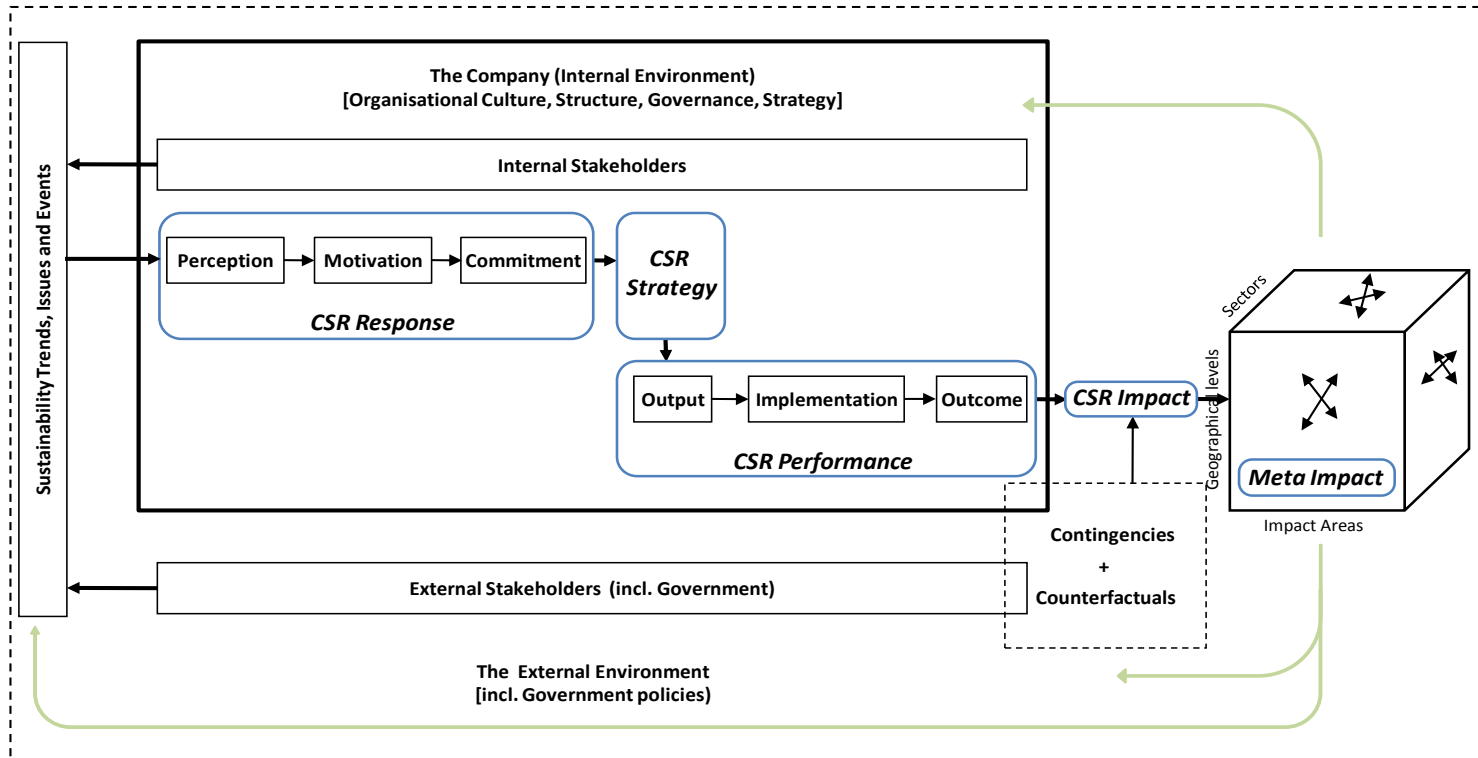Figure 1. Impact conceptual framework

**Table 1: Review of policy instruments in Europe based on literature review**

| Type of role | Description | Selected examples | Prevalent in: |
|---|---|---|---|
| **Endorse** | Providing political support for the concept of CSR through rhetoric, award schemes, public procurement | Queen's Award for Enterprise in Sustainable Development (UK)<br><br>Social Impact seal of approval (Belgium)<br><br>CSR Weltweit webportal (Germany)<br><br>PIANOO public procurement network (Netherlands) | Austria<br>Belgium<br>Denmark<br>France<br>Germany<br>Italy, Spain, Greece & Portugal ('agora model')<br>Netherlands<br>Norway<br>UK |
| **Facilitate** | Incentivizing companies to engage with CSR through subsidies or tax incentives | Payroll giving (UK, Sweden)<br><br>The Green Investment Directive (Netherlands)<br><br>Community investment tax relief (Belgium) | France<br>Ireland<br>Netherlands<br>Poland<br>Sweden<br>UK |
| **Partner** | Collaboration of government organizations with firms or business associations | CSR multi-stakeholder forum (Italy)<br><br>Ethical Trading Initiative (UK)<br><br>Forum des Amis du Pacte Mondial (France)<br><br>Kompakt (Norway) | Austria<br>Denmark<br>France<br>Germany<br>Italy<br>Norway<br>Sweden<br>UK |
| **Mandate** | The definition of minimum standards for business performance embedded within the legal framework | Corporate Responsibility Law (UK)<br><br>New Economic Regulations (France)<br><br>Public Pension Funds Act (Sweden) | Belgium<br>Denmark<br>France<br>Germany<br>Netherlands<br>Norway<br>UK |

**Table 2: Political responsibility for CSR policies based on literature review and public domain search**

| Ministerial department/ Country | Employment /Social affairs | Environment (incl. agriculture) | Industry & trade / Economic affairs | Foreign affairs | Energy | International development | Treasury/ Financial affairs | Education | Internal/ local affairs & communities | CSR ministerial portfolio / department |
|---|---|---|---|---|---|---|---|---|---|---|
| Austria | **x** | x | x | | | | | | | |
| Belgium | x | | x | | **x** | | | | | x |
| Bulgaria | **x** | | | | | | | | | |
| Czech Republic | | **x** | | | | | | | | |
| Denmark | x | x | **x** | | | x | | | | |
| Finland | **x** | x | x | | | | | | | |
| France | x | x | **x** | x | | | | | | x |
| Germany* | **x** | x | x | x | | | | x | x | |
| Greece | **x** | | | | | | | | x | |
| Hungary | **x** | x | | | x | | | | | |
| Ireland | | **x** | | x | x | x | | | | |
| Italy | **x** | x | x | x | | | | | | |
| Luxembourg | **x** | | | | | | | | | |

**Table 2** *continued*

| Ministerial department/ Country | Employment /Social affairs | Environment (incl. agriculture) | Industry & trade / Economic affairs | Foreign affairs | Energy | International development | Treasury/ Financial affairs | Education | Internal/ local affairs & communities | CSR ministerial portfolio / department |
|---|---|---|---|---|---|---|---|---|---|---|
| Netherlands** | | x | **x** | | | | x | | | |
| Norway | x | | | **x** | | | | | | |
| Poland | x | x | **x** | | | | | | | x |
| Portugal | **x** | | | | | | | | | |
| Romania*** | x | **x** | | | | | x | | | |
| Slovakia | x | x | | | | | | | | |
| Slovenia | **x** | x | | | | | | x | | |
| Spain | **x** | | | | | | | | | |
| Sweden | | x | | **x** | | x | | | | |
| UK | x | x | **x** | x | x | x | x | | x | x |

Highlighted in **bold** are the ministerial department that are responsible for the majority of government policies found in the research

* The Federal Ministry for Family Affairs, Senior Citizens, Women and Youth in Germany is also involved in training initiatives related to diversity and equality issues

** The Dutch Ministry of Justice and of Transport, Public Works and Water Management are also involved in CSR related policies.

*** The Romanian Ministry for Tourism is responsible for a sustainable development project in the tourism industry

**Table 3: Review of policy instruments in Europe based on public domain search**

| Country | Endorse | Facilitate | Partner | Mandate |
|---------|---------|------------|---------|---------|
| **EU** | EC Communications 2001, 2002, 2006, 2011<br>Pan-European Awareness Raising Campaign on CSR<br>Environmental Compliance Assistance Programme<br>European Enterprise Awards; European Business Awards for the Environment<br>Directive 2004/18/EC and Directive 2004/17/EC on Procurement<br>2008 EC Communication "Public procurement for a better environment"<br>Eco-Design Directives<br>Energy Labelling Directives | LIFE funding scheme | High-Level Group of Member States' representatives<br>European Expert Group on CSR and SMEs<br>European Multistakeholder Forum on CSR<br>European Alliance on CSR<br>Retail Forum<br>European Food Sustainable Consumption and Production Round Table | Emission Trading System (ETS)<br>Directive on Industrial Emissions (2007)<br>EU Accounts Modernisation Directive (2003/51; 2006/46) |
| **Austria** | Nachhaltigkeit.at (website)<br>Equal opportunity & Health and Safety award schemes<br>Gütesiegel Nestor Gold<br>Program to help SMEs integrate environmental, health and safety, and quality management systems<br>Public Procurement in BMASK<br>Umweltzeichen (label) | | CSR Austria<br>Austrian Sustainability Initiative respACT | Guidelines on sustainability reporting |
| **Belgium** | National Action Plan for Public Procurement<br>Digital Knowledge Resource Centre<br>Social Label, Equality/Diversity label, Ecology label | Plus Award (funding scheme for SME's)<br>Social and Sustainable Economy Funds (Kringloopfonds) | Forum on CSR | Occupational pension law (2003) & Collective investment Portfolio management law (2004) |
| **Bulgaria** | Award for socially responsible enterprise<br>Strategy for Corporate Social Responsibility (2009-2013) | Corporate income tax relief for charitable donations and diversity employers | National Roundtable for Labour Standards Introduction | |

| Country | Endorse | Facilitate | Partner | Mandate |
|---|---|---|---|---|
| **Czech Republic** | CSR awards within National Quality Policy<br>Czech Government Council for Sustainable Development | | | Act no. 76/2002 Coll. regarding environmental pollution registry |
| **Denmark** | Social Index<br>Idea Compass, CSR Compass, Climate Compass<br>CSR website<br>Action plan for CSR 2008 | | Danish National Center for Social Research<br>Council for Social Responsibility | Act amending the Danish Financial Statements Act |
| **Finland** | Corporate Responsibility Finland Program<br>National Sustainable Development Strategy | | | |
| **France** | Diversity Label, Equality Label<br>National Sustainable Development Strategy (current 2010- 2013)<br>Ambassadeur in charge of CSR within the Ministry of Foreign Affairs<br>Code on Public Procurement and National Action Plan (2007-2010) | | | Law on the new economic regulations (2001) NRE & Decree (2002)<br>Law on the financial security (2003)<br>Law which creates the" Fonds de Reserve pour les Retraites FRR" (2001); Law on the modernization of the economy (2008)<br>Law Grenelle II (2010) |
| **Germany** | Unternehmenswerte - CSR in Deutschland<br>Vielfalt als Chance<br>CSR WeltWeit<br>Initiative Nachhaltighandeln<br>Shape employment & Great Place to Work  –award schemes<br>New Quality of Work<br>Perspektive 50plus | Innovative Job Design – grants scheme<br>Renewable energy grant scheme for SME's | CSR Forum<br>The Federal Civic Participation Network (BBE)<br>Working Group on Human Rights and Business | |

| Country | Endorse | Facilitate | Partner | Mandate |
|---|---|---|---|---|
| **Greece** | Health & Safety Award Scheme | | Ministry of Interior Affairs & Hellenic Network Cooperation Agreement 2006 on equality | |
| **Hungary** | Social Label<br>Award schemes for gender management; Best Employers Award<br>National Sustainable Development Strategy 2007<br>National Climate Strategy 2010<br>Public Procurement legislation | | | Climate Change Act 2007 |
| **Ireland** | Sustainable Development Strategies (current under development)<br>Enterprise Ireland<br>National Action Plan on procurement under development<br>Sustainable Energy Awards;<br>EnergyMAP | | COMHAR, the Sustainable Development Council | Credit Institutions Act 2008<br>Climate Change Response Bill 2010 |
| **Italy** | Project CSR-Social<br> Commitment, Joint Agreement 2003<br>logo Coscienza (conscience) | | Italian Multi-Stakeholder Forum for Corporate Social Responsibility (CSR Forum)<br>Joint Agreement with Unioncamere<br>Italian Centre for Social Responsibility (I-CSR) | |
| **Luxembourg** | | | Agreement Ministry of Labour and Employment and ADTCenter to promote diversity & gender management | |
| **Netherlands** | Award for best CSR reporting<br>Nederland Ondernemend Innovatieland<br>Sustainable Development Action Programme<br>Transparency Benchmark | Subsidy schemes for sustainability and innovation<br>Sustainable Energy Production Stimulation (SDE) scheme<br>Netherlands Green Investment Directive | Memorandum of understanding in fishing industry<br>MVO Nederland (CSR Netherlands) | Dutch Corporate Governance Code (Directive 400 (2003) from the Dutch Accounting Standards Board (DASB))<br>Environmental agreements with 11 industry sectors to reduce emissions by 2010 |

| Country | Endorse | Facilitate | Partner | Mandate |
|---------|---------|-----------|---------|---------|
| **Norway** | White Paper on CSR 2009 | | Kompakt / The Consultative Body for Corporate Social Responsibility | Accounting Act (2006) |
| **Poland** | Working Group for CSR<br>National website: csr.gov.pl<br>Manual for sustainable business for SME's<br>National Clean Business Awards & eCO2 Innovation Award<br>National Action Plan on public Procurement (current 2010-2012)<br>Promotion of EMAS in Poland | Public Benefit and Volunteer Act (corporate tax relief for charitable donations) | | |
| **Portugal** | Various award schemes on health&safety, equality, quality of jobs<br>Práticas RS (Social responsibility in SMEs) | | | |
| **Romania** | Sustainable Development Strategy 2007<br>Public Procurement legislation 2010<br>Environmental award scheme | | | |
| **Slovakia** | Work-life balance award scheme<br>Promotion of EMAS by Center of Environmental Managemen | | | |
| **Slovenia** | National Development Strategy (2005-2013)<br>Health & Safety award scheme<br>Public Procurement Act (2006)<br>Clean Production and CSR (tourism) | | EDEN Slovenia Network & Slovenia GREEN | |
| **Spain** | Technical Advisory Committee of Experts on CSR within the Employment and Social Affairs Ministry –issued 3 reports on CSR<br>National Sustainable Development Strategy (2007)<br>Flexible company award | Grant funding schemes for SME's engaged in CSR | | Law for effective equality between women and men (2007)<br>Law on contracts in the public sector (2007) |

| Country | Endorse | Facilitate | Partner | Mandate |
|---------|---------|------------|---------|---------|
| **Sweden** | Swedish Strategy for Sustainable Development | | Swedish Partnership for Global Responsibility | Environmental Code (1999) |
| **UK** | Government CSR reports<br>Awards for Excellence<br>CR Academy<br>Government Buying Standards & targets on procurement<br>SIGMA<br>Code for Sustainable Homes<br>Sustainable development plans (latest 2008-2011) | Green Investment Bank<br>Community investment tax relief | Business in the Community (BITC)<br>Voluntary Principles on Security and Human Rights in the Extractive Sector (VP)<br>Ethical Trading Initiative (ETI)<br>The CoST initiative<br>The Pioneers Group<br>The Council on Social Action<br>Associate Parliamentary Corporate Responsibility Group<br>Envirowise, the Carbon Trust, and Waste Resources Action Programme (WRAP). | Companies Act 2006<br>Pension Act amendment 2000<br>Climate Change Act 2008<br>Anti-terrorism, Crime and Security Act (2001) and Bribery Bill (2010)<br>The Stewardship Code (2010)<br>Corporate Governance Code |

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# APPENDIX 1. LITERATURE REVIEW ARTICLES

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