

The social
engagement of the
DAX companies
at a glance

Missed Opportunities

Too few DAX40 companies are leveraging
Corporate Citizenship to become
more sustainable



goetzpartners

STRATEGY | M&A | TRANSFORMATION



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SENSE

Foreword

If it was not already clear before the German federal elections on 26th September 2021, it certainly is now: the next German government will commit itself to the target of keeping global temperature increase within 1.5°C. Whether the measures they take will actually be enough is the big question. But that is not all: biodiversity loss, inequality and poverty, the threat to our democracy and, last but not least, coping with the COVID-19 pandemic are global challenges that Germany cannot tackle alone. We are convinced that even a combined effort by government and civil society will not be sufficient. Companies sector can and must be part of the solution because this has always been an area in which technical and social innovations are developed, realised and scaled. That is why the business world must play a prominent role in bringing about the necessary change.

As longstanding partners, we at Wider Sense and goetzpartners are committed to helping companies do just that. We pride ourselves on helping companies to become fit for the future, getting them to operate sustainably and equipping them with the knowledge and tools to join with other stakeholders in making a positive contribution to society. Credibility, partnership and a clear strategic orientation with demonstrable impact are the key principles behind the action that is to be taken.

The expansion of the DAX index to 40 companies seemed to us to be an appropriate point in time to reassess the role played by Corporate Citizenship in the German private sector. We had already looked at this in a previous study conducted in 2017, but since then some fundamental changes have taken place. We asked ourselves: “What does it take for Corporate Citizenship to become more impactful?” The results of our new study show that Corporate Citizenship must be an integral part of company activities in times of ESG (Environmental, Social, & Governance), Purpose-Driven Entrepreneurship and the EU Taxonomy. The study also outlines a variety of good business practices. It shows that Corporate Citizenship can be highly ambitious: Merck has set itself the goal of eradicating an entire disease, Bayer aims to provide 100 million women with contraceptives by 2030, and SAP is equipping more than two million people a year with digital knowledge and programming skills. These are just three examples of many that show what is possible. But our study also raises questions about the further development of the field. Too many great opportunities are still being missed unnecessarily. With this study, we aim to make a contribution to changing all of that.

We would like to take this opportunity to thank all participating companies and their representatives, without whom our study in this form would not have been possible. We would also like to thank the experts from academia and civil society who agreed to be interviewed by us: Dr Holger Backhaus-Maul (Research Fellow, University of Halle-Wittenberg), Professor Laura Marie Edinger-Schons (Chair of Sustainable Business, University of Mannheim), Nicolas Malmendier (Corporate Initiative Associate, European Venture Philanthropy Association); Jon Mertz (Purpose Entrepreneur; Founder of Santa Fe Innovates), Conradin von Nicolai (Specialist Corporate Partnerships, UNICEF), Maike Röttger (Consultant for social engagement, formerly Managing Director or Plan International Germany) and Jessica Sommer (Director of Corporate Partnerships, Save the Children).

Kind regards

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Executive Summary



Since we at Wider Sense and goetzpartners published our first study on the Corporate Citizenship activities of DAX companies in 2017, the parameters for the private sector have fundamentally changed: in just four years, sustainability has become a mandatory matter for discussion and action at board level. The world's social and environmental challenges have become even more acute – not least due to the COVID-19 pandemic. Now, more than ever before, **the state, financial markets, consumers and employees expect companies to assume social responsibility.** Without an immedi-

ate and active input from businesses, society will not be able to tackle the major problems of our time. The grand project of the global community – expressed in the ‘Sustainable Development Goals’ (SDGs) – is in danger of failing.

We are by no means sounding the all-clear, but we are now seeing movement. Spurred on by new regulations such as the EU Taxonomy Climate Delegated Act and the Supply Chain Act as well as increasing demand for ESG investments and massive pressure from consumers, the transformation of businesses towards greater

sustainability has begun. **However, Corporate Citizenship – the societal engagement of companies – has still not changed all that much.** Yet Corporate Citizenship can become a **laboratory for sustainable business development.** It can generate new ideas, change public attitudes, appeal to emotions and, in partnership with the scientific community and civil society, address issues that are relevant to the core business. These include reducing the negative impact of plastics on the environment, reforestation or safeguarding human rights along the supply chain.

This study **analyses the Corporate Citizenship activities of DAX40 companies.** It shows that Corporate Citizenship as practised is currently still **failing to grasp many opportunities.** However, it also shows **inspiring developments and examples of strategic engagement** in which synergies with the core business are used to both the benefit of society and the advancement of commercial success. The study applies the **tried-and-tested approach of Wider Sense and goetzpartners** along the dimensions of **strategy, resources, implementation and results.** It is based on an **extensive analysis of publicly available information as well as qualitative interviews with experts and representatives of 28 DAX companies.**¹

The study yields the following ten findings:

1. **Little has happened since 2017.** Some companies such as Bayer, Deutsche Post DHL, Deutsche Telekom, Merck and SAP are taking a leading role, while others such as E.ON, Henkel, Munich RE and Siemens have shown significant signs of improvement. However, many of the others have made little progress since 2017.
2. **More resources have been mobilised in the pandemic.** DAX companies gave over €860 million in donations (cash and in-kind) to charitable causes in 2020 – much of it in the context of the COVID-19 pandemic.
3. **While Corporate Citizenship has become more professional, it has not yet been digitised to any great extent.** 77 percent of companies now have global donation guidelines, but these mostly lack transparency. Only 14 companies report that they have digital platforms to manage their activities.
4. **Lack of focus is still making Corporate Citizenship inefficient and harder to communicate.** 90 percent of companies spread their efforts across three or more different social concerns.
5. **Companies are becoming more proactive on their own sustainability issues.** 75 percent of companies focus, at least in part, on issues that are essential to their own sustainable development.
6. **Companies still rarely link social engagement with their core business.** German companies are consequently lagging behind in an international comparison.
7. **Corporate volunteering still makes relatively little use of employee expertise.** 36 DAX companies support employee engagement. Only nine DAX companies have long-term programmes for skills-based volunteering.
8. **Partnerships are important, but their quality varies.** Here, the large international NGOs are in the foreground – but targeted local approaches can also achieve a lot.
9. **Taking a political stance remains a rarity.** In contrast to other countries such as the USA, German corporations still lack the courage to adopt a public position on social issues.
10. **There is a lack of impact assessment.** Only 44 percent of DAX companies produce aggregated reporting on the level of activities carried out (output), and only 8 percent report on the social results achieved (outcomes).

Companies **do not generally go about their Corporate Citizenship activities as professionally** as they approach their core business, i.e. developing **purpose** and **strategy**, setting **goals**, **synergies** and **competencies** within the company, defining **measures**, working out **resource requirements**, **implementing** them, **measuring** progress and **reporting** on the results.

Changing this is a leadership task. The changes should be implemented just as much by the C-suite and other senior management as by CSR (Corporate Social Responsibility) departments. In this way, companies large and small can increase the impact of their Corporate Citizenship programmes, improve stakeholder relations and, at the same time, effectively and credibly advance their sustainable transformation. **The result is a win-win situation for business and for society.**

I The remaining DAX companies did not respond to our enquiries or did not put forward anyone for an interview about their Corporate Citizenship activities.

Background



New demands on companies to adopt sustainable practices

The COVID-19 pandemic has exacerbated some of society's most urgent problems over the past year and a half. The route to resolving these century-defining challenges seems more problematic than ever before, which makes it all the more urgent for all of society's resources to be mobilised to this end. The private sector is now called upon to make its contribution. Responsibility will become increasingly obligatory for companies to survive in their markets, but it is also an opportunity for them to actively position themselves.

In May 2017, we at Wider Sense and goetzpartners published our first study on the Corporate Citizenship activities of DAX companies. A lot has happened since then. Three major campaigns – Me Too, Black Lives Matter, Fridays for Future – are prime examples of the rapidly growing social challenges. In 2015, the United Nations laid down a list of 17 **Sustainable Development Goals** for a more sustainable world to be achieved by 2030. The unanimous opinion is that **these goals will not be met unless serious changes take place**. Against this backdrop, private sector companies are facing increased expectations from their stakeholders:

Stakeholder expectations

Legislation: In recent years, it has become apparent that legislators are increasingly holding companies accountable for their responsibilities in terms of sustainable development. In the European Union, for example, Directive 2014/95/EU obliges companies to report on certain aspects of social and environmental performance.

On 4th June 2021, the EU Taxonomy Climate Delegated Act was passed. This defines criteria for a uniform Europe-wide classification of economic activities that make a significant contribution to climate protection or to adaptation aimed at mitigating the climate crisis.¹ The criteria are intended to mobilise investment for climate protection in the future. Extensions of the EU Taxonomy to other areas affecting society and the environment are already at the planning stage.

In Germany, regulation has also become stricter with the passing of the Supply Chain Due Diligence Act 2021. Countries such as France, South Africa and India have imposed controls on various aspects of the social activities undertaken by the private sector in the areas of corporate donations and corporate impact investing. In Germany, too, there could soon be a legal framework governing Corporate Citizenship.

Legal action: 2021 has shown that large companies can also be forced by courts to adopt more sustainable practices. One example is the ruling of the District Court in The Hague ordering Royal Dutch Shell to make a 45% reduction in its greenhouse gas emissions by 2030.² The ruling by the German Federal Constitutional Court on the government's climate protection law in April 2021 also indirectly affects the private sector and sets an important precedent for the future.³ In September 2021, for example, a number of environmental groups announced their intention to take Volkswagen, Daimler, BMW and Wintershall Dea to court and force them to adopt further climate protection measures.⁴ Greenpeace has carried through with its legal action against Volkswagen in the meantime.⁵ It remains to be seen what success (if any) these lawsuits will have. But one thing is clear, expectations of what can be achieved through courts are rising, too.

Financial markets: The financial markets are increasingly factoring environmental, social and governance (ESG) criteria into investment decisions. In the three-year period from 2016 to 2018 alone, sustainability-oriented assets in Europe and the USA grew by 25 percent to more than \$26 trillion.⁶ By 2025, these could rise to \$53 trillion worldwide, accounting for one-third of global assets under management.⁷ Statements by top decision-makers from the financial sector such as Larry Fink⁸ (BlackRock) and Jamie Dimon⁹ (JP Morgan) confirm this trend. A study by Chief Executives for Corporate Purpose (CECP), to which Wider Sense contributed in 2020, illustrates how this is increasingly reflected in the decisions being made by large companies.¹⁰ Lack of harmonisation, poor data quality and a lack of mandatory standards still hamper the effectiveness of ESG.¹¹ With the arrival of the EU Taxonomy, however, this will change.



Consumers: More and more consumers are being influenced by social and environmental factors in the purchasing decisions they make. For example, 70 percent of Germans say that ethical considerations are important for their consumption choices, and for 20 percent, these have become more important since the onset of the COVID-19 pandemic.¹² A study published by Wider Sense in collaboration with the US consulting firm INFLUENCE|SG confirms this trend: approximately half of the German consumers surveyed expect private companies to carry out research on how a new product or service will affect the environment.¹³

Workforce: For highly qualified and talented employees in particular, it is increasingly important that they find their work meaningful. 49 percent of people in the 21–34 age bracket prefer to work for a sustainable company.¹⁴ Studies show that serious commitment by a company to corporate responsibility has a positive impact on employee retention, workplace motivation and productivity.¹⁵ In terms of ‘employee experience’, the COVID-19 pandemic is also making a difference here, with 57 percent (up 11 percentage points on last year) saying that their company’s CSR activities are a decisive contributory factor to motivation at the workplace.¹⁶



Why this study?

We want to analyse just how comprehensive, professional and impactful the Corporate Citizenship activities of DAX companies currently are. Our aim is to thus provide orientation and inspiration.

In our work at goetzpartners and Wider Sense, we see every day that the way companies act is changing. More and more of our clients and partners are thinking about how they can use Corporate Citizenship in targeted ways to drive the necessary social and ecological transformation towards greater sustainability. However, we also observe that there is still a lot of untapped potential. With this study, we want to go into greater detail about what we have observed. In doing so, we essentially want to make the following contributions:

- ▶ **Analysis** of the current Corporate Citizenship practices of the 40 German DAX companies as the most prominent exemplars of the German private sector.
Answers to the questions:
 - What is the status quo?
 - What has changed since our last study?
 - What are the Corporate Citizenship practices of the companies that have recently been elevated to the DAX?

- ▶ **Identification** of national and international trends as well as good practice in Corporate Citizenship. We aim to motivate and promote good Corporate Citizenship.
Answers to the questions:
 - What is good Corporate Citizenship?
 - Which companies are currently leading the way?

- ▶ **Derivation** of key recommendations for action by the private sector. Answers to the questions:
 - What concrete steps can decision-makers take to make their Corporate Citizenship more strategically focused?
 - What is needed to achieve this?

What is good Corporate Citizenship?

By Corporate Citizenship, we mean the social engagement of a private company. Good Corporate Citizenship is taken as seriously by the company as its core business. It is strategically focused, deploys an appropriate mix of resources, is professionally managed and is measured by its results.

Corporate Citizenship refers to a company's commitment to the primary benefit of the environment and society. Our definition of Corporate Citizenship therefore excludes activities that are purely PR-based as well as marketing-related sponsorships, e.g. of cultural events or professional sports. All other activities are included in our analysis. Specifically, these include:

Corporate Giving

Financial or in-kind donations, e.g. to associations, foundations and gGmbHs (non-profit companies with limited liability under German law)

Corporate Volunteering

Involvement of employees to achieve social impact and communicate the company's social values to its own workforce

Corporate Impact Investing

Investment in business models that solve social problems through the market

Corporate Activism

Influencing the general public and decision-makers to initiate regulatory change

The primary motivation behind Corporate Citizenship should always be to achieve a positive social impact. The opportunities for generating this impact are as diverse as the companies themselves. However, with companies subject to ever increasing expectations, Corporate Citizenship can also support the sustainability transformation of core business on three levels:

1. **Corporate Citizenship helps to achieve sustainability goals.** It contributes directly to mastering the sort of social challenges that matter to a company. This is achieved primarily through collaboration with NGOs, the state and other companies that share a commitment to common sustainability goals. The breadth of possible activities ranges from funding research into the consequences of technology and partnering local NGOs in the safeguarding of human rights in the supply chain to international multi-stakeholder initiatives for improved governance of natural resources.
2. **Corporate Citizenship helps to communicate a sustainable corporate purpose, both internally and externally, and to anchor it in the organisational culture.** In this way, management and employees are motivated to see through the sustainable transformation of the core business, which also becomes legitimised in the eyes of stakeholders.
3. **Corporate Citizenship fosters sustainable innovation in processes, products, services and business models.** It gives companies access to new opportunities, target groups and markets. Corporate Citizenship here functions like a laboratory in which new ideas are taken up, tested and then transferred to the core business. For example, it can provide the impetus to develop products for a clientele that might initially appear to be economically unattractive but will become more lucrative over time.

For this to happen, Corporate Citizenship must be **focused, related to the core business and at the same time associated with the sustainability efforts of a company**. This allows complementing these efforts through – philanthropic or hybrid societal engagement. It also allows a company’s core competencies to be put to use for a better society, be it the IT expertise of a software provider, the reach of a media company or the medicines of a pharmaceutical manufacturer. Good Corporate Citizenship should also be able to draw on **substantial and diverse resources** and be managed in a professional and results-oriented manner.

Our four dimensions for good Corporate Citizenship

The approach developed by Wider Sense and goetzpartners to assess Corporate Citizenship analyses performance on the basis of twelve questions across four dimensions:

Strategy

- 1 Are activities clearly focused on a manageable number of issues?
- 2 Does Corporate Citizenship focus on issues which are material to core business?
- 3 Is Corporate Citizenship used to address problems within or through the value chain?

Implementation

- 7 Is Corporate Citizenship close to C-level and sustainability departments in the organisational structure?
- 8 Are processes and responsibilities clearly defined?
- 9 Is there regular reporting in the form of clear KPIs (against defined targets)?

Ressources

- 4 Does the company make substantial financial resources available for Corporate Citizenship?
- 5 Are employees and their professional skills integrated into the activities?
- 6 Does the company provide substantial and impact-oriented in-kind donations?

Result

- 10 Does the company take a public stance on its focus issues?
- 11 Does the company actively participate in relevant networks and collaborations?
- 12 Is demonstrable impact achieved?

We are aware that our assumptions about what constitutes a good Corporate Citizenship strategy are not unanimously shared – neither among companies nor in civil society. They derive primarily from the practice of Corporate Citizenship management. With this study, we aim to make a **practice-relevant contribution to a dynamic debate**.

In the near future, however, strategic Corporate Citizenship could also receive a significant boost from official sources. There are early indications that it could also play an important role in the future social taxonomy of the EU.¹⁷ In this context, it remains to be seen whether the current creative leeway in terms of strategy, resources, implementation and results will become more narrowly channelled in the future as a result of regulation.

Study design

The study is based on publicly available information as well as interviews with managers in DAX companies. The companies are evaluated according to the framework developed by Wider Sense and goetzpartners.

The study examines the extent to which the Corporate Citizenship activities of the DAX companies are impactful and strategically aligned. In order to generate as complete a picture as possible, it utilises the following three-step approach:

- ▶ **Analysis of publicly available information:** We first analysed the data that the DAX40 companies publish in their annual financial and sustainability reports and on their websites.
- ▶ **Interviews with CSR officers:** For this study, we conducted interviews with representatives from 28 of the 40 DAX companies.^{II}
- ▶ **Discussions with experts** from our network contextualised the results.

Based on the analysis, the companies were classified according to the following five Corporate Citizenship types, as in the previous study.

II The remaining DAX companies did not respond to our enquiries or did not put forward anyone for an interview about their Corporate Citizenship activities.

Corporate Citizenship typology

| Spontaneous | Reactive | Committed | Strategic | Integrated |
|--|--|--|---|---|
|  <p>Offers financial donations, with no strategic intent (e.g. spontaneous donations to local charities and NGOs)</p> |  <p>Makes regular financial donations, but mostly without any specific intended impact (e.g. mainly localised giving is combined with early-stage long-term projects)</p> |  <p>Seeks long-term involvement in selected areas, partly linked to core business; activities are partly impact oriented, but assessment of results is not rigorous</p> |  <p>Pursues a focused strategy with synergies between social engagement and core business; orientates activities by results and impact</p> |  <p>Integrates Corporate Citizenship into its core business; activities are intended to generate long-term financial success and demonstrable social impact in equal measure</p> |

Findings





Finding 1: Little has happened since 2017.

The pressure of public opinion on companies to become more sustainable is increasing at a phenomenal rate, but their Corporate Citizenship is developing only slowly.

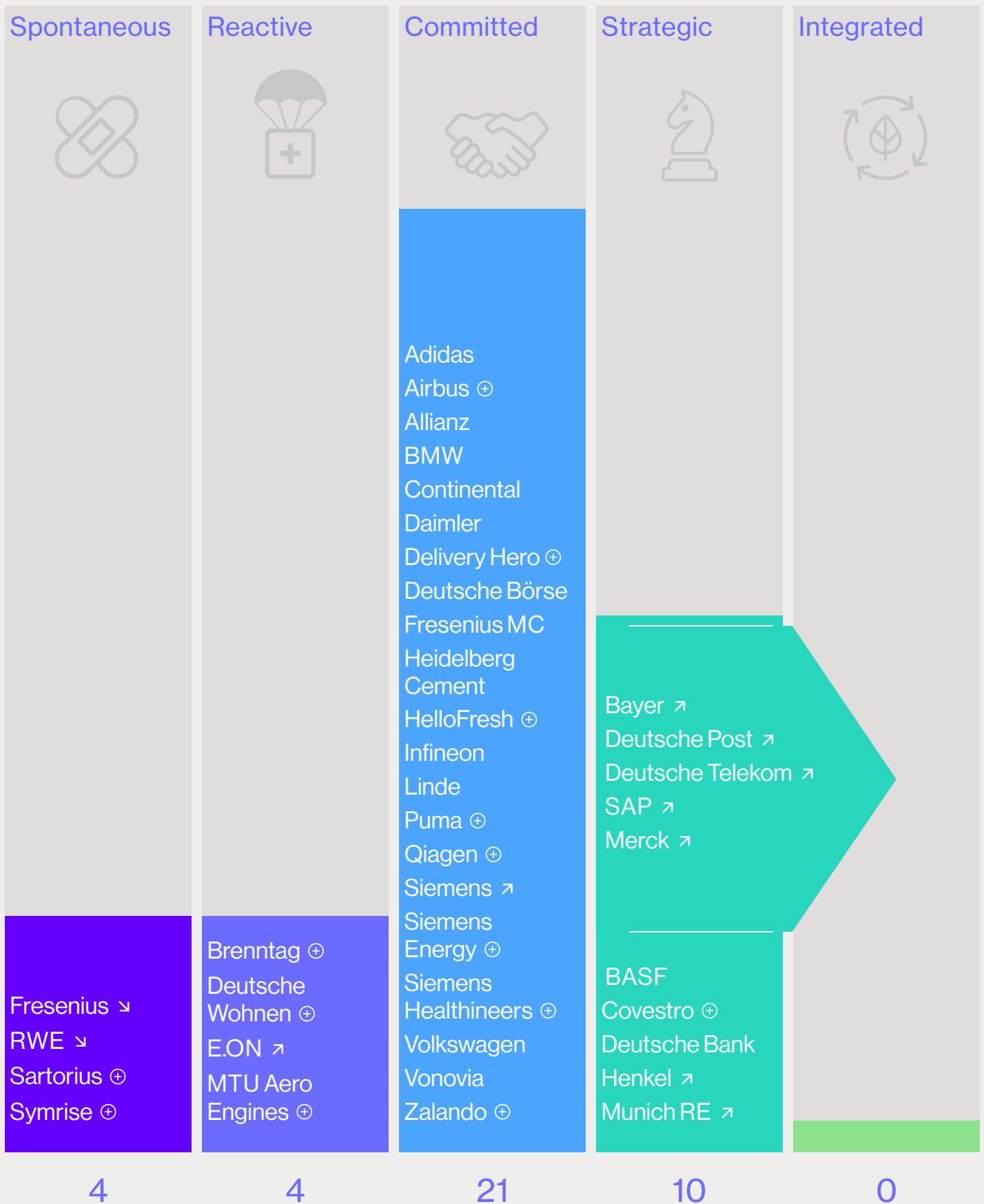
With the increased social demands on companies, the need for a well-thought-out Corporate Citizenship strategy has grown rapidly. However, only a few companies as yet are taking targeted action to achieve a positive social impact. Our study shows that **most companies are leaving extensive potential untapped.**

Of the companies that we looked at in the previous study, 25 are currently still members of the DAX. 15 companies have joined since 2017, ten of them since September 2021: Airbus, Brenntag, Covestro, Delivery Hero, Deutsche Wohnen, HelloFresh, MTU Aero Engines, Siemens Energy, Siemens Healthineers, Puma, Qiagen, Sartorius, Symrise and Zalando. These have entered at different positions in our typology.^{III}

Many companies have moved on since 2017, but **only four companies that were already present in the DAX in 2017 have since initiated sufficiently large changes to be promoted to the next higher Corporate Citizenship category. Five companies that were already rated as ‘Strategic’ in 2017 are also well on their way to an integrated form of Corporate Citizenship.**

III Porsche SE was excluded from the analysis because it is a holding company without any Corporate Citizenship of its own. In addition, Beiersdorf replaced Deutsche Wohnen in the DAX at the end of October 2021, but only after the editorial deadline.

Rating the DAX40 according to the 5 Corporate Citizenship types



One member of the index that has made significant progress since the previous study is **Siemens**. The company has more clearly defined its three main areas of commitment (Access to Technology, Access to Education, and Sustainable Support of Social and Cultural Structures) and linked them to core business and the sustainability efforts in its Vision 2020+ strategy document. Some activities, such as various scholarship and educational programmes in different markets, take place within the company’s value chain, thereby enhancing their effectiveness.

E.ON has likewise made improvements, with an increased focus on ‘Strategic Involvement’ in the areas of energy access, climate change and future generations. Also contributing to improvement are relatively ambitious programmes in the areas of energy poverty and electricity supplies to private tenants as well as a structurally integrated approach involving both Corporate Citizenship and sustainability.

Munich RE and Henkel are two other companies putting in a convincing effort. **Munich RE** has a broadly integrated approach involving both sustainability and Corporate Citizenship, which is implemented with professionalism and transparency. The group’s corporate activism in the area of climate protection may also be lauded. **Henkel** is meanwhile increasingly focusing its efforts on sustainability issues and has significantly increased donations in 2020. Praise is also due for its extensive fostering of employee involvement. Both companies have relatively advanced reporting practices.

Bayer, Deutsche Post, Deutsche Telekom, Merck and SAP have strengthened and consolidated their good performance documented in the previous study. These companies are well on their way to adopting an integrated approach in the coming years. The companies have prioritised different aspects: Bayer has significantly expanded outcome reporting on Corporate Citizenship as part of its overall ESG reporting; Deutsche Post has continued to institutionalise and combine its global Corporate Citizenship programmes under the aegis of a central department; Deutsche Telekom and SAP have

Corporate Citizenship type development of the 25 ‘old’ DAX companies

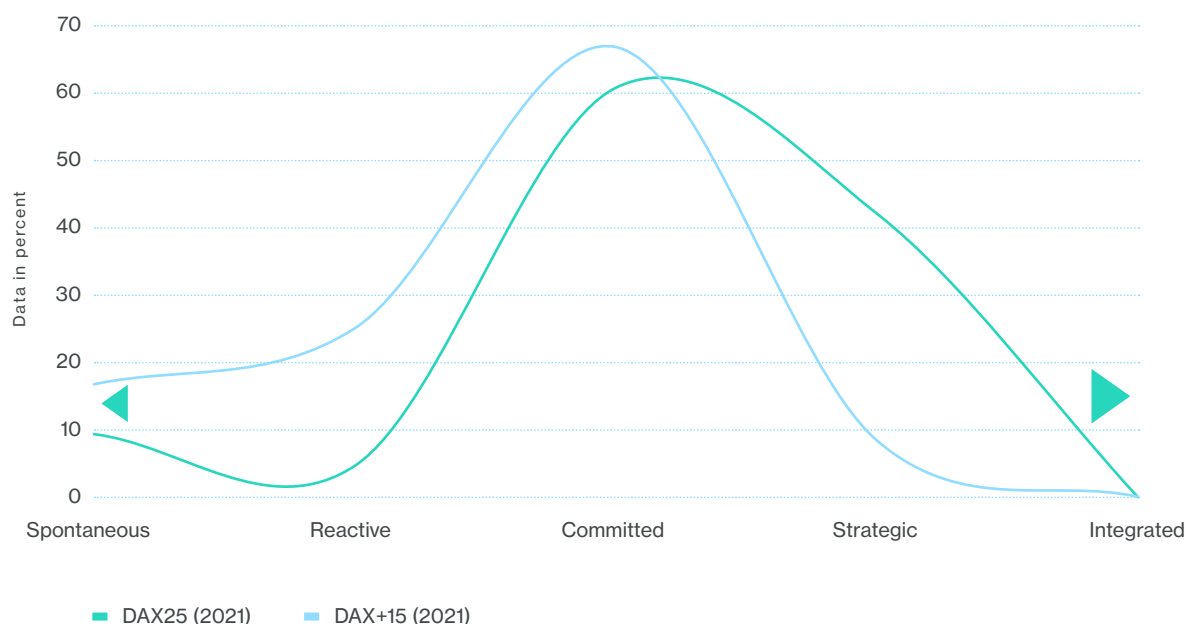


stepped up efforts to mobilise other players by means of advocacy and networks. All of the above-mentioned companies and a few others are also increasingly striving to establish impact assessment. For those companies that were already members of the DAX in 2017, we therefore note a slight shift upwards in their ratings.

There has also been a degree of movement within the ‘Committed’ category. Some companies, such as Adidas, Daimler and Zalando, have an increased emphasis on supply chain and circularity issues that are important for their sustainable development. From our interviews, it appears that the reorientation of Corporate Citizenship is currently gaining momentum in some companies, in part fuelled by the COVID-19 pandemic. Some companies have recently embarked on strategic processes to reframe their social engagement. Many other companies have taken action since 2017. These are often characterised by an increased (but mostly still partial) focus on sustainability issues and the further professionalisation of management and governance. However, most of them have not yet made it into the next category up.

A direct comparison with 2017 shows that the ‘Spontaneous’ and ‘Reactive’ categories have even become somewhat more prevalent. The **15 DAX companies that have joined since 2017 are on average less strategically positioned** than the companies that have been DAX-listed for longer. One possible explanation is that the high visibility that comes with DAX membership is accompanied by heightened expectations from various stakeholders, which leads companies to become more strategically committed over time. The effect of greater customer proximity with B2C companies or better-known brands may also play a role here. Overall, there is a broader spread than in the previous study. While one top group is developing its activities in a targeted manner, others are lagging behind. However, most DAX companies have not developed Corporate Citizenship into a lever for greater sustainability in recent years. The following extracts show details of the developments that have taken place in recent years.

Corporate Citizenship type of the 25 ‘old’ and the 15 ‘new’ DAX companies

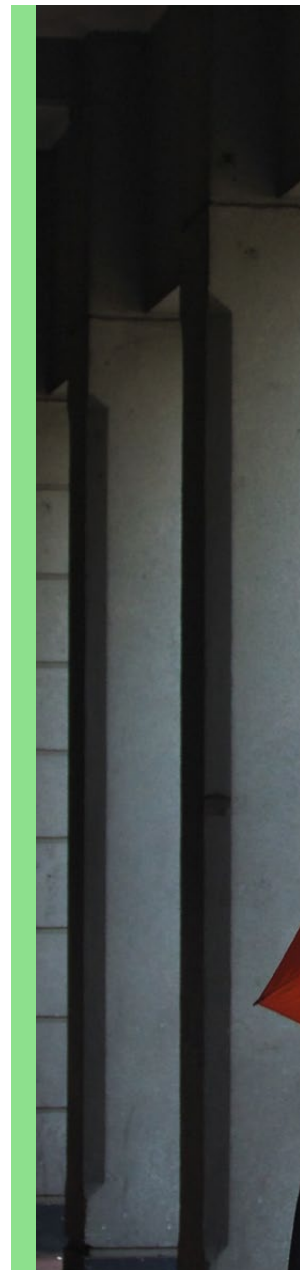


Finding 2: More resources have been mobilised in the pandemic.

The resources used by companies for the purpose of Corporate Citizenship have increased significantly during the COVID-19 pandemic.

Based on available figures from 26 DAX companies, more than **€860 million** in cash and in kind was donated to charitable causes in 2020. In 2019, the amount was around €515 million (from 23 companies); however, some companies have changed their reporting practices since then. There continue to be difficulties in assessing the total figure for donations and other resources that DAX corporations provide. There are no uniform rules for reporting such corporate activities: donations, sponsorships, gifts in kind and other expenditures are sometimes aggregated, sometimes reported separately.

The **increase is largely due to the pandemic**, as many companies augmented **their in-kind donations** in particular during the crisis. A good example is **Henkel**, which almost quadrupled its donations from approximately €8 million in 2019 to around €30 million in 2020. In the course of the pandemic, the company has donated 110,000 litres of disinfectant, more than 5 million hygiene



items and various other resources. **Similar COVID-19-related in-kind donations**, such as free testing kits, hygienic face masks or medical equipment, were made by **around half** of the DAX companies.

Whether this rate of increase will persist remains to be seen, as **long-term and impactful in-kind donation programmes** have so far been limited mainly to the pharmaceutical industry and a few other companies. Viewed from the outside, the extent to which in-kind donations are actually impactful is not always apparent. In the best case, in-kind donations can provide important goods that would otherwise be available to those in need or to non-profit organisations only at a higher cost or not at all. In the worst-case scenario, the logistics and coordination of in-kind donations may lead to more costs than benefits, or the gifts may even undermine local markets.

One outstanding example is **Merck**, which has worked in partnership with the World Health Organisation since 2007, donating 1.3 billion tablets for the treatment of the tropical infectious disease schistosomiasis. **BASF**, **Bayer** and **Qiagen** also have long-term partnerships, by means of which medical supplies are donated or made available at significantly reduced cost. **Deutsche Telekom** donates access to products and services on a large scale. It has so far provided around 22,000 schools in Germany with free broadband connections. During the pandemic, it has also provided internet access for distance learning in the USA as well as a range of services for senior citizens and the catering sector.

The **amount donated** is extremely **unevenly distributed between the individual corporate groups**. The two largest donors alone – **Deutsche Telekom** and **Bayer** – **donated more than €300 million in 2020**, over €200 million of which was in kind. At the other end of the spectrum, **Infineon** spent €1.8 million. **Vonovia** and **Deutsche Wohnen** each donated less than €2 million, though this also shows the fuzziness of the reported figures: the money value of services, such as accommodation provided free of charge or at reduced cost, is not published by these two property companies.



Finding 3: Corporate Citizenship has become more professional but has not yet been digitised to any great extent.

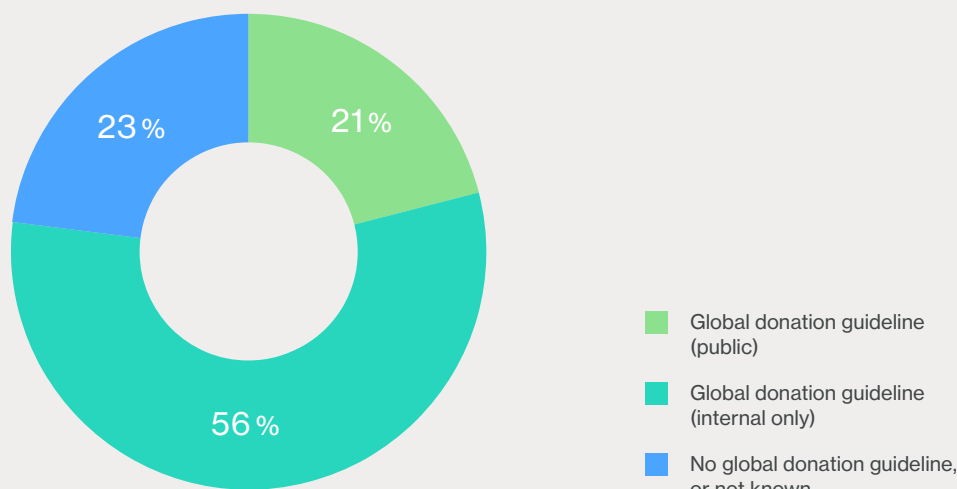
Many DAX companies have continued to professionalise the management of Corporate Citizenship, but only a few are using the potential of digital options.

Effective service to the community is only possible if it is implemented with the same stringency as other corporate functions. Central guidelines need to be drawn up and implemented in coordination with local organisational units. It is important here that **responsibilities are clarified** and **processes defined**. In order to achieve synergies, further vehicles such as corporate foundations should also be closely coordinated with other activities while taking into account legal requirements.

Processes and structures

77 percent of the companies surveyed now have **global guidelines on Corporate Citizenship**, but **56 percent do not publish them**. This means that it is difficult to make a statement about the content and its level of detail from the outside. Non-profit organisations in particular often do not know whether they are eligible for funding or what criteria they have to fulfil in their application. Increased transparency could save civil society resources that are urgently needed for the actual work to be done. Nevertheless, it is clear from this data that professionalisation has indeed taken place in recent years.

Existence of a global donation guideline



Corporate foundations remain another important tool of Corporate Citizenship. Currently, 17 out of 40 DAX companies have one or more corporate foundations. In 2017, it was 20 out of 30 DAX companies. While foundations are only partially considered in this analysis, in our practice we also see a trend towards **aligning themselves more closely with corporate ESG strategy**. However, not least because of German law governing foundations and charitable organisations, they must **remain independent of their parent companies in terms of content and structure**.^{IV} A good example is the **Munich RE** Foundation, which has aligned itself closely with the areas of social activity and the core business of the group, focusing on issues such as climate change, inclusive insurance and disaster risk. The **E.ON** Foundation (formerly associated with Innogy and RWE) also focuses on the energy transition, a key issue for the group. In this way, foundations can benefit from the **core competencies of the parent companies and acquire company-relevant expertise themselves**. At the same time, their partial autonomy and non-profit legal form ensures a certain flexibility and continuity that is separate from the expectations of the day-to-day business. This enables corporate foundations to function as **credible, substantively competent and legitimate social actors, especially from the perspective of civil society**.

Digitisation

In our view, **DAX companies still have some way to go in digitising Corporate Citizenship**. There are now **a large number of platforms** from providers such as Alaya, Benevity, Blackbaud, Cybergrants and Optimy, via which corporate giving, corporate volunteering and other aspects of Corporate Citizenship can be organised centrally. They make it easier for managers to **direct and monitor** Corporate Citizenship activities and thus **make many previously time-consuming processes significantly more efficient**. In our interviews, only 14 companies reported that they already use such platforms or are currently in the process of setting them up. However, the platforms are often still limited to individual aspects of Corporate Citizenship, such as the handling of donations or volunteering. Holistic approaches are rare.

^{IV} We look at corporate foundations in greater depth in our 2017 study.

Finding 4: Lack of focus makes Corporate Citizenship inefficient and harder to communicate.

Most companies' Corporate Citizenship activities lack focus and thus the link to an overarching social purpose.

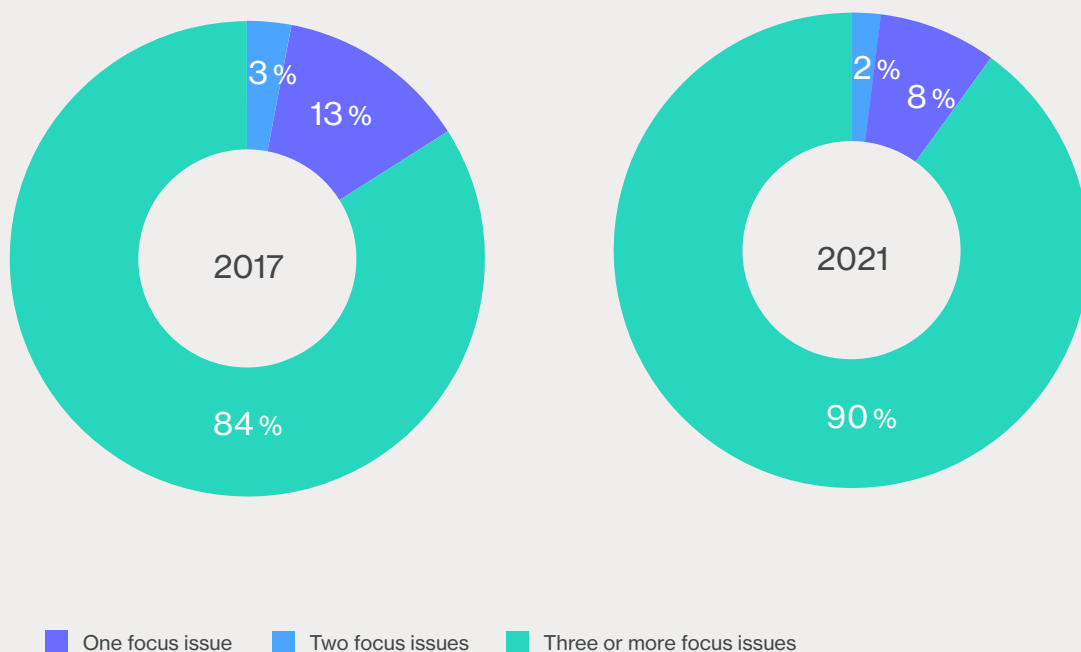
90 percent of DAX companies have failed to articulate a focus for their Corporate Citizenship or are focusing on three or more issues that are not directly related to each other. This means that the focusing of their efforts has actually decreased since 2017. While a focus on multiple areas of concern is not necessarily problematic, in our experience it makes it more difficult to formulate **clear goals** and runs the risk of these uncoordinated efforts being **less than wholly effective**.

*“Working from our central office, I cannot assess what actually matters in every location. That is best assessed locally.”**

Corporate Citizenship offers a unique opportunity to advance a **social purpose**. Many companies ask themselves the question: “What is the social value we are creating with our product or service?” Corporate Citizenship becomes a vehicle to boost this social value. It allows the company to communicate a **vision** that inspires

* During our interviews, we recorded in writing particularly concise statements made by DAX Corporate Citizenship officers. These are cited in anonymized form at relevant points in the text.

Focus of social engagement



“Our social engagement is moving ever closer to the core business. At the same time, we continue to have a subsidiary structure. We don’t know everything. We learn by adapting to situations at the local level.”

management, employees, investors and consumers towards sustainable corporate development and thus has a positive impact on society. Credibility and legitimacy are reinforced. Examples of a particularly clear narrative in this sense are **SAP** with its focus on ‘Powering opportunity through digital inclusion’ and **Deutsche Telekom**, which has set ‘Digital Participation’ as its central goal.

Almost all DAX companies continue to have a more **localised, less centrally directed programme of activities aimed at being a good neighbour**, although this afforded different levels of attention in the companies we looked at. Interviewees stressed that organisational units and employees on the ground have the best understanding of the problems and solutions at the local level. This goes hand in hand with the fact that the organisational units still have a great deal of **autonomy in the choice of local projects**. This can increase the **effectiveness** as well as the **legitimacy** of the activities. However, it also limits the opportunity to build real expertise, networks and competencies in a key area of public service, to pool efforts for greater synergies and thereby achieve a greater social impact.

Strong companies are characterised by the ability to use their overall narrative and objectives to set **guidelines within which Corporate Citizenship can adapt to different contexts**. A budget for unforeseen local causes may make sense, but it should not be too large in comparison to overall resources.

“We don’t make assumptions about what our neighbours need. As a good neighbour, we ask their opinion, too.”

International Good Practice:

ESSILORLUXOTTICA

The mission statement adopted by Essilor Luxottica is ‘See more, be more and live life to its fullest’. The ophthalmic optics group is consistently committed to improving vision by means of support for eye clinics, inclusive business models, public-private partnerships, employee involvement, awareness campaigns and product donation. In short, deploying the whole toolkit of Corporate Citizenship. Since 2013, the company has provided 420 million members of disadvantaged communities in the Global South with access to optical services. Despite the COVID-19 crisis, its philanthropic programmes in 2020 enabled it to correct or at least preserve the vision of 1.3 million people.¹⁸

Finding 5: Companies are becoming more proactive on their own sustainability issues.

The potential of linking Corporate Citizenship with internal sustainability efforts is increasingly recognised by companies but fully exploited in only a few cases.

For a long time, Corporate Citizenship **lacked direction**. It was limited to offering support to organisations, for example because decision-makers considered them worthy of support based on personal judgement. Results of our study and the conversations we had with clients show that this is slowly changing. **75 percent** of DAX companies now involve themselves in areas that are **material to the social and environmental sustainability of their business**.

In order to gauge the extent of this ‘materiality’ in relation to sustainability issues, two questions must be answered:

- 1. What is the company’s impact on society?** This can be negative in nature, such as emissions of pollutants. It can also be positive, such as an increase in mobility or public health thanks to the company’s products.
- 2. What impact do societal challenges have on the company?** For example, a poor education system restricts the availability of skilled labour and an absence of the rule of law threatens the security of investments.

Often, the **answers to both questions overlap**, e.g. when pollutant emissions result in stricter regulation or when violation of human rights in the supply chain negatively influences consumers' purchasing decisions. Almost all DAX companies now conduct materiality analyses because these play a central role in all important ESG standards (GRI, SASB, TCFD, etc.).

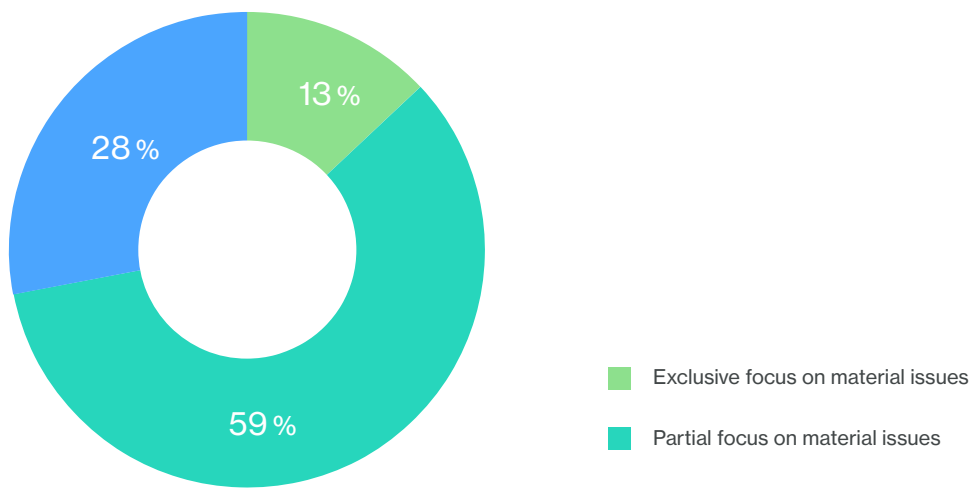
Covestro is an example of a company that has focused its Corporate Citizenship on key **Environmental** issues. From having a presence in various forums and funding university and school programmes to employee volunteering, a large part of Covestro's corporate activities takes place in the area of the circular economy, which the company has set as a goal in its core business as well as its sustainability undertakings.

In the social sphere, some DAX companies are also increasingly relying on Corporate Citizenship instruments to cushion their externalities. This plays an especially important role in the debate about human rights and working conditions in the supply chain. A prime example is **Daimler's** partnership with the NGO Bon Pasteur, which focuses on the improvement of living conditions (especially for women and children) in the context of cobalt mining in the Democratic Republic of Congo. Other examples for a focus on material **Social** issues include the medical focus of **Bayer, Merck** and **Fresenius Medical Care**, the risk awareness and health insurance focus of **Munich RE**, the textile supply chain focus of **Zalando** and the technology access focus of **Siemens** and **Siemens Energy**.

This concentration on materiality issues creates material solutions for a company's own sustainability problems. It increases the resilience of value chains and business models, reduces **reputational risks** arising from damage claims, improves **stakeholder relations** and brings companies into line with **state regulatory policy**. As a **test lab**, Corporate Citizenship can provide companies with expertise and insights

“I find that Corporate Citizenship is no longer driven philanthropically to the same extent, but rather by core competencies. We often ask ourselves: What value are we adding?”

Focus on material issues



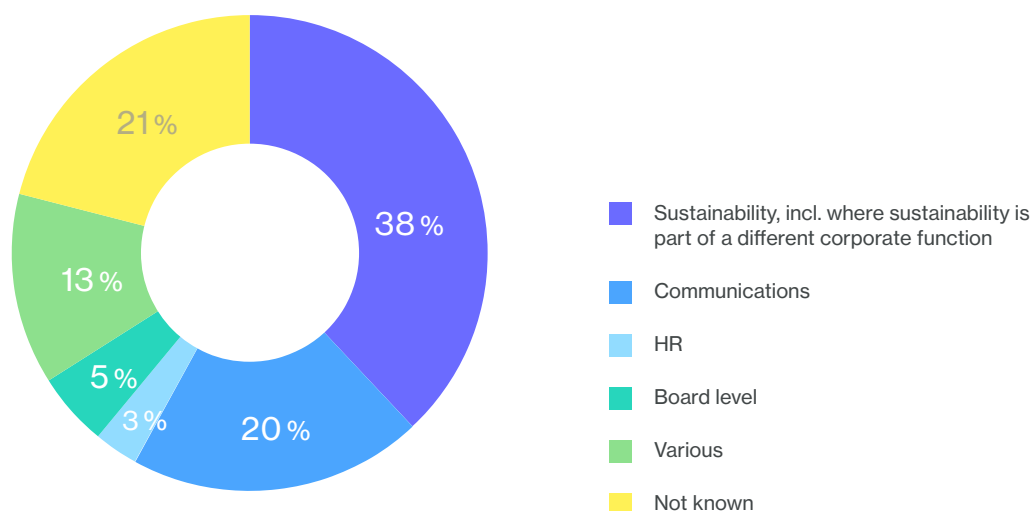
on relevant sustainability issues. The focus on material issues also benefits society: it secures the **long-term financing** of the activities because it strengthens the case for the internal allocation of resources. It also allows the company’s **core competencies** to be applied – thereby making its contribution more effective. Our analysis shows that **three quarters of companies focus part of their Corporate Citizenship efforts on issues that they themselves define as material**. However, it also shows that an **exclusive focus on materiality remains rare**.

Organisational structure

A closer link to corporate sustainability can also be seen in the organisational structure of Corporate Citizenship. **38 percent of DAX companies have a close functional link between Corporate Citizenship and sustainability at the global level**. At the time of our previous study, most Corporate Citizenship teams were still part of the human resources or communications department. **Only one in four companies still have their global organisation divided across multiple functions or not recognisable as such at all**. There are different models for the organisation of Corporate Citizenship: at **Bayer**, the majority of strategic activities in the areas of health and agriculture are handled by the Bayer Foundations, which are closely tied in with corporate sustainability, while at **Deutsche Post**, Corporate Citizenship is the responsibility of the Communication, Sustainability and Brand department, in which a dedicated Social Impact team manages the group’s four central programmes (GoHelp, GoTeach, GoGreen and GoTrade) as well as employee involvement.

“Where is our commitment authentic because we have capacities in that area?”

Division of responsibility for Corporate Citizenship



Finding 6: Companies still rarely link social engagement with their core business.

A number of DAX companies promote social entrepreneurship, but only a few have integrated social innovations into their own value creation so far.

Many decision-makers are asking themselves where the **boundary between core business and Corporate Citizenship** should be and what significance this boundary still has today. In the context of sustainability strategies, environmental and social factors such as pollutant emissions, gender equality and human rights are also becoming more important in the core business. Furthermore, an increasing number of companies are adopting **'Shared Value' approaches** that “enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”.¹⁹ Examples of such business models can also be found in the DAX, e.g. in the socially and environmentally oriented insurance services of **Munich RE** and **Allianz**, which are particularly aimed at customers in countries of the Global South. However, these are **firmly anchored in a conventional core business strategy** as they do not necessarily prioritise social over financial outcomes.

“Good social engagement actually goes beyond that description. Good social engagement takes place directly in the core business.”

In addition, **business collaboration with social enterprises** is increasing, for example in sourcing: **Adidas** has entered into a partnership with Parley for the Oceans to manufacture sports articles from recycled plastic which, in many cases, would otherwise have ended up in the sea. **SAP** has launched the ‘5&5 by 25’ initiative, in which organisations agree to source five percent of their procurement from social enterprises and a more diverse range of providers by 2025. **Zalando**, together with other actors, has invested in a fund that promotes technical and social innovations in the management of textile supply chains.²⁰

At the same time, there are programmes by means of which large companies **address the needs of disadvantaged groups by funding social enterprises** – with the possible bonus of attracting them as customers in the future. For example, the Bayer Social Innovation Ecosystem Fund was launched in 2019 to finance agricultural and health services for African smallholder farmers. The funds are made available to intermediary organisations that can offer various local services and support entrepreneurial solutions coming from the farmers themselves. **Covestro** works with various governmental organisations and NGOs in the Global South to implement inclusive business models in the areas of housing, sanitation and food security through the use of its products.

Among German companies, however, business models that are primarily socially oriented remain the exception. When these models get close to the value chain, the focus is mostly on the skilling up of a potential future workforce or the well-being of the communities where they operate. Suppliers and potential customers rarely play a role. Social enterprises tend to be supported independently of the value chain, for example by employees offering their expertise, as at **Deutsche Bank** and **SAP**, or through the **BMW Foundation’s** impact investing and venture philanthropy programmes. Although we see a lot of sense in initiatives of this kind, the creative potential of social innovation for the core business is still generally underestimated, especially in comparison to large French and Dutch companies, where corporate impact investing is already much more widespread. This may result in a competitive disadvantage for German companies in the medium term.

“All our products can be socially responsible if they are used properly. We have to think about that at the development stage.”

“The borderline of whether something constitutes social engagement can be found where responsibility lies: Is it something handled by corporate communications or more in business development?”

International Good Practice:

RABOBANK

As a major financial services provider in the agri-food sector, Rabobank has integrated the support of smallholder agriculture into a social value chain. The Rabo Foundation provides grants and low-interest loans to early-stage and local farming associations. The Rabo Rural Fund provides social follow-on financing in the form of impact-oriented loans and trade finance. Rabobank serves organisations that have reached commercial maturity. All three vehicles put Rabobank's expertise and networks at the disposal of these organisations. Together, the vehicles enable smallholder farmers to access markets, knowledge and finance. By helping out in this way, Rabobank not only develops its expertise and reputation in an area of social concern but also lays down a 'pipeline' of investable projects for its core business. The funds provided jointly by Rabo Foundation and Rabo Rural Fund are now close to €80 million per year.²¹

Interview with Nicolas Malmendier, EVPA



Nicolas Malmendier,
Corporate Initiative Associate,
EVPA, Brussels,
photo: Yves Thomassen

EVPA is a community of around 300 member organisations from more than 30 countries that share a common vision and goal, namely the practice of impactful investing to achieve positive social outcomes. The EVPA Corporate Initiative is a group of 70 corporate social investors who act as 'thought leaders' to advance corporate social investing, to link up practitioners and to raise the profile of corporate social investors as key players in the impact field.

What is Corporate Social Investing (CSI)?

Corporate social investments are long-term, high-engagement capital investments with the primary objective of creating societal impact. In addition to social outcomes, they can also generate financial returns.

Corporate social investing provides great opportunity to engage with social enterprises. While corporate foundations can support early-stage social enterprises through grants, other financial instruments such as debt or equity are required in later stages of development. Corporate impact funds are not legally bound by charitable or foundation law and are therefore ideally positioned to address the needs of more mature social enterprises.

Why should companies engage in CSI?

Corporate social investing can be a learning laboratory for new markets and business models. For example, the Spanish petrochemicals

company Repsol has committed to becoming carbon neutral by 2050. Its impact fund Repsol Social Impact contributes to this pledge by supporting social enterprises that are playing their part in the energy transition while creating job opportunities for vulnerable groups.²² CSI can also enable companies to scale social innovation through their value chain. IKEA Social Entrepreneurship, for instance, invests in social ventures that can eventually become suppliers to the furniture company IKEA. When the businesses become commercially viable, IKEA Social Entrepreneurship steps back and the core business takes over.²³

What are the biggest obstacles and challenges?

Corporate social investing requires C-level buy-in. However, many senior managers are either not yet familiar with this tool or too risk averse to try it. Another challenge is existing 'silos' between the core business – which does not have the capacity or willingness to focus on social issues – and corporate foundations, which are not permitted to support revenue-generating activities for the respective company. Corporate impact funds come somewhere in the middle and can bridge these silos.

What are the countries, sectors and major issues in which corporate social investing is already widespread?

In general, CSI has not yet entered the mainstream. However, some countries in Europe are further advanced in this regard than others: France and the Netherlands in particular can show many examples of corporate social investment. The so-called 90/10 solidarity funds, which allow French companies to leverage their employees' savings towards social investments, are favouring this trend. The main reason, however, is that the ecosystem was established some time ago. Top decision-makers in France – and now increasingly in the Netherlands – have looked at the good practice of their peers and realised that CSI is a viable option for increasing both the social impact and the long-term competitiveness of their companies.

Finding 7: Corporate volunteering still makes relatively little use of employee expertise.

Almost all DAX companies involve employees in their Corporate Citizenship activities through corporate volunteering, but the professional skills they bring are rarely put to good use.

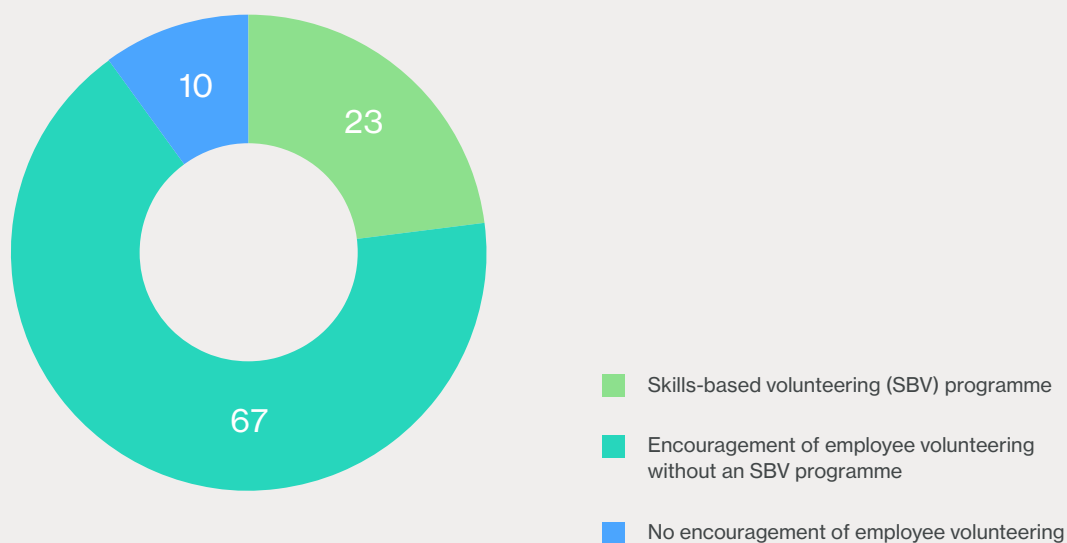
“Workers not only expect their employer to do something for society; they also say: ‘Give me the opportunity to make my contribution.’”

Employee participation plummeted during the COVID 19 pandemic, as social distancing made many of the customary formats impossible. Nevertheless, all interviewees consider corporate volunteering to be important. **36 out of 40 companies support corporate volunteering**, but to very different extents and degrees of professionalism. Henkel, for example, is particularly generous in this respect: the company grants its employees five paid days a year for volunteering, in exchange for which each day taken by an employee must be supplemented by a day from his or her own leave allowance. This underscores the commitment of all involved and maximises the potential impact on society.

The focus of volunteering is often on internal impact: Interviewees emphasised that **younger workers in particular increasingly expect their employer to assume**

Corporate volunteering programmes of DAX companies

Data in percent



“We got a real boost from the results of an employee survey: we were surprised to find that Corporate Citizenship is one of the most important drivers of employee engagement all round.”

social responsibility. Employee engagement and retention, especially of highly qualified talent, is clearly a priority in many Corporate Citizenship programmes. On the other hand, only **nine DAX companies** have programmes or long-term partnerships to specifically utilise the **professional skills of employees** for social purposes and thus maximise the (external) social impact of volunteering.

If the company has a clear social purpose that is connected with the core business and which it champions, **it is easier to inspire employees with common goals.** This makes it possible to harness their professional expertise more effectively over the long term.

The aforementioned case of **SAP** provides a good example. For more than ten years, the company has been championing digital inclusion – its employees know and appreciate this. Activities in this area are popular among staff. As a result, 73 percent of volunteering in 2020 went into the teaching of digital skills and supporting social enterprises.²⁴ This facilitates the use of the professional capacity of SAP employees.

“I have achieved the impact I intended when my employees see that my company is socially engaged.”

Finding 8: Partnerships are important, but their quality varies.

NGO partnerships are frequent among DAX companies, with some actors standing out from the rest.

Corporate Citizenship offers a non-commercial **platform for collaboration with various social actors** – local communities, NGOs, academia, government institutions or peers. It creates the opportunity to **build bridges** and **find common paths to shared goals**. Efforts in a company's own value chain are complemented. Collaboration also makes it possible to **learn from each other**, as the acquisition of knowledge from external sources helps companies to analyse and change their external impact. At the same time, it helps public institutions and civil society to better understand companies and their needs.

The **often broad focus makes it difficult for companies to position themselves as thought leaders**. Nevertheless, many of the DAX companies are networked in multiple ways and collaborate with different actors in their Corporate Citizenship projects. It is clear that sustainability has gained in importance. Most DAX companies are involved in general CSR forums such as United Nations Global Compact (UNGC) and groupings that are specific to their industries. Some DAX companies have taken the lead in joint projects under the aegis of the United Nations, examples of this being **Allianz** in the Asset Owner Alliance, **PUMA** in the Fashion Industry Charter for Climate Action and **BMW** with its Intercultural Innovation Award. Multi-stakeholder initiatives are not automatically impactful and should be judged in terms of their



agreed objectives and outcomes. Nonetheless, we observed a willingness on the part of many companies to become actively involved.

In projects aimed at specific target groups, companies also collaborate with multiple actors. **Many DAX companies have longstanding partnerships with large NGOs and multilateral organisations such as Save the Children, SOS Children's Villages, the Bill and Melinda Gates Foundation, Habitat for Humanity, UNICEF and the WHO.** Unlike their smaller counterparts, these organisations have the resources and experience to work with corporate giants, despite the cultural differences and varying expectations which can often provoke disagreements. Positive examples are partnerships that integrate the core competencies of NGOs and private sector companies plus employees in equal measure. Long-term programmes enable companies to build up expertise and structures that can cascade knowledge back to the company and relieve the burden on participating NGOs. One particular good practice case is **Deutsche Post DHL's GoHelp** programme, which has been supporting the disaster preparedness and relief activities of the UN agencies UNDP and OCHA since 2005. Alongside other activities, the programme maintains a network of 400 trained volunteers who can be deployed to relevant airports within 72 hours of a disaster being declared. They then support the transport of relief supplies from there.²⁵

At the local level, the DAX companies support numerous organisations, but these partnerships are often rather one-sided and not geared towards clear impact goals that have been jointly agreed. Here, too, there are positive exceptions, such as the Experimento programme of the **Siemens Stiftung**. One focus of this foundation is on innovative approaches to the

teaching of the STEM subjects (science, technology, engineering and mathematics) in primary and secondary schools. Working in collaboration with teachers, schools, researchers, communities and regional authorities, the Siemens Stiftung developed the evidence-based Experimento curriculum for experiential learning, which is now being rolled out in classrooms in Germany, Latin America and Africa. The benefits of this partnership are evident, for example, in the city of Medellín, Colombia. Along with the city administration, schools, civic bodies and local companies, the Siemens Stiftung and its local subsidiary, the Siemens Fundación, are members of the Territorio STEM+H consortium, the stated goal of which is to advance citizens' welfare and social development in a city that has long been ravaged by drug trafficking and guerrilla warfare. Territorio STEM+H seeks to introduce innovative concepts across the full span of the local education system.²⁶

Finding 9: Taking a political stance remains a rarity.

DAX companies are still reticent about expressing opinions on social issues – especially compared to their counterparts abroad.

“How we deal with political issues is a big question for us. Some people get their fingers burnt – and maybe some people ought to get their fingers burnt.”

Compared to other countries, companies based in Germany are still **cautious about adopting a public stance on social issues**. In the USA in particular, there now is a strong trend towards corporate activism, with companies becoming increasingly vocal in public debates. A good practice case from Germany is provided by **Deutsche Telekom** with its *#gegenhassimnetz* (= against online hatred) campaign. Working as part of a broad coalition of partners from civil society and utilising a variety of formats such as videos and a podcast, the company takes a strong position on issues such as cyberbullying and hate speech.

According to a joint study conducted by Wider Sense and INFLUENCE|SG, more than half of Germans polled are in favour of companies taking a public stance on issues such as climate change, social justice and all forms of discrimination.²⁷ In contrast to the controversial and often non-transparent practice of lobbying, companies engaging in corporate activism can be perceived as **playing a constructive role and as legitimate actors** in the political debate.

In-depth interview with Jon Mertz, Purpose Entrepreneur



Jon Mertz, Purpose Entrepreneur, Santa Fe, NM, USA, photo: Pixel Images, Inc.

Jon Mertz is the founder of Santa Fe Innovates, a social entrepreneurship programme and community. He is also a Doctoral Candidate in Interdisciplinary Leadership with a research focus on social entrepreneurial leadership and moral stance.

What is Corporate Activism?

Corporate activism is leading intentionally in the middle of business and society. Stakeholders are present at this interface where corporate activism seeks to engage them in understanding the issues and challenges faced by employees, customers, shareholders, citizens and others. Corporate activism then crafts solutions and policies to lead business and society to better outcomes.

Why is it that companies in the USA so readily engage in corporate activism?

US corporate leaders engage in activism because employees and citizens expect it. According to the 2018 Edelman Trust Barometer, 64 percent of respondents believe CEOs should take the lead on change rather than wait for government action. Given the polarisation of our political institutions, many stakeholders know that society needs to make progress towards creating a better future and that corporate decision-makers can act and lead by example.

What are the biggest obstacles and challenges?

With the current polarisation in the USA, CEOs risk losing tax incentives, and policy makers who see their position coming under attack can resort to various other manoeuvres. Some politicians will campaign against instances of activist corporate governance to score political points with their constituents. CEOs risk becoming easy political targets and having to tone down their stance on important issues.

In which sectors and on which issues is corporate activism already widespread?

There are many examples of corporate activism. These include migration, gender, gun control, voting rights and climate change. Employee activism is spurring additional conversations about accountability regarding sexual harassment, the role of artificial intelligence in military contracts, or the ways in which social media platforms may be doing more harm than good.

A practical example: After the storming of the Capitol in Washington on 6th January 2021, Microsoft suspended political contributions until the 2022 election cycle, and investment group Charles Schwab stopped making any political donations at all. While some companies have espoused similar positions and then backed down, others remain true to their statements. In the new world of corporate activism, civic courage will be the differentiator for leaders.

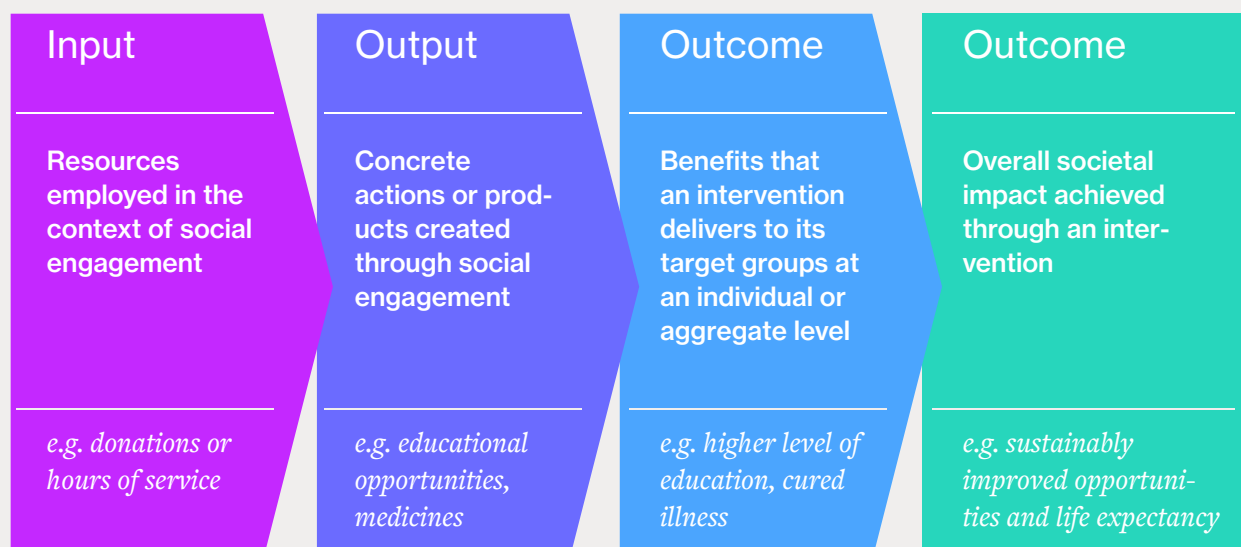
Finding 10: There is a lack of impact assessment.

The impact of Corporate Citizenship remains largely unclear.

“If I’m convinced that I am making a contribution here, I don’t have to back everything up with a figure. The numbers that are out there in the sector are not always reliable anyway.”

First and foremost, Corporate Citizenship pursues social and environmental goals and only serves the company itself as a by-product. Its quality is therefore measured primarily in terms of its social effectiveness. However, most DAX companies report only rudimentarily on their Corporate Citizenship. Consistent reporting on activities using quantitative key performance indicators (KPIs) is important to ensure that engagement is geared towards measurable social impact, true to the guiding principle: “What gets measured gets done”.²⁸ It is also essential to ensure that Corporate Citizenship activities can feed into corporate ESG assessments. The relevant KPIs come under four headings: Input, Output, Outcome and Impact.

IOOI Logic



Only **about three quarters** of the DAX companies report aggregated information on the **resources they use**, i.e. input. The input KPIs most frequently reported by DAX companies are **the sum of donations** (reported by 26 companies) and hours of voluntary service by employees (reported by 13 companies). **Less than half** report a KPI on **realised activities**, i.e. output. The most prominent output indicator is the **number of individuals reached by a company’s programmes** (reported by 12 companies). In many cases, not all projects are recorded here, but instead only the major flagship project(s).

One reason why reporting could benefit from improvement is that, in the social sector even more so than in the environmental sector, generally accepted indicators have hardly been established as yet. Until this is the case, it is up to companies themselves to identify the KPIs that are suitable for assessing the quality of their individual Corporate Citizenship activities.

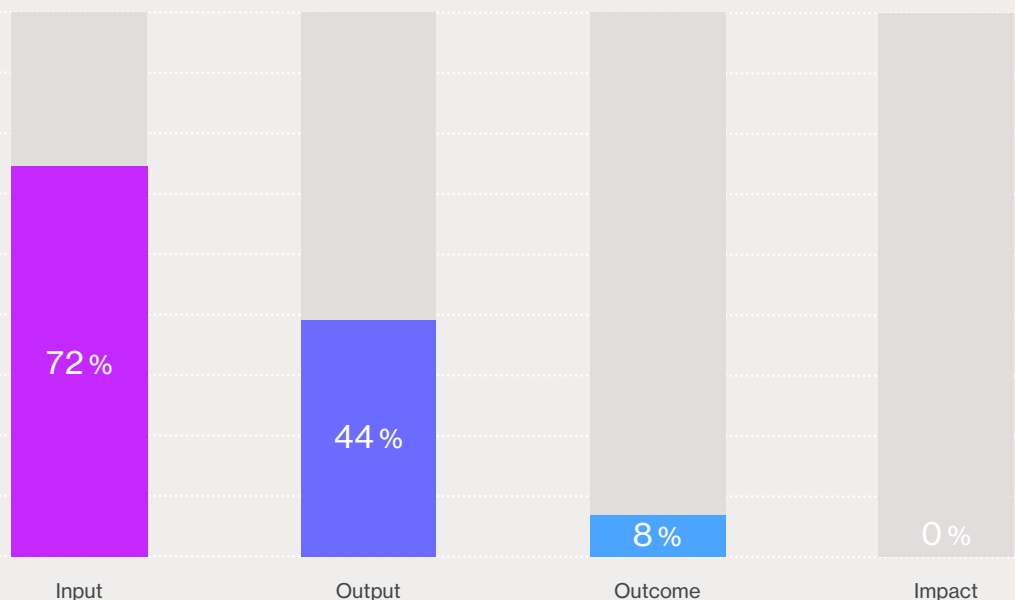
So far, **only three companies publish an aggregated assessment of outcome for a majority of their programmes**. Only when a programme has helped the ‘reached individuals’ to **improve their living conditions** (i.e. an outcome) is it possible to assess social impact. It is easier to demonstrate results at the level of individual projects. More difficult – but also more interesting in terms of effectiveness – is the **aggregated** consideration of different programmes with regard to a common goal. Impact assessment should also be as **transparent** as possible in order to invite external feedback, to facilitate optimisation and to contribute to a project’s legitimacy and general appeal.

“We have a lot of different KPIs at the local level. It’s difficult to aggregate all of them into one overall report.”

Bayer provides a good example of the formulation and tracking of central outcome KPIs. Upon opening the company’s sustainability report, you will find three clearly defined and long-term impact goals in the areas of smallholder agriculture and health on the very first pages. For example, Bayer has set itself the goal of providing 100 million women in low- and middle-income countries with access to modern contraceptives by 2030. Annual reporting against these three KPIs is an integral part of sustain-

“Impact measurement takes place at regional level. Right now the debate is how to scale this up.”

Corporate Citizenship KPIs of the DAX40 by reporting level



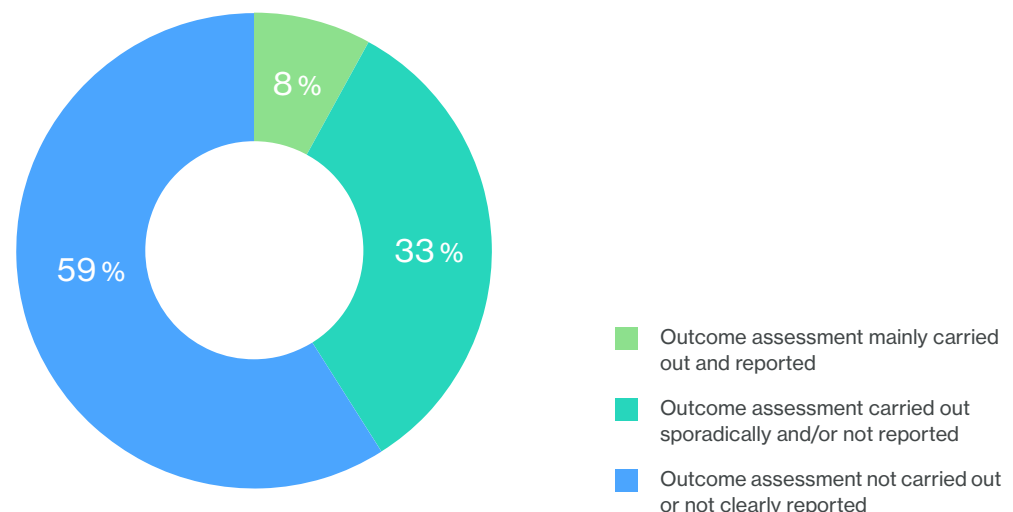
ability reporting alongside Bayer’s other sustainability goals, e.g. in matters pertaining to the environment.²⁹

Another example is the **BMW Foundation**, whose goal is to promote responsible and sustainable leadership. In 2011, the Foundation decided to also channel some of its assets into impact investments. Since then, the Foundation has invested €20 million in the promotion of socially and environmentally worthwhile business models. The Sustainable Development Goals (SDGs) serve as a frame of reference. The IMP (Impact Management Project) of UNDP, OECD and others provided the set of indicators. A digital platform helps to establish comparability with the work done by other organisations. The result allows the BMW Foundation to make data-based decisions for greater effectiveness. With regard to the first SDG goal of ending poverty, it is now possible, for example, to survey across investee organisations how many people were supported with financial services each year worldwide and how appropriate the support was to their needs. The extent to which the foundation itself has contributed to making the recipient organisations more effective is also surveyed.³⁰

Overall, however, DAX companies still have a lot of catching up to do on all three levels – **outcome assessment, aggregation and transparency**. Targets are usually only defined at the output level, where real results have not yet had to be demonstrated. In most cases, in-depth impact reports are only available at the project level. The opportunity to consider impact at the supra-regional, systemic level is generally not yet made use of. However, it can be assumed that discerning consumers, the media and regulators will soon pick up on this deficit. This would be a similar scenario to that in which the NGOs were initially praised uncritically for their “good deeds” and later increasingly asked to explain and demonstrate what they had really changed for the better.

“We need to be realistic about what is possible and what is not: the issue of ‘impact’ does not meet with much understanding within the company. There are zero time resources for the subject.”

Measuring social outcomes & impacts at DAX companies



International Good Practice:

IKEA SOCIAL ENTREPRENEURSHIP

IKEA Social Entrepreneurship is one of IKEA's flagship projects. Here, IKEA invests in global partnerships with self-help groups and (women's) cooperatives in structurally disadvantaged communities to help them gain a source of income and, where possible, to integrate them into the IKEA supply chain. To achieve this goal, IKEA has developed an impact model (Theory of Change) that includes not only targets for input (resource use) and output (e.g. number of people reached), but also clear outcome targets such as demonstrably improved incomes or access to jobs for marginalised groups. These targets and the status of their achievement are communicated annually in a separate report. In 2020, more than 30,000 people were working in IKEA's social entrepreneurship programmes, with a target figure of 95,000 by 2025. This has so far provided 150,000 household members with access to an income.³¹

Conclusion

The world has changed since our first study in 2017. Climate crisis, discrimination, poverty, pandemic – many large companies have set out to pay more attention to these problems and become more sustainable themselves. They are reducing their CO₂

emissions, creating systems to safeguard human rights in supply chains and increasing the diversity of their workforces. **This work has only just begun**, and there is still a long way to go on the path to realising the United Nations Sustainable Development Goals. Immense demands will be placed on companies, and they will need to avail themselves of **the full array of corporate tools to achieve this transformation**.

This also gives Corporate Citizenship – active societal engagement – a new meaning. It can go from being an incidental activity to **a laboratory for sustainable business development**. Unlike the core business, which is often oriented towards short-term revenue targets and profitability, Corporate Citizenship allows for a priority focus on social and environmental goals. Through their Corporate Citizenship, companies can therefore build complementary networks in the social, academic and political spheres. They can develop their own expertise and credibility in key sustainability issues and drive sustainable innovation in products, services and business models. They can produce success stories that provide communicative and emotional support for the transformation of the core business. The Wider Sense team shows all of this in detail in *The Corporate Social Mind*, a book which translates experience of working with business and civil society into a strategic framework for action.^V

We have seen that **sustainable business practices** play a greater role in the Corporate Citizenship of DAX companies than they did a few years ago. We have noticed a **continuing trend towards professionalism**. Nevertheless, we also found out that only a few companies **apply Corporate Citizenship in a targeted way** to achieve

both an internal and an external impact. Companies such as Bayer, Deutsche Post DHL, Deutsche Telekom, Merck and SAP have set out to integrate Corporate Citizenship with their sustainability efforts and to bring it into their core business. **Most companies are, however, still unnecessarily missing out on the many opportunities presented.**

Companies have to change – consumer behaviour, legislation and financial markets leave them no choice. The wide range of individual results from the Corporate Citizenship activities of the DAX40 is encouraging. Impactful initiatives can be attributed to one factor in particular: **leadership**. Committed decision-makers – whether at C-level or in CSR teams – must lead the way and **initiate change as ‘intrapreneurs’**. Corporate Citizenship can be a valuable tool for this, if it is organised to the same professional standard as the core business. In line with our four dimensions (strategy,

^V Feldmann, Derrick, Michael Alberg-Seberich (2020) *The Corporate Social Mind*, Fast Company Press, New York. German-language edition to be published by redline in spring.

resources, implementation and results), we would like to offer these committed and creative decision-makers the following four recommendations for action:

1. Focus your corporate activities on **social challenges that are important for your company**. Achieve more impact by **focusing on clearly formulated and ambitious goals** that are aligned with your economic performance capacity.
2. Do not just make a financial commitment. Involve **all the resources your company has at its disposal**: your products and services, your networks and access points, your technologies and the skills of your employees. In short, your **financial, intellectual and social capital**.
3. Demolish silos that have been in place far too long. Work towards **centralised and interdisciplinary governance** of Corporate Citizenship, together with the departments responsible for sustainability, communications, human resources and innovation. Put in place **efficient digital systems to organise social engagement activities and to measure and report their impact**.
4. Bring on board **other societal actors** who can play a central role in resolving your chosen challenge. Form alliances and **advocate publicly** for the common cause.

By means of strategically oriented Corporate Citizenship, companies turn missed opportunities into opportunities that can be seized – by society, employees, suppliers and customers alike. One can only speculate what 40 companies with over a trillion euros in turnover and several million employees could achieve if they all took the ‘Strategic’ or ‘Integrated’ approach. With strategies that transform and direct their own core business towards the Sustainable Development Goals. With their corporate efforts, with their products and services, with their financial, intellectual and social capital. With clear goals, which they report on to their stakeholders with the same scrupulous rigour as they apply to their quarterly figures. **They could change society for the better in the long term**. Whether in terms of mobility, public health or energy security, whether in communication, finance, logistics or other areas, there is potential everywhere.

Ambitious companies are rewarded by a pioneering role that puts them in an advantageous position vis-à-vis various stakeholders. With greater customer retention, more committed employees, more productive suppliers, and with state actors and civil society working in partnership with them.

Strategic Corporate Citizenship can also pave the way to a future in which your company will continue to operate successfully in the market for many years to come, **making the world a little better every day**. We wish you every success in this endeavour!



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Glossary

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|---------------------------------------|--|
| C-Level | The top management personnel of various company divisions. The 'C' stands for Chief, as in Chief Executive Officer, Chief Operating Officer or Chief Financial Officer. |
| Corporate Activism | Targeting voters and political decision-makers to bring about legislative or regulatory change for the better. |
| Corporate Citizenship | The proactive, social engagement of a company for the primary benefit of the environment and society. |
| Corporate Giving | Financial or non-financial donations, primarily to non-profit organisations (e.g. associations, foundations and charitable limited liability companies). |
| Corporate Impact Investing | Investment in business models that use market-based approaches to solve social problems. |
| Corporate Social Responsibility (CSR) | In its broadest definition, it refers to the economic, legal, ethical and discretionary responsibilities that a company has towards society. |
| Corporate Volunteering | Focuses on involving a company's own employees in its Corporate Citizenship activities and thereby achieving a social impact as well as conveying values and a sense of responsibility internally. |
| Deutscher Aktienindex (DAX) | The most important German share index. It measures the performance of the 40 largest companies on the German stock exchange in terms of annual turnover and free float market capitalisation. |
| ESG | Environmental, Social and Governance issues and metrics used by investors and other stakeholders to assess the sustainability of a company. |
| ESG-Reporting-Standards | ESG reporting standards define issues and metrics for sustainability reporting and thereby (implicitly or explicitly) set a normative vision for sustainable corporate behaviour. Prominent examples are GRI, SASB, TCFD and CDSB. |
| Impact | Overall social impact achieved by an intervention. |
| Input | Resources used in the context of the Corporate Citizenship programme. |

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| Key Performance Indicators (KPIs) | Metrics that measure an organisation's performance or progress against set targets. |
| Materiality analysis | The identification of the societal issues that are particularly relevant to a company because they determine its future financial performance (financial materiality) and/or its impact on society (social and environmental materiality). |
| Organisational Unit (OU) | An element in the structure of an organisation. In the corporate context, this can be, for example, a regional branch office or a corporate function department. |
| Outcome | Benefits that an intervention produces for its target groups on an individual or aggregate level. |
| Output | Specific actions or products designed to promote Corporate Citizenship. |
| Shared Value | Commercial strategies that increase a company's competitiveness while promoting economic and social conditions in the communities in which it operates. |
| Sustainability | An overriding principle of action in the sense of a world permanently worth living in. In its holistic interpretation, it can be summarised as follows: a healthy environment is the prerequisite – a functioning economy provides the means – social well-being is the ultimate objective. |
| Sustainable Development Goals (SDGs) | The Sustainable Development Goals comprise 17 goals and 169 sub-goals for a more sustainable world. They were adopted by the United Nations in 2015 and are supposed to be achieved by 2030. |
| United Nations Global Compact (UNGC) | United Nations Global Compact (UNGC) is the world's largest CSR initiative, founded in 2000. The UNGC describes ten principles in the areas of human rights, working conditions, environment and anti-corruption, which every participating organisation must sign. More than 14,000 companies of various sizes have signed the UNGC (as of October 2021). |

Who we are



Wider Sense is a social change consultancy. We advise companies, foundations, the public sector and key players in civil society on contemporary Corporate Social Responsibility (CSR), strategic philanthropy and systemic approaches to education. To change the world for the better, you have to rethink the good. That is what we do with our team of experts, our international network and our wide-ranging set of methods. We translate good ideas for a sustainable economy, high-quality education, a healthy environment and a just society into workable concepts and thereby reinforce the impact of societal commitment.



Founded in 1991, goetzpartners is an independent consulting partnership advising clients on the core issues of entrepreneurial action, namely strategy, M&A (mergers and acquisitions) and transformation. As a dependable partner with a comprehensive track record and an extensive network, we are ideally positioned to support companies worldwide in their transformation projects. With 300 consultants in 13 offices across eleven countries, we advise decision-makers and executives in all key industries. goetzpartners has received numerous awards for its consulting services, including six times in the 'Best of Consulting' competition run by WirtschaftsWoche magazine as well as among others, in the category 'best pro bono project'.

Partnership

As long-term partners to our client companies, we are committed to supporting them in their endeavours to achieve sustainable CSR. Our aim is to make companies fit for the future, to position them sustainably and to equip them with the knowledge and tools they need to make a positive contribution to society in association with other stakeholders. Credibility, partnership and a clear strategic orientation with demonstrable impact are central principles of our work.

Publication details

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Status as of

October 2021

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