

After the VW disaster: How to discover the “real” CSR activities of companies

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Das Auto.

Do our cars pollute?

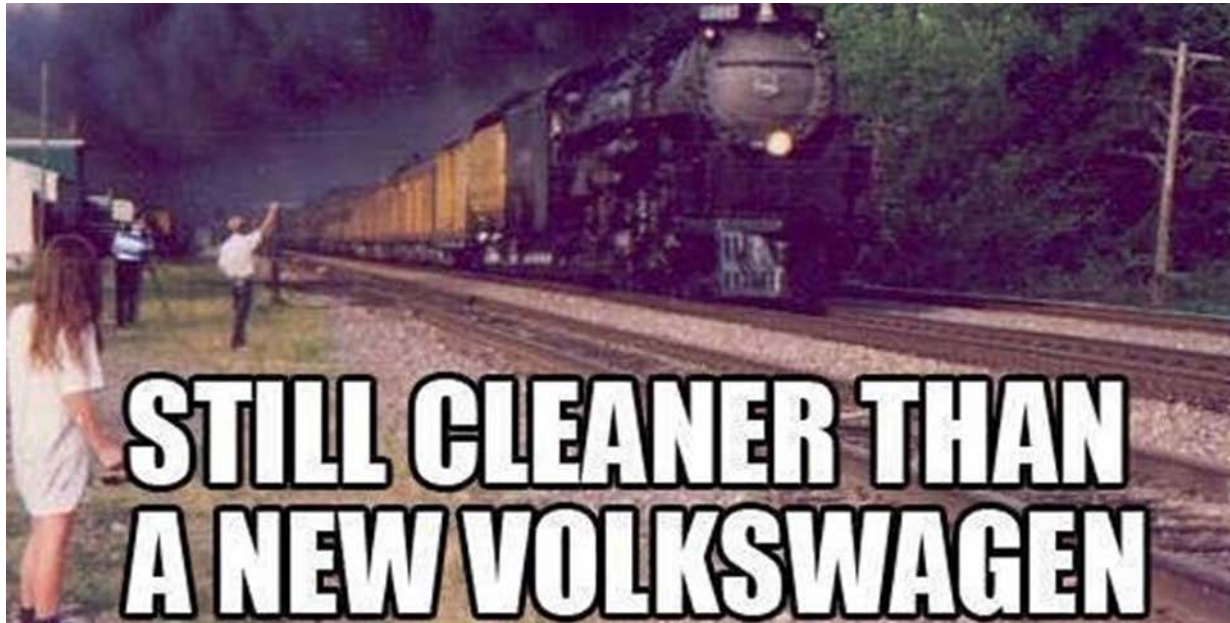


Computer says no

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EthNa Competence Center Ethics and Sustainability

NIERS Niederrhein Institute for Regional and Structural Research



Despite of multi pages of nicely pictured and colored CSR reports, after the recent VW disaster it became much more relevant to discuss the possibilities and challenges discovering the real CSR activities of businesses behind those reports. Based on the CSR guideline of ISO26000, the "CSR maturity model" (Schneider 2012) is discussed regarding its ability to at least find proofs for serious actions of companies to induce positive impacts to the society.



1. Theory: CSR and ISO 26000
2. Theory/Practice: Reports, Rankings and Ratings
3. Theory: CSR Maturity Model
4. Practice: VW dieselgate
5. Conclusions

1.1 „Corporate Social Responsibility CSR“

CSR is a concept whereby companies **integrate social and environmental concerns** in their business operations and in their interaction with their stakeholders **on a voluntary basis**.

Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders.

Corporate social responsibility should nevertheless not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of new appropriate legislation.

(European Commission – EU greenpaper 2001/2011)

https://www.youtube.com/watch?v=E0NkGtNU_9w

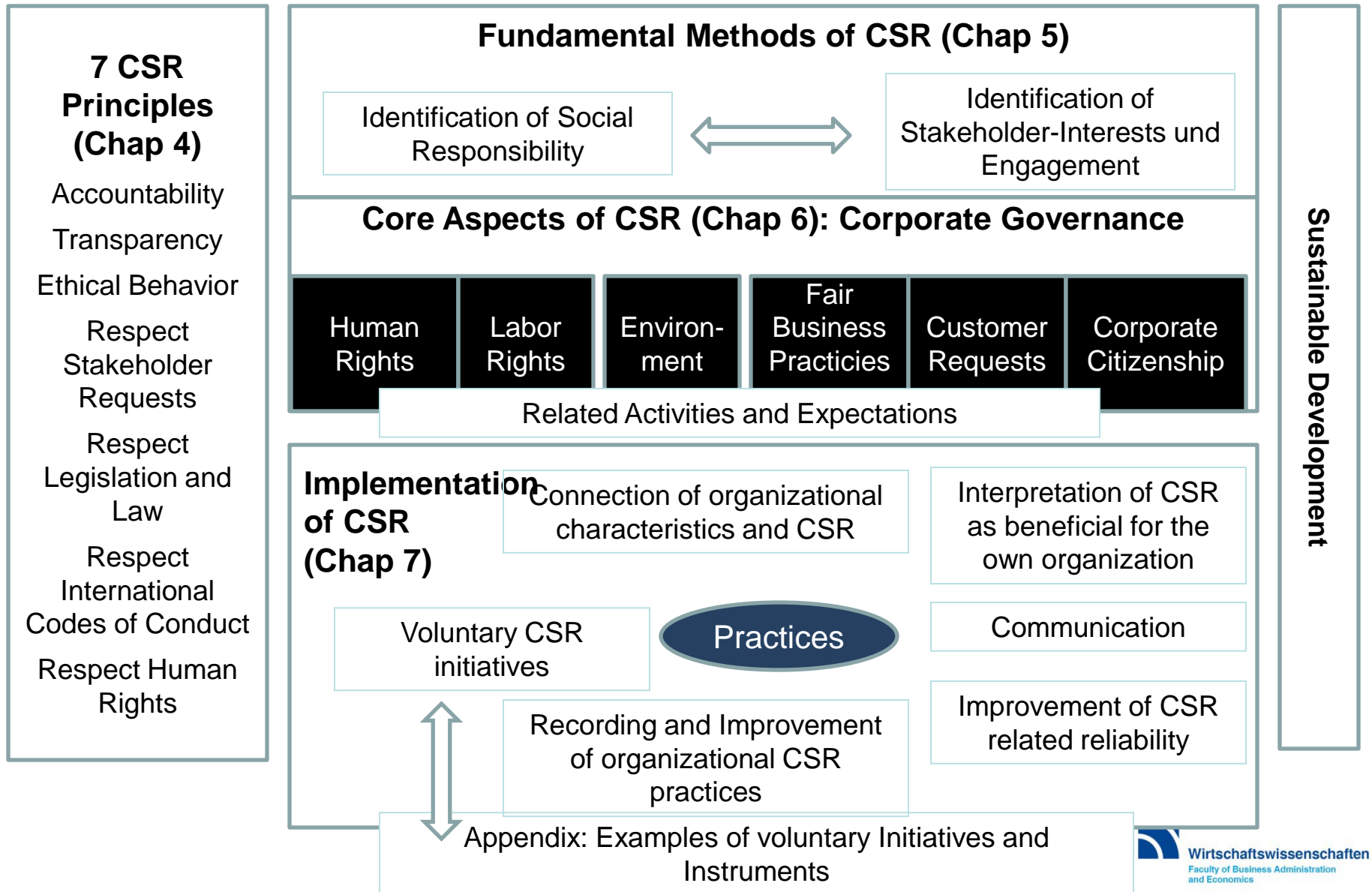
1.2 CSR instruments - systemization

Higher-level Principles Standards	Management systems also audits	Reporting Systems	...	Product Related Standards
<ul style="list-style-type: none"> - ILO Tripartite Declaration - ILO Core Labor Principles ... 	<ul style="list-style-type: none"> - UN Global Compact Principles - ISO 26000 - SA 8000 - AA 1000 ... 	<ul style="list-style-type: none"> - GRI - EFFAS - DNK ... 	<ul style="list-style-type: none"> - Blue Angel - MSC - FSC 	

Most accepted standards and guidelines are developed in Multistakeholder Approach

Annex of ISO26000 is listing more than 100 instrument and management systems/Labels

1.3 ISO 26 000 Guidance on Social Responsibility



2.1 CSR Reporting: Example GRI Standards

- Organizes reporting based on the core aspects of ISO 26000.
- Consists on altogether 90 SD indicators.
- Recent version 2013: reporting institutions should more focus on „most relevant“ aspects of corporate CSR activities; reaction on floods of reports dealing with a not manageable multitude of information details

<https://www.globalreporting.org/STANDARDS/G4/Pages/default.aspx>

<http://csr-news.net/directory/tag/reports>

2.2. CSR-Ratings: Example oekom Research and P&G

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print

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- church investors
- pension funds
- foundations
- asset managers
- insurance companies
- lending & project finance
- sustainability management
- non-governmental organisations

about us

- ▶ why oekom research
- quality standards
- ▶ corporate governance
- team
- cooperations
- history

responsible investment services

- strategic consulting
- investment universes
- ▶ ORBIT database
- ▶ reports
- portfolio analysis
- ▶ green bond services
- ▶ engagement services
- pri toolbox
- ▶ risk analyses

methodology

oekom corporate rating

Procter & Gamble

Industry: Household & Personal Products
 GICS Industry: Household Products
 Country: United States of America
 ISIN: US7427181091
 Bloomberg Ticker: PG US Equity

Status **Prime**
Rating **B-**

Strengths and Weaknesses

- + comprehensive assessment of environmental and health & safety impacts of products and ingredients (e.g. risk assessments)
- + reasonable product information for consumers on separate websites (e.g. "Science in the Box")
- + good strategy for the sourcing of sustainable renewable raw materials
- + various measures to reduce the environmental impact of packaging
- lack of transparency regarding the use of genetically modified raw materials (e.g. soy, corn, cotton)
- insufficient information regarding the responsible use of nanotechnology

top news

- ▶ Update on evaluation of Volkswagen 2015/11/04
- ▶ Climate change and sustainable investment: oekom research events in London and Paris 2015/10/30
- ▶ oekom research and GES intensify partnership 2015/10/23
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ARISTA® certified

The assessment of the social and environmental performance of a company as part of the Corporate Rating is carried out with the aid of over 100 social and environmental criteria, selected specifically for each industry. Working together with our [Advisory Board](#), we continually adjust the criteria to keep up with the latest developments and findings.

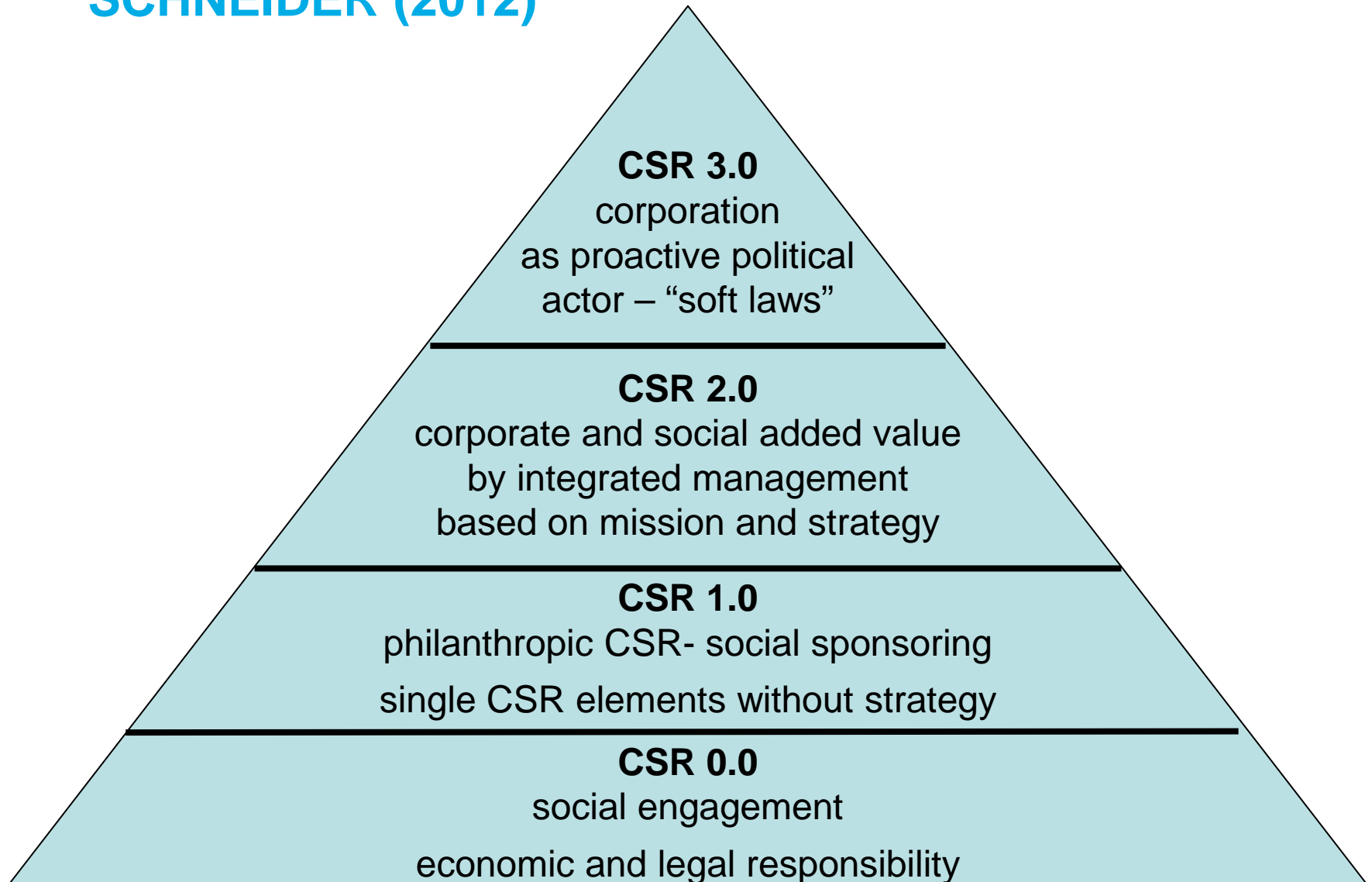
Regular update cycles ensure that the ratings are kept up-to-date. In order to make the evaluations transparent, we publish not only our criteria and processes, but also significant rating results.

<http://www.oekom-research.com/index.php?content=corporate-rating>

2.3 CSR-Ratings: Example oekom Research

Branche	Rang 1			Rang 2			Rang 3		
Auto Components	Pirelli	IT	B-	Johnson Controls	US	B-	Michelin	FR	C+
Automobile	Renault	FR	B	BMW	DE	B	Volkswagen	DE	B-
Chemicals	BASF	DE	B-	Akzo Nobel	NL	B-	Linde	DE	B-
Construction	Skanska	SE	B-	Hochtief	DE	C+	Ferrovial	ES	C+
Construction Materials	Geberit	CH	B+	Sekisui Chemicals	JP	C+	CRH	IE	C+
Electronic Devices & Appliances	Ricoh	JP	B-	Toshiba	JP	B-	Ericsson	SE	B-
FIN/Commercial Banks	DNB	NO	C+	Westpac Banking	AU	C	Societe Generale	FR	C
Food & Beverages	Coca-Cola Enterp.	US	B-	Coca-Cola HBC	CH	B-	Campbell Soup	US	C+
Household & Personal Products	Henkel	DE	B+	L'Oreal	FR	B	Colgate-Palmolive	US	B-
Insurance	Allianz	DE	C+	Swiss Re	CH	C+	Munich Re	DE	C+
Machinery	Atlas Copco	SE	B	MAN	DE	B-	SKF	SE	B-
Media	Reed Elsevier	GB	B-	Sky	GB	C+	WPP	GB	C+
Metals & Mining	Norsk Hydro	NO	B	Anglo American	GB	B-	Boliden	SE	B-
Oil, Gas & Consumable Fuels	Snam	IT	B	Enagas	ES	B	Neste Oil	FI	B-
Pharmaceuticals & Biotechnology	AstraZeneca	GB	B	Sanofi	FR	B-	GlaxoSmith Kline	GB	B-
Real Estate	British Land	GB	C+	Unibail-Rodamco	FR	C+	Intu Properties	GB	C
Retail	Marks & Spencer	GB	C+	Tesco	GB	C+	Kingfisher	GB	C+

3.1 Assessing CSR Performance – Maturity model SCHNEIDER (2012)



3.1 Assessing CSR Performance

application FENS (2013)

- Topics to which the activities are applicable:
- Organizational Governance
 - Human Rights
 - Environment
 - Labour Practices
 - Fair Operating Processes
 - Consumer Issues
 - Community Involvement and Development

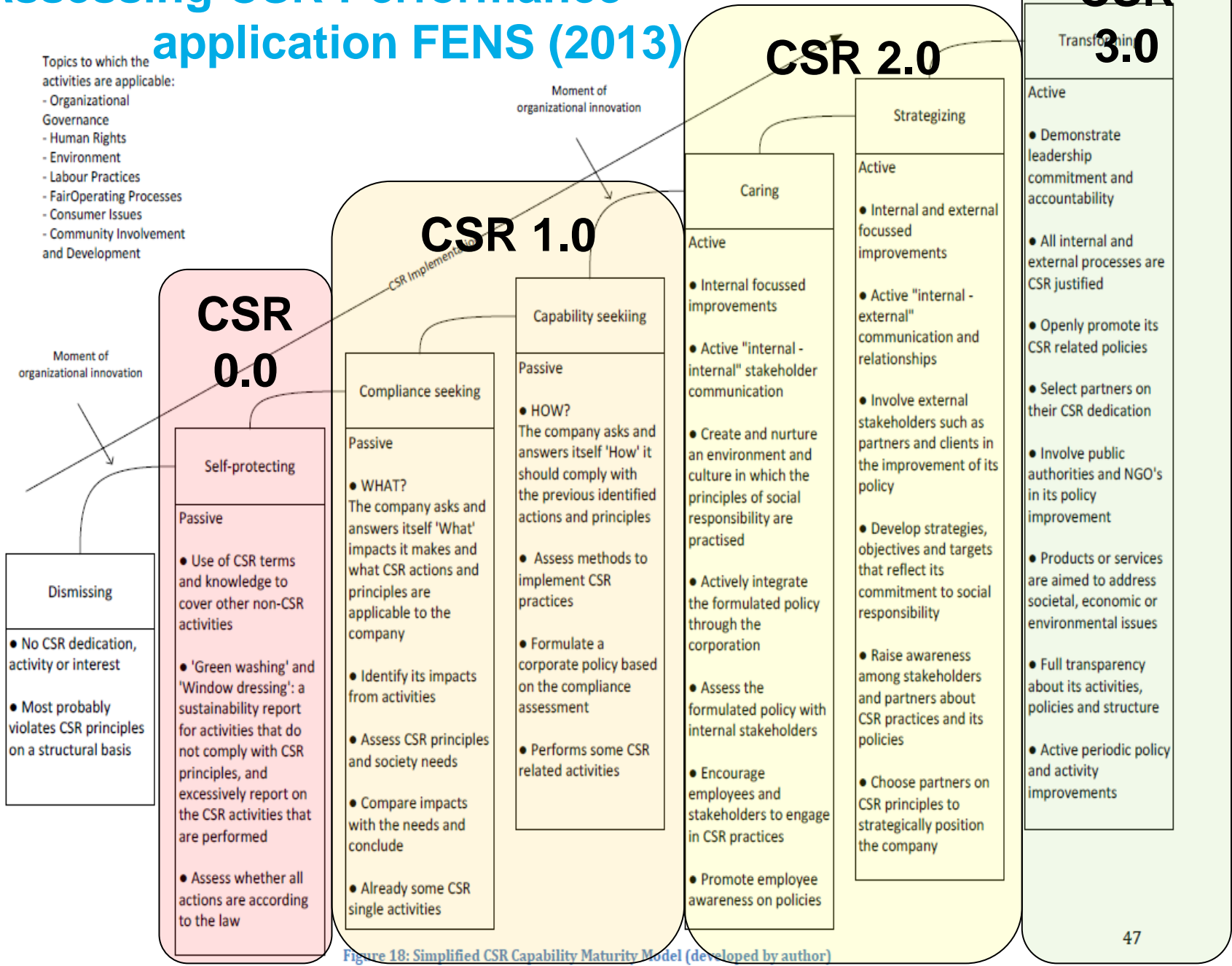


Figure 18: Simplified CSR Capability Maturity Model (developed by author)

4.1 VW Dieselgate story – “theoretical practice”

Quotations from the VW online CSR report 2014:

- Strategy:** Our ambition is to be the-engine that’s driving change.
- Economy:** One-time certainties are being consigned to the past; uncertainty is becoming our constant companion.
- People:** We are doing away with unergonomic work, increase the proportion of skilled jobs we offer and drive down our production costs, by also safeguarding employment.
- Environment:** More prosperity with a careful management of resources
- Indicators:** By 2018 the Volkswagen group aims to be the most successful, fascinating and sustainable automobile manufacturer in the world.

4.2 VW Dieselgate story – practice – timetable

Sept. 11, 2015, VW press release:

“The Volkswagen Group has again been listed as the **most sustainable automaker** in the world’s leading sustainability ranking,” it read. Martin Winterkorn, the chairman, commended “the entire team” for success in the [Dow Jones Sustainability Index \(DJSI\)](#) and drew attention to their **top scores in codes of conduct, compliance, climate strategy and lifecycle assessment.**

Sept. 18, 2015, Environmental Protection Agency Washington D.C.:

“A recent development regarding a major automaker.” In revelations that [stunned the global business community](#), Volkswagen was accused of [illegally](#) using “[cheat devices](#)” to “evade clean air standards” for six years.

https://www.youtube.com/watch?v=VJjqiQ_pvRE

5 Things about VW dieselgate

4.3 VW Dieselgate story – practice – instant consequences

- VW was quickly erased from the DJSI and automotive leaderboard.
- Critics popped up to slam the whole concept of corporate responsibility based on self-assessment, assurance (provided for Volkswagen by PwC), ratings and awards.
- According to the U.K.'s Daily Telegraph, corporate social responsibility (CSR) has become a “dangerous racket” because “it allows companies to parade their virtue, and look good, while internal standards are allowed to slip.”
- Other commentators have alleged that VW will “severely tarnish this entire [CSR] movement” and “bad ethics is [now] good business.” Even the Huffington Post lamented that “it’s going to be harder for anyone to believe a word” in sustainability reports.

4.3 VW Dieselgate story – practice – instant consequences



Volkswagen AG to be Removed from the Dow Jones Sustainability Indices

New York and Zurich, September 29, 2015

Effective October 6, 2015, Volkswagen AG (VW) will be removed from the Dow Jones Sustainability Indices (DJSI). A review of VW's standing in the DJSI was prompted by the recent revelations of manipulated emissions tests.

Per the published and publicly available methodology for the DJSI, potential problematic issues relating to any DJSI component company automatically trigger a Media & Stakeholder Analysis (MSA), which examines the extent of the respective company's involvement and how it manages the issue. Following the MSA, the Dow Jones Sustainability Index Committee (DJSIC) reviews the issue and decides whether the company will remain in the index, based on DJSI Guidelines.

In VW's case, the DJSIC reviewed the situation and ultimately decided to remove the Company from the DJSI World, the DJSI Europe, and all other DJSI indices. The stock will be removed after the close of trading in Frankfurt on October 5, 2015, thus making the removal effective on October 6, 2015. As a result, VW will no longer be identified as an Industry Group Leader in the "Automobiles & Components" industry group.

4.4 VW Dieselgate story – practice – background info

The company's code of conduct promises:

- “We stand for responsible, honest actions.”
- “We ... make ecologically efficient advanced technologies available throughout the world.”
- “We are a partner to society and politics with respect to ... ecologically sustainable ... development.”
- “We are obligated to the truth with respect to political institutions.”

4.4 VW Dieselgate story – practice – background info

- Perhaps CoC was ignored, given only to new recruits and left in the desk drawer for evermore?

Facts from [Volkswagen's website](#):

- More than 74,000 employees were trained in the company's code of conduct last year.
- Around 40 percent of these were face-to-face in a classroom, and the rest were online.
- In total, more than 185,000 employees received training on compliance topics in 2014.
- More than 1,700 audits were conducted at VW companies around the world;
- 140 cases on anti-corruption were investigated;
- 365 cases of suspected fraud were looked at; and 72 employees were fired as a result.

4.5 VW Dieselgate story – practice – consequences

- As a result of unethical and irresponsible business practices, VW's share price fell by over 40 percent. In impacts that the Economist described as “cataclysmic,” the company faces billions of dollars in fines as up to 11 million cars could be affected.
- **Is not a failure of responsible business *per se*.**
- In particular, it requires **all of us to ask how external agencies can better verify corporate claims** so that information is not taken at face-value but subject to more careful scrutiny.
- **The fact that investors have been dumping the shares and brand damage could last for years shows that responsible business is critical to success.** It reinforces the basic premise of indices like the DJSI that a strong showing on social and environmental measures leads to enhanced shareholder returns in the long-run.

Internet links:

<http://www.triplepundit.com/2015/09/vw-scandal-exposes-what-is-has-gone-awry-with-csr/>

<http://www.triplepundit.com/2015/10/csr-volkswagen-scandal/>

https://www.youtube.com/watch?v=VJjqIQ_pvRE 5 Things about VW diselgate

<https://www.youtube.com/watch?v=u8Jc4CrJ2iA> USA VW CEO