TECHNICAL REPORT

CSR MANAGEMENT SYSTEM

REPORT NO. 2002-1072
VF-REPORT 18/2002
REVISION NO. 1

DET NORSKE VERITAS
&
VESTLANDSFORSKNING

TECHNICAL REPORT

Date of first issue:	Project No.:
01.06.02	91030430
Approved by: Peter Wieland	Organisational unit: UCTNO910
Client: NSB	Client ref.: Brit Stene

DET NORSKE VERITAS AS
Corporate Technology
Strategic Research

Veritasveien 1
N-1322 Høvik Norway
Tel: +47 67 57 99 00
Fax: +47 67 57 99 11
http://www.dnv.com
Org. No: NO 945 748 931 MVA

Summary:

The results documented in this report are worked out through a Joint Industry Project between the Western Norway Research Institute (Vestlandsforskning), DNV and the Norwegian state railway, NSB BA. NSB BA as an industry partner initiated and participated in the project in order to receive input from academia in their practical work with Corporate Social Responsibility (CSR).

This report aims at contributing to the development of CSR from the theoretical to a more practical level. It looks into *how* companies can work to ensure that they fulfil their social, environmental and economical responsibilities. The close co-operation with NSB BA has contributed to the applicability of the results also for other companies.

The report gives guidelines on how to choose social indicators and how to implement a CSR management system. Furthermore, the connection between CSR and Sustainable Development is discussed, and it is shown that these two concepts broadly cover the same aspects.

There is a growing demand for companies to report on CSR issues. The proverb “what gets measured gets managed” entails that the very choice of indicators is a core challenge when working with CSR. Chapter 3 gives a theoretical foundation for which considerations that should be made when social indicators are to be selected. This together with the matrix of possible indicators in Appendix 5 gives useful guidance on how to pick the right indicators for your specific company.

An indicator system will, however, not be enough, but should be integrated into a CSR management system. Chapter 4 takes into account that many companies already have management system(s) based on Deming’s PDCA model, and seeks to give guidance on how to incorporate CSR in their existing systems. Real commitment from the Top Management, learning and improvement are keywords.

Report No.:	Subject Group:	
2002-1072		
Report title: CSR Management System		
Work carried out by: Ingebjørg Gravlien & Petter Vilsted, DNV Karl Georg Høyer & Erling Holden, Western Norway Research Institute		
Work verified by: Britt Stene, NSB		
Date of this revision: 2001-06-01	Rev. No.: 1	Number of pages: 70

Indexing terms

CSR, social responsibility, sustainable development, business ethics, indicators, management system.

☐ No distribution without permission from the Client or responsible organisational unit

☐ Limited distribution within Det Norske Veritas

☒ Unrestricted distribution

Table of Content *Page*

Reference to part of this report which may lead to misinterpretation is not permissible.

1 INTRODUCTION

Socially responsible conduct within the business community has come in focus from governments, society as a whole, consumers and internally in the business organisations. Governments around the world applaud and encourage business actors to take on a more active role in 'social' questions. Consumers' behaviour are affected by the perception of the company they buy from, with the company's reputation for social responsibility as an important aspect in their choices. What does it actually mean for companies to be socially responsible? The term Corporate Social Responsibility (CSR) has been the focus of many studies. To fill the notion of corporate social responsibilities with content has been an important pursuit for various actors both within industry and academia. The following report is no exception and holds ambitions in this respect.

We see two important and interrelated tracks leading to the core of CSR. To get a picture of CSR it is vital to have a clear understanding of both these perspectives. The first perspective or track comes from introduction of the term *sustainable development* in 1987, and the work that has been carried out in the UNCED-process[1] since then. Of special interest is the aspect of sustainable development that regards the role of business and industry. The second track has its origin in *business ethics*, which has a long tradition both within academics and business itself. Since business ethics has been the basis for most of the CSR discussion to date, the focus here will be more towards the link between sustainable development and CSR.

The primary focus of this report is, however, not on determining *what* the actual range of corporate responsibilities should be. Rather, we focus on *how* companies can work with CSR in a more concrete fashion. An important part of working with CSR is to discuss and highlight the values that are to be held as central in one's company. One of the summits in the World Business Council for Sustainable Development (WBCSD) resulted in the following statement:

> "We believe that companies should declare their own values and talk them through in open and transparent dialogue with those who have a stake in, or are affected by, their operations – whether they be central and local governments, IGOs, NGOs or local communities" (Holme 1998).

In addition to articulating one's values, it is important to have guidelines or principles which indicate how the company and its employees should behave in order to support the articulated values. Some companies choose to work out their own guidelines, whereas others look to codes of conduct, guidelines or standards made by others. There is a wide variety of guidelines and principles and a good overview is given by (Holme 1998, p. 26). Some of the guidelines are made for actors within certain commercial sectors, but most are kept fairly generic. There is no absolutes to what is the best solution. What is important, is that the companies use the guidelines actively in an internal process of value identification with involvement of the stakeholders. The field of CSR has seen a proliferation of initiatives issuing various codes of conducts, and there is considerable confusion amongst business actors with regards to which code of conduct to choose or emphasise. Some members of the business community have stated that a certain code-of-conduct-fatigue is developing. This explains why a wish for a convergence between actors in the field on what CSR should consist of is growing[2]. Furthermore, this has lead to the view that the appropriate focus now should rather be on *how* to develop mechanisms to ensure the *implementation* of codes in organisation. For codes of conducts and/or social policies to have an effect on company performance, as well as on effective ways of reporting performance to concerned stakeholders, we have chosen to give a contribution to this question of how one best can work with CSR in a tangible fashion.

The identification of relevant indicators constitutes one important way of 'walking the talk' and will be a central focus here. We will look into different questions that should be considered when implementing CSR-indicators as well as propose some suggested indicators. Stand-alone indicators - indicators out of a context – are, however, of little or no value and can easily lead to 'passive reporting'. Indicators need be accompanied by and integrated into a management system. Indicators and management system always work in tandem and must influence the shaping of each other.

This report consists of 4 chapters. In chapter 2 we take *sustainable development* as a viewpoint, and follow it from the origin to the present discussion regarding business and responsibility. Furthermore, we seek to *relate* the notion of CSR to the one of sustainable development. The question is how CSR is connected to important aspects of sustainable development. Chapter 3 focuses on indicators for CSR. Which considerations should be given when choosing indicators? The chapter also contains a typology with a set of suggested indicators we feel capture important aspects of what it means to have a socially responsible conduct. Chapter 4 focuses on what should characterise a CSR-management system. What is needed to be in place to make identified CSR indicators an integral part of the running business operations? We aim to give guidance on the internal structures, processes and resources that would be required to enable a company to be consistent in the implementation of its principles of ethical conduct.

Appendix 1 presents an historical background for CSR and looks into various strategies business actors have for working with CSR. Appendix 2 contains a list and description of various actors and initiatives central within the CSR-field. Appendix 3 contains a more in-depth discussion and comparison of the SA 8000 and the AA 1000 standard. Appendix 4 discusses the connection between CSR and Sustainable development, and Appendix 5 is a collection of different performance indicators companies may look to in order to find appropriate indicators for measuring their own corporate social responsibility.

Notes for chapter 1

[1] By the term UNCED process, we refer to the UN report *Our Common Future*, the *Rio Earth Summit* in 1992 and the work that has been carried out within the UN since 1992.

[2] This wish for a convergence can help explain why the question whether a CSR ISO-standard should be developed, is now being seriously debated.

Reference to part of this report which may lead to misinterpretation is not permissible.

2 SUSTAINABLE DEVELOPMENT AND CSR

Both CSR and sustainable development are concepts that play an increasingly important role for business and industry within the 21st century. In this respect, sustainable development and CSR are in many cases presented as two different approaches for companies working with environmental issues, ethical questions or societal responsibility at large.

In this chapter we will show that the two concepts broadly cover the same aspects. We will do so by analysing the content of the term sustainable development and relate it to CSR. By "relating", we mean to examine closely the differences and similarities between the two terms. A more thorough analysis can be found in appendix 4.

2.1 Our common future (the Brundtland Report)

The idea of sustainable development has survived nearly a decade of rhetorical excess and academic criticism. From the Brundtland Report *Our Common Future* to *Agenda 21*, it has remained the central goal and guiding norm of environment-and-development policies (Lafferty and Langhelle 1999). Lafferty and Langhelle argue that just as every country and ideology after the World War II wished to profile itself as 'democratic', we find the same trend today with respect to 'sustainable development'. The underlying idea of sustainability is, of course, much older than the 1987 report from the World Commission on Environment and Development. It is, however, only since the publication of *Our Common Future* (WCED 1987) that sustainability, coupled to the notion of 'development', has become so important. Lafferty and Langhelle put it this way: "Pity the politician, the party programme, the long-term plan or the international agreement which does not pay respect to the idea. The prospect of a 'non-sustainable society' is on a par with that of a non-democratic society. It's simply not on." (p.1)

But what is sustainable development about? Is it possible to give a precise definition? How should the term be interpreted to give guidance in everyday policy? There is, unfortunately, a tremendous diversity in the numerous interpretations (Høyer 2000, Aall 2000, Lafferty and Langhelle 1999). Competing understandings of 'sustainable development' are surely as numerous as competing understandings of 'democracy'. One of the reasons for this diversity is the inconsistent use of the term within the Brundtland Report itself. Here we can find at least six different definitions of the term, all of them mutually exclusive. No wonder researchers and politicians are confused. In addition to the variety of definitions in Our Common Future itself, Høyer and Aall (1997) suggest that there has been a battle between different groups that all want to "own" the term. Both politicians and professionals have been active in this fight.

Although there seems to be some inconsistency about the term within the Brundtland Report, there can be no doubt that this report has become the point of reference for every debate, political or professional, on sustainable development (Lafferty and Langhelle 1999). Despite the academic and political differences regarding the term, it is possible to highlight some basic key characteristics (Aall 2000):

- ecological sustainability
- development
- equity between generations
- equity within the same generation

The first characteristic is often referred to as the ‘environmental’ part of sustainable development, while the next three sums up to the social part. Sustainable development has therefore an environmental part as well as a social dimension. The minimum requirements for sustainable development are that the natural systems which supports life on Earth, atmosphere, water, soil, and other living beings, are not endangered (WCED 1987:45).

2.2 Rio de Janeiro and Agenda 21[1]

One of the important messages from Our Common Future was launching a plan for an international conference in order to discuss the content in the Brundtland Report. The conference took place at the Earth Summit in Rio de Janeiro in 1992. 178 countries were represented and more than 100 Prime ministers participated. At the end of the Summit five different documents were signed and agreed upon. One of these documents was Agenda 21.

Agenda 21 is no less than a comprehensive ‘action plan’ for achieving sustainable development in the 21st century. According to Lafferty and Eckerberg (1998) one of the most characteristic features of the whole UNCED process is the goal of bringing together key social actors for joint co-operation efforts on vital issues of environment and development. Let us take a closer look at what Agenda 21 prescribes for a sustainable future. It is interesting to notice that sustainable development covers all the topics that have been put forward in the CSR debate.

- Chapter 29 in Agenda 21 (“Strengthening the role of workers and their trade union”) deals with worker, or labour, rights.
- Chapter 24, 25 and 26 deal with human rights and the special actions that should be taken to safeguard these rights for women, children and youth and indigenous people.
- Agenda 21 strongly underlines the need to bring all relevant parties (stakeholders) in a co-operation towards sustainable development. This is the case for non-governmental organisations (chapter 27), the local authorities (chapter 28) as well as employees and affected people in the community (chapter 30).
- The ethical responsibility for business and industry is put forward in chapter 30.

There can be no doubt that safeguarding the environment is a vital part of sustainable development. This was strongly put forward in the Brundtland Report, and the message is still clear in Agenda 21.

2.3 The relationship between Sustainable development and CSR

There are many different ways of looking at the relationship between Corporate Social Responsibility (CSR) and Sustainable Development and the impact on the role of business and industry. However, there are, in our opinion, no major substantial differences between CSR as we have described it in this report and sustainable development as it originally was presented in Our Common Future. Or to put it another way: every aspect of CSR should already be covered by sustainable development.

The major themes in sustainable development are also the main aspects of CSR. These themes are:

- concern for the natural environment
- concern for labour (employees)
- concern for human rights
- concern for the wider community

Reference to part of this report which may lead to misinterpretation is not permissible.

- stakeholder involvement
- business ethics

This implies that whether a company chooses to take a corporate social responsibility pathway or they go on to fulfil the commitments derived from sustainable development, there would be no difference in practice. In both cases the company seeks to act in the interest of the society, including environmental protection, securing labour rights, communicating with stakeholders, acting in the interest of the involved communities, and promoting human rights.

In a research report from Association of British Insurers (ABI 2001) concerning CSR they put it this way (and we strongly agree):

> "Sustainability is another common term in this context. It is sometimes connected mainly with the environment, but has come to embrace social and economic issues as well, as embodied in the concept of the 'triple bottom line', which brings together social, environmental and economic objectives. In this sense sustainability and social responsibility are broadly interchangeable." (page 3)

There are, however, two nuances worth noting about the relationship between sustainable development and CSR. First, as we already have touched upon, that sustainable development has been understood to be dependent on a strong involvement from the Governments. An active governmental role has not been emphasised to the same extent with regards to CSR. The view that self-regulation and voluntary commitment from companies are more appropriate than governmental regulations is the most predominant one. Secondly, even if it is our opinion that CSR and sustainable development mainly have the same implications for corporations, there is no consensus on this. While defining CSR and the social dimension of sustainable development as equal has many supporters, referring to sustainable development as mainly an "environmental thing" also has strong defenders. Nonetheless, our view is that in practical work CSR and sustainable development imply the same commitments and actions.

Consequently, Corporate Social Responsibility can be understood as a company's *strategy* on how to work towards sustainable development. This understanding of CSR and Sustainable Development is also supported by World Business Council for Sustainable Development (WBCSD) 's definition of CSR:

> "Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life."

For a more in-depth discussion of Sustainable Development and CSR, please see appendix 4.

Notes for chapter 2

[1] Information about Agenda 21 can be found on: http://www.un.org/esa/sustdev/agenda21.htm.

Reference to part of this report which may lead to misinterpretation is not permissible.

3 ORIENTORS AND INDICATORS

Choosing the right indicators is a key activity in establishing an effective CSR Management System. A limited amount of a few vital indicators should be defined to ensure that the CSR goals are met. The indicators should be based on the stakeholders' needs and they should be representative for the business which the company operates. Products, processes, activities and services should be considered when deciding on indicators on which to report.

An indicator can tell something about what is achieved, what is done to achieve this or what is the status or condition of a particular system. Indicators are meant to translate otherwise inaccessible quantitative and qualitative data/ facts to more understandable and useable information. It is important that the choice of indicators is reasonable and possible to monitor. They should be suitable to the defined purpose and objectives of the system and to the company activities. Indicators should represent something that the company influences (e.g. not oil prices)

In this chapter we will focus on three tasks. Firstly, we give an introduction to the term indicator. This implies a presentation of important aspects regarding what an indicator is, what it does and what should be considered when using an indicator. Secondly, we will present a number of *orientors* that describe the basic aspects of Corporate Social Responsibility. As we have shown in the previous chapter, these orientors also cover the main aspects of sustainable development as it is applied to business and industry. The point is to capture what CSR really is about. Which main themes or areas can be found within CSR? Or to put it in another way: What is, or should be, the social responsibility of a company? We will do so by constructing a typology for CSR-orientors. Finally, we will give examples of one or two *core indicators* for each orientor typology. Both the orientors and the core indicators are based on the work carried out by a number of different institutions as they are presented in Appendix 2.

3.1 Indicator systems. Principles and requirements

The term *indicator* is derived from the Latin verb *indicare,* which means to point out or proclaim. It is a device meant to draw our attention to something, such as a needle on an instrument or a warning sign. We use the verb *indicate* and the noun *indication* in everyday language, but without all its aspects being apparent. Consequently, the purpose of the indicator is a simplification of more complex phenomena and connections. We apply the following definition to the term *indicator:*

> An indicator is a simplified expression for complex phenomena and connections in a form which makes it possible to quantify these. Indicators are used to attain, facilitate, or promote communication around such phenomena and connections, but in such a way that their significant properties are not lost.

This gives an indicator three major functions: (1) simplification, (2) quantification, and (3) communication. The superior function is *communication,* and simplification and quantification are means to attain this end. Communication is about relations between sender and receiver. Admittedly, there may be many different types of receivers. They may be environmental experts and bureaucrats on a national level. They may be various groups of external stakeholders or shareholders, or the management board or employees in the company. Within one and the same phenomenon, no set of indicators can be developed to communicate just as efficiently to all groups. For some, the indicators may even be meaningless or completely incomprehensible. This underlines the fact that indicators must be developed in relation to the groups and actors with which communication is primarily intended, which we call the *primary target groups* of communication. This is an issue that will be dealt with later.

On the other hand, what is implied in the term communication is not unambiguous. It may serve various purposes. It may, for example, simply be a question of informing the general public of development trends and current situations. However, it may also be included in a more targeted context, such as initiating debates or providing information to critical decision processes, or possibly forming the basis for a company to head in a certain direction. Once again the formulation of the indicators will be linked to the types of *primary purposes* the communication is meant to serve.

Basic types of indicators

As stated above, indicators are simplified expressions for more complex phenomena and connections. This gives a relation between indicators and what we may call *basic data.* They must in one way or another be based on quantified basic data. Higher up in the hierarchy we may talk about *indices*. These are again based on indicators and are related to the latter as the indicators are related to basic data. Normally an index is supposed to give both a simplified and quantified expression for a more complex composition of several indicators. This is illustrated in Figure 1

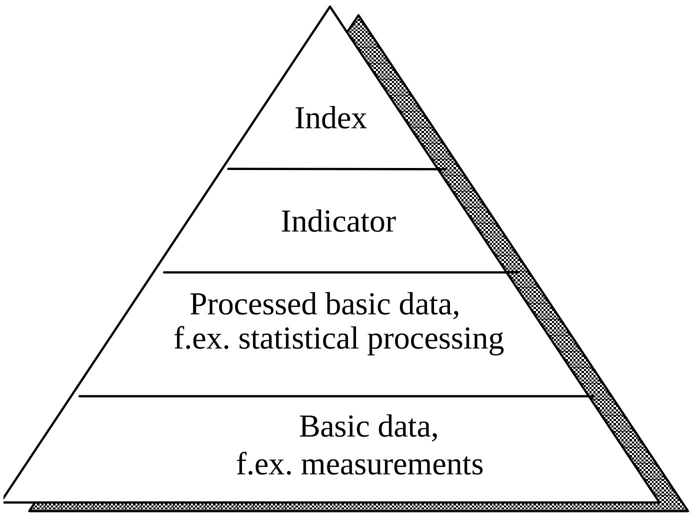

Figure 1 ***From Data to Index. An indicator pyramid*** **(After: Macgillivray and Zadek 1995)**

An indicator may be developed from basic data (and processed basic data) in a variety of ways. A distinction can be made between *four major categories – or basic types –* of indicators, dependent on how they are developed from basic data, as illustrated in Figure 2 below. It is necessary to point out that the four basic categories in the figure are given an ideal-typical limitation. In practical terms pure categories will be rare.

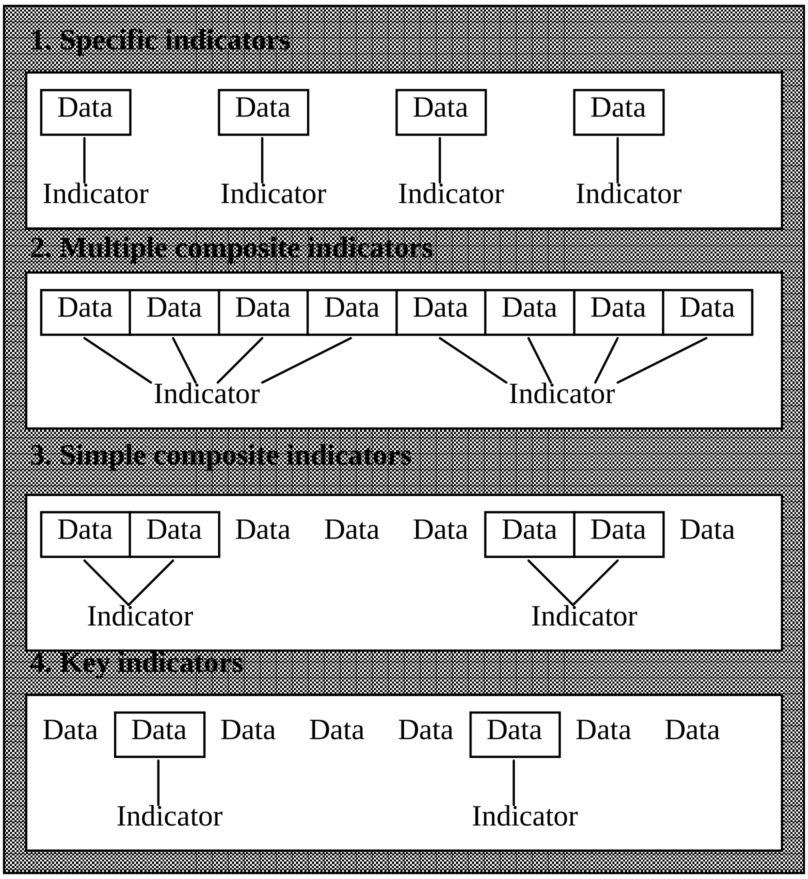

Figure 2 ***Major categories (basic types) of indicators*** **(After: Mitchell 1996)**

Along a somewhat different dimension, a fifth basic type may be included: *Surrogate* or *analogy* indicators. This is the case when data is missing, is inadequate or not easily accessible, but we still want to express the phenomenon by means of indicators. In that case the surrogate will be based on what is available of good and practically accessible data within a limited area, and at the same time include as much as possible of what we would like to express.

The basic requirements – quantification, substance, and resonance. Cold and hot indicators.

In our opinion, indicators are most useful when they are quantified. There is no absolute consensus of such a quantification requirement in international debate. Some think it is meaningful to use a term of *qualitative indicators* for relatively broad, non-quantified expressions, which may still function as sufficient suggestions for complex phenomena and connections.

The four categories – or *basic types* of indicators shown in Figure 3 express various degrees of the simplification, Specific indicators represent the lowest degree of simplification, whereas they are the highest when we apply key indicators. By simplifying, aspects of the knowledge embodied in the basic data will necessarily be lost. The challenge lies in reducing the loss to a minimum, at the same time attaining the necessary degree of communication . The development of indicators must therefore take place in a balance between the *substance* requirement and the *resonance* requirement. By resonance we mean the ability of the indicators to communicate information successfully to the relevant target groups.

In order to make the indicators useful information sources it is not enough that they are accurate, the information must also cause resonance for or within the intended target group. The target group must comprehend the information and become motivated to act on the basis of this information. In this respect we may distinguish between *cold* and *hot* indicators. The *cold* indicators are scientifically detailed and demanding, but lack the warmth to cause resonance among certain target groups. The *hot* ones give this resonance, but they are on the other hand inaccurate. The challenge lies in developing an indicator system or set of indicators that is *warm.*

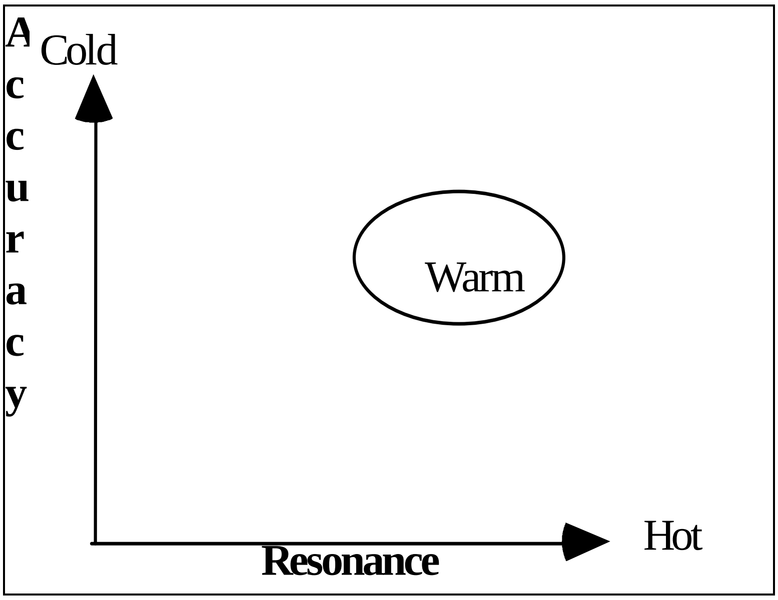

Figure 3 ***Cold and hot indicators.*** **(After: Macgillivray and Zadek 1995)**

The primary application purposes

We have stated that the indicator development must relate to:

- primary target groups of the communication
- primary application purposes of the indicators

Let us start with the *primary application purposes*. There may be many different types, such as providing information and initiating debate, forming the basis for more principal decisions, providing a correct reflection of the development of a state (for example, environmental state), keeping account of the effects of initiatives, actions and so on.

When combining the two aspects – primary target groups and primary application purposes – indicators may normally be placed within one of the following five main groups:

- indicators for external information, to arouse attention and initiate debate, primarily aimed at shareholders and other external stakeholders

Reference to part of this report which may lead to misinterpretation is not permissible.

- indicators to show clearly the main development trends, aimed at management board and the top management level
- indicators to show clearly the development trend at a more detailed level, aimed at line management
- indicators to show clearly impacts of planned initiatives and actions (in “impact assessments”), aimed at both top- and line management
- indicators to register and assess the effects of initiatives and actions, primarily aimed at line management

However, as long as it is only a matter of *primary* target groups and purposes they can be concentrated to three major types:

- indicators for public information, attention and debate
- indicators for top management
- indicators for line management
- indicators for employees

When an indicator system is being developed, it is important that the primary purpose is defined. It will rarely serve any practical purpose to develop a system that is intended to serve all the different purposes at once, even less so where the application purposes are not pre-defined. And yet, an indicator system, which has been developed specifically for one purpose, may also serve other purposes. It is, however, desirable that this occurs with a fair degree of awareness, as it does not automatically follow that it is suitable.

The three major types of purposes above represent a *typology*. Another important dimension has to be included. This is the question as to what degree the development of indicators is rooted in a superior system, or in a more delimited sense: to what extent the indicator system is defined in a more superior context. Such a superior context can be “Agenda 21” or the Global Reporting Initiative Which sets the framework for the report system of the company. We can here make a distinction as to whether the indicator development takes place *“top-down”* or *“bottom-up”*. In a “top-down” process the development follows a clearly defined route, starting at the top-level (corporate management) and ending up in each department of the company. When the development process is carried out “bottom-up”, one starts at the department level (or even at the individual level) and lets each particular local situation define the indicator choices. As in the relation between “resonance” and “substance” the challenge is to balance the relationship between “top-down” demands and “bottom-up” wishes and processes. This leads to a typology as illustrated in Figure 4.

	Public information, attention and debate	**Top management**	**Line management**
“Top-down”			
“Bottom-up”			

Figure 4 A general typology for indicator systems in a CSR-context

A completely different typology can be found in a typical *cold* OECD model for environment indicators, the so-called *PSR model* (OECD 1994). These types of indicators are attached to various links in a continuous cause-effect chain: Human activity *puts pressure on* (P=pressure) the environment in many different ways, for example through emissions, and this is reflected in changed quality and quantity of the *state* of the natural environment (S=state). The *response* (R) from the society to prevent these changes or to repair environmental damage constitutes the third link in this chain. This is illustrated in Figure 5. In addition to these three types, OECD operates with a fourth: *performance indicator* (P=performance). These are selected and/or aggregated impact, state, and response indicators intended to evaluate the effects or the performance of the OECD countries' environmental policies and environmental actions ("environmental performance reviews"). Later a fifth link in this type of model has been incorporated: *The environmental impacts* (I=impacts). This implies that the original model has gradually been turned into the five-link *PSIRP*, but still along a continuous cause-effect chain. For the sake of simplification, the term *PSR* is often linked to such models.

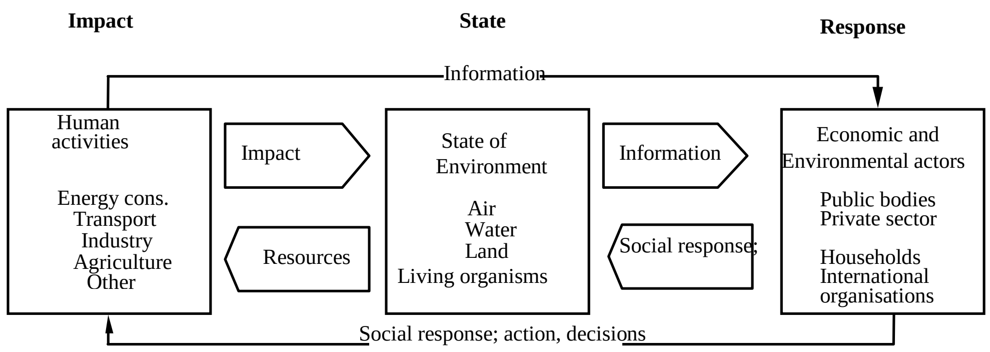

Figure 5 ***The PSR model for environmental indicators.*** **(After: OECD 1994)**

This is an example from the environmental sector. However, the same structure and types of indicators may also be applied in a CSR-context. Linked together in a strictly logical cause-effect chain, the *PSIRP- typology* comprises the following five indicator types:

- pressure indicators
- state indicators
- impact indicators
- response indicators
- performance indicators

Companies choosing indicators based on such a structure, may have a different motivation than companies deducing indicators from a 'superior context'. A company focusing mainly on pressure indicators will feel a strong need for monitoring, for instance, changes in their stakeholders' view on their performance. Pressure indicators can detect such changes early and help the company anticipate these before they materialise into voiced concerns. State indicators typically give information on the environment and local community in which the company is operating and impact indicators on how the company's operations are influencing these. Response indicators will give the company's management feedback on the effects of steps taken. Such steps can, for instance, be training of employees, stakeholder consultations, relocation of production facilities, introduction of environmental and a CSR management system.

The orientors of the indicator system

Any indicator system will cover some topical areas. There will be one or more indicators linked to each topical area. A superior context, such as CSR or Agenda 21, may have a common set of topical areas. On the other hand, the relevant indicators may be different, dependent on the concrete context in question (for example regarding the size and type of company involved).

We apply the term *orientors* to express such common topical areas. They serve the function as labels for certain values, interests, criteria, or purposes, and they help us to be systematic and consistent in our *orientation* in a complex landscape of variables and potential indicators. Water pollution is an example of an orientor, whereas the choice of bathing-water quality or the concentration of PCB per litre as indicators depends on the concrete context.

With for example *Agenda 21* as the superior context, it is a question of identifying the common, important orientors included in this process (which was initiated in 1987, and defined and formalised in 1992). This means to identify the orientors, which are explicitly linked to the term “sustainable development”, and not only to a term of “environment” or “protection of the environment” (these are better known, and will come in addition). In our case the common context is *CSR*.

3.2 CSR-Orientors

Four main aspects are emerging out of the diverse approaches to CSR: human rights, labour (rights), community[1] and environment. This can be regarded as the bottom line of CSR. These basic aspects of CSR make up the first dimension in the orientor typology. It is also obvious that the social responsibility of a company cannot be limited to only internal affairs. In a world facing rapid globalisation, actors and institutions have a responsibility that goes far beyond their own home ground. Large multinational corporations as well as small and locally based businesses cannot close their eyes to human rights violations and unacceptable working conditions among suppliers or contract workers in distant parts of the world. The same is the case for environmentally damaging operations. The second dimension in the typology is therefore the internal-external responsibility.

The division between internal and external can be somewhat difficult to capture. In our understanding ‘internal’ is related to the condition in the company, while ‘external’ refers to a company’s responsibility within its “sphere of influence”. Special attention is paid to operations in developing countries. This might not be a good division for all companies. Many companies operate only in one country and have few relations to other parts of the world. Even if this is the case, there is hardly any company that does not buy raw materials or products from suppliers in other countries. However, the responsibility for the local community in which the company operates should not be forgotten and is a central element of corporate social responsibility. Therefore, the internal-external dimension is relevant also for businesses based in a western country with few ties to third world actors.

Reference to part of this report which may lead to misinterpretation is not permissible.

The internal-external dimension must be developed for each separate corporation. It is, however, important to remember that a business does not exist in a vacuum, and the company (as well as all other actors in society) must be aware of what is going on in their sphere of influence. The typology is shown in Figure 6

	Human Rights	Labour	Community	Environment
Internal	Orientor 1	Orientor 3	Orientor 5	Orientor 7
External	Orientor 2	Orientor 4	Orientor 6	Orientor 8

Figure 6 A typology for CSR orientors

3.3 Core indicators[2]

Within each orientor there is one or two central indicators within each orientor typology that we call *core indicators*. In table 1 we have shown examples of core indicators for each orientor typology. There are, however, a number of aspects that need to be considered when constructing a set of core indicators. Firstly, there are the normative dimensions coming from the terms themselves (sustainable development and CSR). The indicators must reflect substantial items connected to the terms, referring to authoritative documents (i.e. “Our common future”). Secondly, the aspects related to company’s size, type and profile must be considered. There are good reasons to operate with “less ambiguous” core indicators when dealing with small companies with few employees mainly operating within a local community, compared to large multinational corporations. Third, it is a question about how committed a company will be. The example in table 1 refers to a large multinational company with high ambitions, and can be seen as a reference approach.

For each orientor it can be a good idea to have a number of *supplementing indicators* (a list of such indicators can be found in appendix 5). These can, for example be separated into ‘generally applicable’ and ‘organisation/site-specific’ indicators as in the Global Reporting Initiative (GRI 2000). The indicators noted as generally applicable are relevant to all organisations. In the interest of comparability, GRI asks all reporters to provide this information, regardless of sector, location, or other attributes of the organisations. Organisation-specific indicators are those that, while critical to an understanding of the performance of the organisations to which they apply, may not be relevant to all organisations. These indicators derive from attributes such as the organisation’s industry sector and geographic locations, and from the concern of stakeholders.

It is, however, worth noticing that GRI is one of several sources for possible indicators. Other indicators can be found in the initiatives “Business in the Community”, “CSR Europe” etc. (see appendix 2). Furthermore, if a company finds that none of the indicators proposed from these initiatives effectively measures its most essential CSR-challenges, it can develop own supplementary indicators. Ideally, these are worked out in close co-operation with stakeholders.

Reference to part of this report which may lead to misinterpretation is not permissible.

Table 1 Example of core indicators within each orientor typology.

	Core indicator	Supplementing indicators
Orientor 1 (Human Rights, internal)	Number of employees that have participated in a Human Rights course	(Se appendix 5)
Orientor 2 (Human Rights, external)	Number of screenings (including dialog) of Human Rights with stakeholders within the company's sphere of influence (country, suppliers, contractors etc.)	
Orientor 3 (Labour, internal)	Impact evaluations of the effects of downsizing, retraining etc. (Business in the Community, Q3) Percentage of underrepresented groups in the management/workforce	
Orientor 4 (Labour, external)	Number and types of legal actions concerning anti-union practices among suppliers and contractors (GRI 6.83)	
Orientor 5 (Community, internal)	Staff involvement in social activities (number of employees and hours) (CSR Europe Checklist)	
Orientor 6 (Community, external)	Number and types of consultations with stakeholders in the company's sphere of influence (GRI 5.12) Number of consultations with special need customers groups organisations (includes reports which describe improvements) Reporting on qualitative and quantitative estimates of societal impacts associated with the use of the (principal) products and services	
Orientor 7 (Environment, internal)	Approved environmental management system (EMAS, ISO 14000 etc.) Number and types of environmental training programmes in the company	
Orientor 8 (Environment, external)	Number of life cycle assessments (ISO 14040) of the company's products and/or services (GRI 6.29) Number and types of environmental management system among suppliers and contractors (GRI 6.25 and 5.9) Number of cases where the precautionary principle have been used to prevent environmental degradation (The Global Compact, principle 7)	

Reference to part of this report which may lead to misinterpretation is not permissible.

Notes for chapter 3

---

[1] Referring to chapter 2, stakeholder involvement also is one such aspect. To include stakeholder is, however, a part of the company's responsibility to the community.

[2] The core indicators are mainly directed against a western (multinational) co-operation.

4 CSR MANAGEMENT SYSTEM

4.1 Why is a CSR Management System necessary?

Systems ensuring overview, control and reporting of *financial* performance are extremely sophisticated and are backed up by a long and strong historical heritage. Techniques and tools for measuring, assessing and communicating *environmental* performance are also, to a large extent, at companies' disposal today and the implementation of environmental management systems is becoming more common in companies. There are no widely accepted management tools for *social* performance and the CSR-field is in this respect lagging somewhat behind. The groundwork of finding an identity for the CSR-community, creating a foundational knowledge-base for CSR as well as raising awareness amongst business actors has been laid. The challenge of today is to find concrete methods of working with CSR in management systems. Setting goals, securing the integration of CSR in operational activities and bringing it to the forefront of line- and top managers attention, finding ways of monitoring, accounting and reporting of performance as well as facilitating real improvement, are all challenges increasingly being stressed both by actors in the business community and in academia. Strictly speaking, working to implement a social management-system is to try to find a framework that addresses and provides solutions to all these questions. We are not advocating that applying a structured approach to CSR is in itself enough. CSR is primarily about values and sensitivity to these values – consequently a company needs to approach CSR in an idiosyncratic way and seek to identify what should be a particularly important CSR-focus for the given company. However, to ensure that CSR survives a project phase and becomes part of companies' daily operations (and its typical fire-fighting activities) a CSR Management System is needed.

A CSR Management system has both advantages and disadvantages. Some of these are briefly presented in Table 2.

Reference to part of this report which may lead to misinterpretation is not permissible.

Table 2 Pros and Cons with a CSR Management system

Pros	**Cons**
• Secures a more continuous CSR-focus • Supports leaders in more effectively managing social and environmental performance • Enables management of the company's reputation (to a certain extent) • Facilitates effective reporting based on solid data • Enables better communication with stakeholders • Gives a framework for setting all (existing) CSR-activities into a system	• Resource-demanding • A too structured approach to CSR may divert the creativity needed to build CSR-awareness • If goals and indicators are not continuously evaluated, steering of performance may take on a wrong direction • Management systems in place may create a false sense of assurance for leaders

The entire notion of corporate social responsibility has, however, also been questioned and criticised by various actors. David Henderson (2001) is one of the strongest critics of CSR and claims that CSR only serves to raise costs and prices and that companies should not interfere in decisions better left to politicians. Working seriously with CSR, does indeed, involve costs for a company. This is particularly true when working to implement CSR-indicators and establish a CSR management system. We believe these costs are worthwhile, since a fragmented and unfocused approach to CSR gives little return both with regards to synergies, organisational learning, reputation and risk management as well as branding.

For Small and Medium Enterprises (SME) there is a risk that a rigid CSR management system or reporting requirement will require an unacceptable amount of additional resources. On the other hand SMEs are normally a more integrated part of a society and acting socially responsible has traditionally been a part of their contract with the local society. So although we believe strongly that working with CSR makes good business sense for most companies we realise that demand for reporting on CSR-issues, and particularly on indicators, should be kept at a reasonable ambition level, especially for the SMEs. Another relevant concern is that the large companies should not "delegate" all the responsibility for CSR and demand heavy reporting without also being prepared to provide help, and if necessary share or in other ways compensate for the additional cost.

We share the view that it is important that CSR does not end up as a heavy, costly reporting regime that forces companies to do a lot of reporting not really changing any behaviour. That is why we state so clearly that it is of the utmost importance that CSR is an incorporated part of the companies' policy, values *and* on-going business activities - not only nice words in a company document. Some effort is needed to establish and maintain a CSR management system, but by integrating a CSR management system-approach with the existing management systems, the workload will be acceptable. In Table 5 we have defined what we see as the key elements in a CSR management system. This should, however, not be seen as compulsory, but as an inspiration on how CSR may be incorporated in the existing management system.

4.2 The underlying principles of a management system

W.E. Deming has defined the PDCA-model for quality management systems. Originally it was developed as a quality management system for the Japanese industry, but the model has been recognised as generic and is also valid within economy and almost all other situations in life.

Deming defined the PDCA-circle with 4 phases:

- **P**lan, which includes defining goals, organising resources, establishing methods, and training the employees.
- **D**o the planned activities
- **C**heck and control the performance according to plan
- **A**ct upon non-conformance, find and eliminate the cause of the non-conformance in order to make better plans next time.

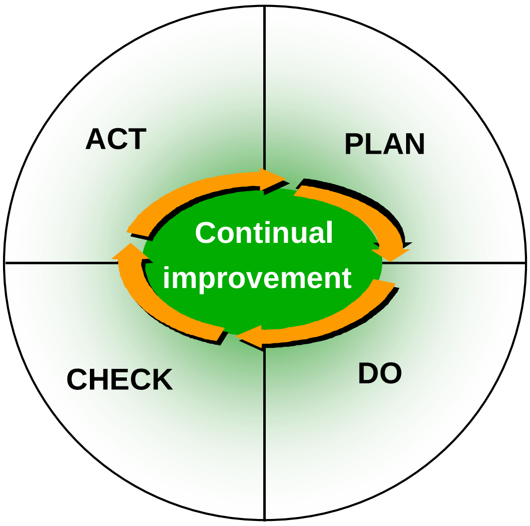

Figure 7 Demings circle for quality management

The circle must be repeated continuously in the entire organisation to assure continual improvement.

Good management is recognised by the fact that the result of a process is measured against predefined criteria. Possible non-conformances are used to give feedback to the process in order to improve it. These are principles well known from control engineering and economy. Measurements can be done by quality revisions, inspections, internal or external audits or by talking to the customers.

Reference to part of this report which may lead to misinterpretation is not permissible.

4.3 PDCA in relation to Certification standards

Today a wide variety of standards exist giving directions on how to integrate different concerns into companies' daily operations. ISO-standards are the most recognised and used and the number of companies certified according to ISO:9000 and/or ISO:14000 are increasing steadfastly. Despite the fact that the different standards have different foci - the ISO:9000, for instance, focusing on quality management, product quality and customer satisfaction and the ISO:14000 on environmental management and improvement of work processes – all the standards are built on the same structure.

The PDCA-logic is built-in and the Guidelines for the Justification and Development of Management System Standards (ISO Guide 72) sets forth the following themes and elements that are common to all ISO Management System Standards:

1. Policy (demonstration of commitment and principles for action)

2. ***Planning*** (identification of needs, resources, structure, responsibilities, etc.)

3. ***Implementation and operation*** (awareness building and training, etc.)

4. ***Performance assessment*** (monitoring and measuring, handling non-conformities, audits)

5. ***Improvement*** (corrective and preventive action, continual improvement)

6. ***Management review***

These six components are, however, not only found in the ISO-standards alone. Standards developed by other organisations or initiatives are often modelled after the ISO-structure. This is often motivated by the fact that this structure has become well known in the business community. Furthermore, compatibility with foundation standards like ISO:9000 or ISO:14000 reduces costs of implementing new standards for business and therefore increases a new standard's chances of extensive implementation. For example, both the BS 7799 focusing on information security management and SA 8000 emphasising human-, child- and labour rights have the same, thought slightly modified, requirements to elements of a management system needed to be in place to meet the standard.

4.4 Connection between standards and Deming's PDCA-model:

The above mentioned standards can easily be combined with the PDCA-model (Figure 7) for management systems. A Generic mapping of the general ideas in the ISO standards can be done by drawing a table which describes briefly the elements that are typically connected to the 4 phases in the PDCA-circle.

Reference to part of this report which may lead to misinterpretation is not permissible.

Table 3 Typical Elements connected to the PDCA-Circle for a typical ISO standard

<table>
<tr><th>PHASE</th><th>TYPICAL ELEMENTS</th></tr>
<tr><td>PLAN</td><td>Policy and Planning:

<u>Policy</u>
Top management shall define company's policy to ensure that it:
a) includes a commitment to conform to all requirements of the actual standard;
b) includes a commitment to continual improvement;
c) is effectively documented, implemented, maintained, communicated and is accessible in a comprehensible form to all personnel, including, directors, executives, management, supervisors, and staff, whether directly employed, contracted or otherwise representing the company;
d) is publicly available.
e) provides the framework for setting objectives and targets

<u>Planning</u>
The management shall
a) establish goals that are measurable and consistent with the policy
b) identify and document processes
c) plan how to measure and evaluate the processes
d) plan how to measure and evaluate the performance according to the goals.
e) plan how to act upon non-conformance and improve the processes

<u>Control of Suppliers</u>
The company shall establish and maintain appropriate procedures to evaluate and select suppliers based on their ability to meet the requirements of the actual standard

<u>Company Representatives</u>
The company shall appoint a senior management representative who, irrespective of other responsibilities, shall ensure that the requirements of the actual standard are met;</td></tr>
<tr><td>DO</td><td>Implementation and operation

<u>Implementation</u>
The company shall ensure that the requirements of the actual standards are understood and implemented at all levels in the organisation; methods shall include, but are not limited to:
a) clear definition of roles, responsibilities, and authority;
b) training of new and/or temporary employees upon hiring;
c) periodic training and awareness programs for existing employees;

<u>Communication:</u>
The top management shall secure that sufficient and efficient communication is established in the entire organisation. This includes that responsibility and authority are defined and communicated .</td></tr>
</table>

<table>
<tr><td>CHECK</td><td>Performance assessment

<u>Measurements and monitoring</u>
The organisation shall implement processes in order to monitor, measure, analyse and improve the performance. Methods for measurements can be
a) Customer satisfaction measurements
b) Internal or external revisions
c) Internal or external assessment
d) Internal or external audits

<u>Records</u>
The company shall maintain appropriate records to demonstrate conformance to the requirements of the actual standard.

<u>Analyse and evaluate</u>
The company shall analyse the measurements and records and evaluate all findings and initiate investigations to find the root cause to the non-conformances. The processes must be continuously evaluated, especially if repeated non-conformances occur.

<u>Control of Suppliers</u>
The company shall maintain reasonable evidence that the requirements of this standard are being met by suppliers and subcontractors.

<u>Outside Communication</u>
The company shall establish and maintain procedures to communicate regularly to all interested parties data and other information regarding performance against the requirements of the actual standard, including, but not limited to, the results of management reviews and monitoring activities.</td></tr>
<tr><td>ACT</td><td>Improvement and Management review

<u>Addressing Concerns and Taking Corrective Action</u>
The company shall implement remedial and corrective action and allocate adequate resources appropriate to the nature and severity of any non-conformance identified against the company’s policy and/or the requirements of the standard.

The company shall investigate, address, and respond to the concerns of employees and other interested parties with regard to conformance/non-conformance with the company’s policy and/or the requirements of the actual standard.

<u>Management Review</u>
Top management shall periodically review the adequacy, suitability, and continuing effectiveness of the company’s policy, procedures and performance results vis a vis the requirements of the actual standard and other requirements to which the company subscribes. System amendments and improvements shall be implemented where appropriate.</td></tr>
</table>

4.5 What exists of guidance on CSR management systems today?

A proliferation of CSR guidelines and codes of conducts has recently taken place. These give directions on *what* companies' social responsibility consists of and to some extent on *how* companies ought to work with the social dimension of their activities. Most of these codes, however, lack mechanisms for monitoring and accountability and, therefore, give little or no guidance on how to actually *implement* CSR in the daily operations of companies. Three different standards have been developed and give directions on how CSR can be integrated in a management system.

Table 4 gives a very brief overview of three CSR-standards. A more detailed description is given in Appendix 3.

Table 4 Overview of CSR standards.

Standard	Developed by	Focus Area	Comments
SA 8000	Council on Economic Accreditation Agency (CEEPAA)	Workplace condition: • child labour • forced labour • health and safety • freedom of association and collective bargaining • discrimination • disciplinary practices • working hours compensation • management systems	Based on the principles underlying the eleven Conventions of the International Labour Organisation (ILO), United Nations Convention on the Rights of the Child, and the Universal Declaration of Human Rights Criticised for being too rigid with too many absolutes. Standard demands penalisation of non-conformities by ending business. Does to a too insufficient extent encourage working with improving conditions and raise performance levels when non-conformities are detected Nonetheless, the only standard setting actual requirements for acceptable performance and proving and auditing framework
AA 1000	Institute of Social and Ethical Accountability	• communication with stakeholders • transparency • process oriented	The main purpose of the AA 1000 is to serve as a general framework giving directions for organisations wanting to work systematically with ethics and social responsibility. Process-based (no requirements for what constitutes responsible business performance)
ECS 2000 (Ethical Compliance Standard)	The Reitaku University i Japan	• business ethics • legal compliance • process oriented	Requires an ethical-legal compliance policy that is formulated by executive management and actively communicated and revised.

All three standards can be the basis for external or internal audits, but only SA 8000 can be used for third- party certification leading to a certificate

There is also an ongoing debate within the ISO-community of organisations, the Ethical Officer Association being one of the strongest advocates, on whether the ISO-organisation should seek to issue a CSR standard built on the ISO 9000 and ISO 14000-structure.

4.6 PDCA applied to CSR

The process of Corporate Responsibility is new to most companies, and the key issue in this model is to **learn and improve**. It is important that a CSR Management System focuses on refining the key performance indicators and improving the depth of the performance measurement and reporting, and, where appropriate, seeks credible third-party verification. In addition the company should continue to monitor and learn from emerging guidelines and standards, as well as adopt those respected leadership standards that are appropriate.

The PDCA model (see chapter 4.2) is well known and most management systems are based on this or similar views. Despite the somewhat different focus of the CSR-standards previously mentioned, they all advocate the usefulness of approaching one’s social responsibility in a systematic and consistent fashion.

4.6.1 Mapping of CSR into the PDCA-circle

The core of a CSR management system is that the top management defines, implements and maintains a CSR policy which includes

- a Value Statement that describes the tradition and management beliefs of the company
- a Code of Conduct which is a voluntary expressions of commitment made by an organisation to influence or control behaviour for the benefit of the organisation itself and for the communities in which it operates [1]

It is of utmost importance that the CSR management system supports the values of the company, and vice versa. Furthermore, commitment on all levels presupposes top management engagement and the entire management MUST walk the talk. It is therefore crucial that all work with a CSR management system starts with **Initial Commitment from the Top Management**.

In the following we will define typical elements in the PDCA-circle. And in chapter 4.7 we will give some suggestions on how some of the elements can be performed.

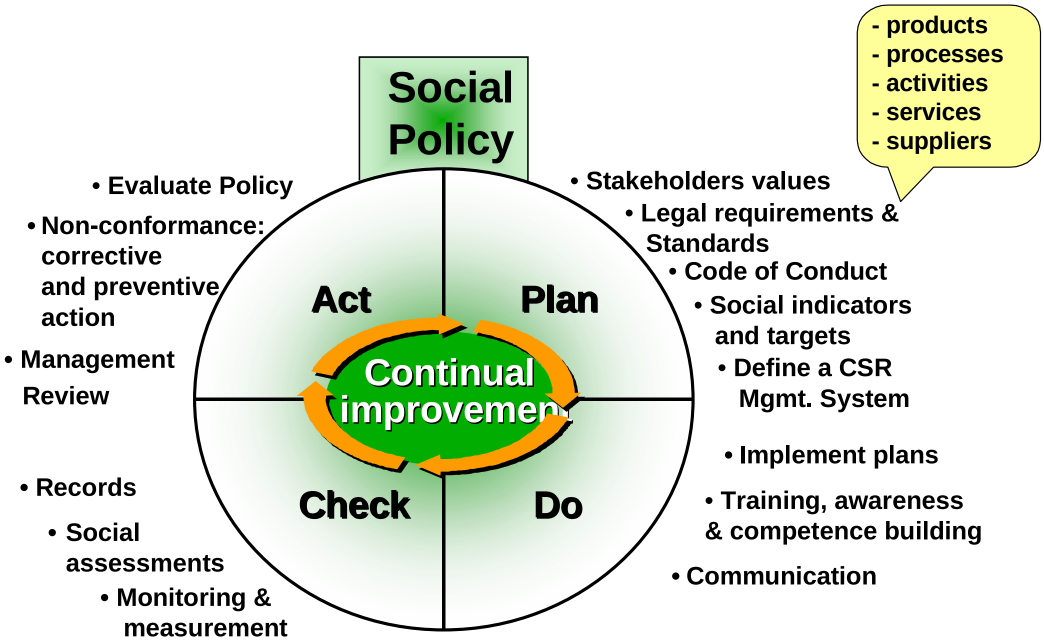

Figure 8 CSR Management system

Most companies already have at least one management system, and many companies have well defined activities which actually are CSR-activities but have not been systemised under a CSR-perspective. Thus the table below must be adapted to the actual company and must be co-ordinated with other management systems in the companies. Furthermore it must be co-ordinated with other activities and regulations that support the CSR work such as the work done in a Human Resource department [2].

Table 5 Typical Elements connected to the PDCA-Circle for a CSR Management System

Phase	Typical Elements
PLAN	**Policy and Planning:** (Define a Social Management program, structure and responsibility that goes hand in hand with the corporate Core Values, Vision and Mission)
	Identify and evaluate relevant national and/or international authoritative documents (See also 4.7.1) Identify stakeholders (See also 4.7.2) Identify the stakeholders' values, norms and principles through dialog (see also 4.7.3) Check stakeholders' values, norms and principles with own values, norms and principles (formal or informal). Evaluate social aspects, legal and other aspects with regard to products, processes, activities, services and suppliers. Plan how to keep this information up to date. Top Management to • establish (or evaluate) corporate Value Statement that is synchronised with existing Vision and Mission Statement. • establish high level goals for CSR based on the Value Statement. • establish Code of Conduct. • identify and select indicators (see also 4.7.4). • set targets for the indicators (see also 4.7.5). Plan how to implement the CSR Management System in the organisation (See also 4.7.6). Develop routines for collecting, converting and assessing data (See also 4.7.7). Develop routines for evaluation and corrective actions (See also 4.7.8). Plan how to incorporate the CSR perspective in the work with business partners (See also 4.7.9). Develop routines for internal communication (See also 4.7.10). Develop routines for external communication (See also 4.7.11). Develop routines for evaluation of the CSR Management System (See also 4.7.12). Develop routines for emergency preparedness and response (See also 4.7.13) Appoint one CSR responsible in the top management and in the Executive Board.

Reference to part of this report which may lead to misinterpretation is not permissible.

DO	Implementation and operation
	Communicate corporate Value Statement, CSR goals and Code of Conduct.
	Perform training, awareness & competence building. (See also 4.7.14)
	Implement the plans described above
	If appropriate form a Partnership with a NGO
CHECK	Performance assessment
	Collect baseline data (first turn in the PDCA-cycle)
	Measure performance according to targets. Systemise findings and prepare records.
	Perform social and ethical assessments (internal or external audits).
	Prepare social and ethical reports.
	Communicate report(s) and obtain feedback from stakeholders.
	Include CSR in Management Reports and Annual Reports
	Perform case studies
	Perform Benchmarking with comparable companies
	Evaluate performance against Value Statement and the indicator targets.
ACT	Improvement and Management review
	Act upon non-conformance, initiate corrective and preventive actions
	Perform Management Review, which includes evaluation and update of the CSR management system, the indicators and the corresponding targets.
	Evaluate corporate Value Statement, Code of Conduct and high level CSR goals.

4.7 Guidelines on how to carry out the planning process

In this chapter we try to give guidance on how some of the activities described above can be performed.

To make the CSR Management System effective, it is necessary to see the connection between the policy, objectives and the actual monitoring results. Results should be analysed and give basis for the decisions regarding improvement plans and projects.

It is recommended that the Top Management take the overall responsibility for the CSR Management System. For large companies it might be convenient to appoint a staff function with the responsibility to act as a driving force and to co-ordinate the CSR initiatives. The operative responsibility should be distributed in the line organisation.

Reference to part of this report which may lead to misinterpretation is not permissible.

4.7.1 Identify and evaluate relevant authoritative documents

The corporate values should be rooted in one or more international or nationally recognised conventions, laws and norms such as

- The ILO's (International Labour Organisation) Fundamental Principles on Right at work
- United Nations Convention on the Right of the Child
- The Universal declaration of Human Rights
- The Rio Declaration on Environment and Development
- "Our Common Future"

4.7.2 Identify stakeholders

Identify all major internal and external stakeholders of the system and their interest in the organisation.

Examples of potential stakeholders are: Owners, Corporate management, Local management, Employees, Investors, Neighbours, Media, Financial institutions/ Insurance companies, Local and central authorities, Customers, Non-Governmental Organisations. **Include "voiceless" stakeholders with little or no authority, but with great needs, such as future generations and vulnerable or disadvantaged consumer groups.**

4.7.3 Identify stakeholders' needs

Clarify the needs and intended use of information for stakeholders, as well as communication lines, communication means and type of information to communicate.

It is important to facilitate a dialogue with the defined stakeholders to ensure that their needs are covered. When the stakeholders have been identified, the needs for performance results should be investigated further. This could typically be done through a questionnaire or a round table workshop with key stakeholder representatives. The rights and needs of stakeholders are sought to be secured in authoritative documents like the ones mentioned above. Stakeholder *dialogues* can, however, give more detailed information about and understanding of stakeholders' concerns and needs and help the interpretation of these with regard to products and operations of the company.

4.7.4 Identify and select indicators

Identification and selection of indicators is perhaps the most critical activity as highlighted in chapter 3.

4.7.5 Set targets for the indicators

SMART (specific, measurable, accepted, reliable and time-bound) targets should be defined for each indicator. Targets should be related to strategies, and based on past performance levels.

Targets should be defined in a top-down AND bottom-up approach to ensure that they are accepted in the organisation and thereby feasible.

It can be necessary to evaluate and calibrate the targets, especially in the beginning when the CSR Management System is under implementation.

Risk and probability analysis may be a useful tool while working with selecting indicators.

Reference to part of this report which may lead to misinterpretation is not permissible.

4.7.6 Plan how to implement the CSR Management System in the organisation

The development and implementation of the system should be planned based on the Value Statement, CSR goals, stakeholders, indicators and targets.

Key issues to consider are:

- data availability
- resources needed, key people to be involved
- define authorities and responsibilities
- competence building
- need for new routines/ procedures for how to measure and act on results
- how to integrate new activities with existing management system(s)

The Top Management must take the responsibility for the CSR Management System. However, the drive for CSR is often started elsewhere in the organisation and it may be compelling to be able to present a suggestion on indicators and corresponding targets to the Top Management. It can also be fruitful to present appropriate standards and/or potential NGOs, which can serve as partners.

4.7.7 Develop routines for collecting, converting and assessing data

Procedures/ routines for the systematic collection and storage of data have to be established.

The data should:

- be collected systematically from appropriate sources at consistent frequencies
- be reliable (including availability, adequacy, scientific and statistical validity and verifiability)
- be available to the actual stakeholders. It is important to stress that transparency is one of the key qualifications for CSR

Assessing data

Assessments can be performed by internal or external auditors. If the company chooses to follow a well-defined standard, certifications can be done by a third-party.

The assessment will measure progress or deficiencies compared with the goals. When social indicators deliver data and targets have been set for each indicator, an assessment will often focus on an eventual discrepancy between targets set and actual performance.

Results from the assessment should be evaluated in management review meetings.

4.7.8 Develop routines for evaluation and corrective actions

The routines should focus on identification of deviations, reporting, investigation and follow-up. They should also ensure that corrective actions are taken if the social performance is not within the defined targets or acceptance criteria.

When developing routines for evaluation and corrective action, the following activities should be considered:

- Set acceptance criteria for indicators and define necessary follow-up if the indicators are not within the acceptance criteria (if follow-up actions can be preconceived).

Reference to part of this report which may lead to misinterpretation is not permissible.

- Develop and implement procedures for reporting and investigation of deviations from criteria.
- Develop routines for analysing and closing gap between observed performance level and the acceptance criteria for indicators. Consider **how often** deviations should be analysed. Typically analyses should be conducted more frequently in the first year after implementation of the system (monthly or bi-monthly)

Questions to consider are:
who should report to whom when?
who (which forum) should process the information (investigate) and implement corrective/ preventive action?
how should these corrective action routines be linked to existing management systems (and especially non-conformance systems) in the company?

4.7.9 Plan how to incorporate the CSR perspective in the work with business partners

The social responsibility approach should also be presented in agreements with partners such as

- supply agreements
- potential acquisitions
- joint venture agreements
- potential outsourcing agreements

Note that a socially responsible company should help their suppliers and partners to improve their CSR awareness rather than punish for non-conformance (unless several attempts on assisting them in working with their own social responsibility have proved futile).

4.7.10 Development routines for internal communication

The organisation must document its policy of CSR and inform all employees and managers of this policy. The need for training of employees and managers should also be considered.

Type of information and detail level should be discussed. Specify the type of information to be communicated to whom and when.

Consider how to report internally on performance, e.g. how frequently, type of information, to whom, means of communication and responsibility for communication - develop routine/ procedure for this activity. Do also make a plan for how to inform the individuals or departments of the nature of all actions taken in response to their enquiries and requests.

4.7.11 Development routines for external communication

The organisation must document its policy of CSR and disclose this documentation making it available to direct and indirect external stakeholders as well as the general public.

It is essential to develop external communications that are easy to use, compare, and verify.

With the defined stakeholders in mind, the following should be described:

- overall communication lines. WHO do you want to communicate with and WHY
- communication means (e.g. paper reports, electronic/ internet versions, newsletters, bulletins)[3]
- frequency (e.g. integrate frequency with other communications like the financial reports, annually)
- how to respond on external stakeholders' enquiries and requests for information

The Global Reporting Initiative (GRI) has developed guidelines, principles and practices to assist that external reports are more credible and transparent.

The GRI's reporting principles and practices are presented in five parts with the following underlying principles:

- qualitative characteristics
- classification of performance-reporting elements
- absolute figures and ratios/relative indicators
- disclosure of reporting policies

4.7.12 Develop routines for evaluation of the CSR Management System

The intention of the review is for management with executive responsibility to confirm the continuing suitability and effectiveness of the system. The CSR Management System including the indicators and the corresponding targets should be evaluated and improved periodically.

In addition the Value Statement, the Code of Conduct and the high level CSR goals need to be reviewed regularly.

Typical inputs are monitoring records, measurement results, possible deviations and recommendations for improvement. Conclusions from these reviews should be followed up in action plans to ensure continual improvement of the system.

Management reviews of the CSR Management System will typically be part of the management review of a complete management system if such exists (e.g. as required in ISO 9000/14000).

In addition, the routines must ensure that conclusions from the management review are followed-up in and linked to the existing management system activities where appropriate.

4.7.13 Develop routines for emergency preparedness and response

Develop and maintain a procedure for use in the event that an emergency situation arises in which an unethical act involving the organisations highest levels occurs.

Other possible emergency situation that should be considered are:

- environmental accidents
- bad publicity
- emergency recalls
- widespread boycott activities

4.7.14 Education and Training

The organisation should undertake systematic education of the employees. All employees should know the Value Statement and the Code of Conduct

The organisation should provide enhanced education designed for departments with considerable social impact and for members of the organisation who are currently engaged in duties which have been related to problems in the past.

The organisation should establish programs to train – and increase awareness regarding- the following:

- the meaning and necessity of following the Value Statement and the Code of Conduct
- the detrimental influence brought to bear upon the organisation as a result of unethical and irresponsible behaviour, as well as the nature and extent of social trust which can occur as a result of ethical end responsible behaviour
- the function and responsibility of each individual member of the organisation in following the Value Statement, the Code of Conduct and the CSR Management System. This includes the possibility for sanctions that are built into the CSR Management System.

Notes for chapter 4

[1] This definition of Code of Conduct is from the OECD report "working papers on international investment Number" 1999/2.

[2] For further study we recommend the Sigma Guidelines made by the UK-based Sigma Project. (www.projectsigma.com). This guidelines describes a management framework and tools.

[3] Reporting of social and environmental performance is increasingly taking place on the Internet. Web-based reporting offers new possibilities with regards to the provision of real-time data to stakeholders, but at the same time raises new difficulties with regards to accountability and reliability

Reference to part of this report which may lead to misinterpretation is not permissible.

5 BIBLIOGRAPHY

ABI (2001). *Investing in Social Responsibility*. London: Association of British Insurers. http://www.abi.org.uk/ResearchInfo/SocialResponsibility/CSR_FullReport.pdf.

Anderson, J. W. (1989) *Corporate Social Responsibility - Guidelines for Top Management*. New York: Quorum Books.

Buono, A. F. and Nichols, L. (1985) Corporate Policy, Values and Social Responsibility. New York: Praeger.

Econ (2001) *Inventory of Global Instruments for Corporate Social Responsibility* (Draft 23.10.01). Oslo: ECON Centre for Economic Analysis.

Henderson, David (2001) *Misguided Virtue – false notions of corporate social responsibility*. New Zealand Business Roundtable.

Høyer, K. G. og Aall, C. (1997) *Miljø- og bærekraftindikatorer.* VF-rapport 13/97. Sogndal: Vestlandsforsking.

Høyer, K. G. (2000). *Sustainable Mobility - the Concept and its Implications* (PhD-thesis). Rapporter 1/2000. Sogndal: Vestlandsforsking.

GRI (2000) *Sustainability Reporting Guidelines on Economical, Environmental, and Social Performance*. Global Reporting Initiative. June 2000.

KOMpakt (2001) *Business and Human Rights. Article 5: Socially Responsible Companies. What? Why? How?* A series of articles from the Consultative Body on Human Rights and Norwegian Economic Involvement Abroad (KOMpakt). Ministry of Foreign Affairs, Norway.

Lafferty, W. M. and Langhelle, O. (1999) (eds.) *Towards Sustainable Development*. London: MacMillan Press.

Lafferty, W. M. and Eckerberg, K (1998). *From the Earth Summit to Local Agenda 21 – Working towards Sustainable Development*. London: Earthscan.

MacGillivray, A., Zadek, S. (eds) (1995): *Accounting for change*. Papers from an international seminar. Toynbee Hall, October 1994. London: The New Economics Foundation

Mitchell, G. (1996): "Problems and Fundamentals of Sustainable Development Indicators." *Sustainable Development*, vol.4, no.1. West Sussex, UK: John Guiley & Sons.

OECD (1994): *Environmental indicators*. OECD core set. Paris: OECD.

OECD (1999/2): "working papers on international investment Number".

WCED (1987). *Our Common Future*. The World Commission on Environment and Development. Oxford and New York: Oxford University Press.

WBCSD (2001a) *The Business Case for Sustainable Development. Making a difference toward the Johannesburg Summit 2002 and beyond*. World Business Council for Sustainable Development.

WBCSD (2001b*) Corporate Social Responsibility*. *Meeting Changing Expectations*. WBCSD Publications. World Business Council for Sustainable Development. ISBN No. 2-94-0240-03-5.

Aall, C. (2000). *Forandring som forandrer? Fra miljøvernpolitikk til bærekraftig utvikling i norske kommuner (When is change change?)* (PhD-thesis). Rapport 17/2000. Sogndal: Vestlandsforsking.

Drucker, P. F. (1993). *Post Capitalist Society*. Oxford, UK., Butterworth Heinemann.

Friedman, M. (1970). *The social responsibility of business is to increase its profits*. New York Times Magazine: 122-26.

Holme, P. W. a. R. (1998). *Corporate social responsibility: meeting changing expectations*. WBCSD.

Watts, R. H. a. P. (2000). *Corporate social responsibility: making good business sense*. WBCSD.

Zadek, S., P. Pruzan and R. Evans (1997). *Building Corporate AccountAbility*. London, Earthscan.

UN G.A. res. 217 (III): *The Universal declaration of Human Rights*. (10.12.1948)

United Nations *Convention on the Right of the Child* (20.11.1989)

The Rio Declaration on Environment and Development. (13.06.1992)

The ILO’s (International Labour Organisation) Fundamental Principles on Right at work

5.1 Acknowledgements

The results documented in this report are worked out through a Joint Industry Project between the Western Norway Research Institute (Vestlandsforskning), DNV and the Norwegian state railway, NSB BA. The Norwegian Research Council (Norsk Forskningsråd) has partly funded our work. This project would not have been a success without the valuable contribution of Britt Stene and Sigmund Haugsjå from NSB BA. They participated actively in lively discussions and made us keep the business focus.

In addition to the authors, the manager of the CSR-group at DNV, Peter Wieland contributed significantly as a facilitator for the project. Last, but not least, the authors want to thanks Sigrid Brynestad for reviewing the language.

APPENDIX 1
CSR BACKGROUND

A changed business environment

The forces of globalisation, rapid improvements in technology and changes in world order have caused confusion over exactly what is - and is not - expected of business. As a response, many in business are beginning to argue for a more inclusive approach to commercial life and claim that business values should not be viewed as different from those of society and that efforts should be taken to secure alignment of corporate and societal values (Holme 1998, p. 1). Advocates of this view also stress that managerial attention be given not only to financial performance but also increasingly to social and environmental consequences arising from commercial decisions, both negative and positive. Therefore, it has become more common for business actors to structure the evaluation of their performance along a *triple bottom-line* in which social and environmental performances are juxtaposed with financial performance.

The fact that business today is being called to account not only for what it does, but also for *how* it performs its activities is why greater numbers of business actors are shifting their focus from a purely financial bottom-line to a triple bottom-line. The general level of education has risen and expectations to corporations throughout society have risen accordingly. Critics of business are aided by global communications, especially the Internet. Customers and consumers are better educated and more aware of their rights and their potential power to influence corporate behaviour (Holme 1998). In addition to pressure from the outside, corporations are undergoing a generation shift *internally*. Younger managers, more sensitive for the need to align their personal and corporate value systems with those of the consensus in the broader society, also present a potential drive in corporations towards being more open and accountable (Holme 1998, p. 7).

These changes in the business environment create a demand for higher standards and mounting pressures on business actors to demonstrate its social accountability and to publicly report on social and environmental performance. Today *every* company must expect sooner or later having to meet a request to demonstrate, quickly and in detail, that their operations help enhance economic development without harming the environment or creating social inequity. Corporations operating in politically and environmentally sensitive regions of the world, or which have supply chains that extend into those regions, are, however, particularly prone to be asked to demonstrate social accountability (Holme 1998, p. 8). The reason why business actors find not trying to meet such a request harder and harder is, in short, because they know they, to a large extent, need the approval of society to maintain their 'license to operate' and to prosper.

In this new business environment *corporate social responsibility* has risen as an important field of work for successful future businesses. The increasing focus on CSR is also illustrated by the fact that the EU has decided to make the year 2005 an official CSR-year.

Reference to part of this report which may lead to misinterpretation is not permissible.

The CSR-term

CSR is firmly on the agenda both in the business community and in the field of public policy. There is, however, a multitude of various concepts related to CSR in use. Examples are *corporate responsibility*, *social accountability*, *sustainability*, *corporate accountability*, to name but a few. A good overview is given in a report made by a wide range of Norwegian actors from business, government and organisations (KOMpakt 2001, se chapter 2.1). The different terms are often used interchangeably and no single agreed upon understanding of what entirely the various concepts denote and the relationship between them exists.

In general it is, however, possible to say that *corporate responsibility* denotes a company's total responsibility to ensure both financially, socially and environmentally sound operations. *Sustainability* refers to the environmental concerns and obligations corporations hold whereas *social accountability* focus more on the social element in a corporation's responsibility. *Corporate social responsibility* is the most frequently used term and is also focused at the social elements of a corporation's responsibility. There is, however, no global consensus regarding of what exactly the CSR-term consists. Some argue that responsibility for the environment should be included in the CSR-term whereas others use CSR as a term strictly regarding the social elements of a company's responsibilities.

A central premise in CSR is that business actors taking on a commitment to CSR do so voluntarily. This separates CSR from the notion of *corporate accountability* that advocates that rather than being voluntary, working with CSR should by law be stated as a mandatory obligation for business actors. The premise that a commitment to working with CSR ought to be a voluntary decision will be supported in the following. This premise is also reflected by 1 containing only a set of *suggested* indicators. Since working with CSR ought to be a voluntary decision, identifying and implementing indicators should likewise be an activity left primarily to the each company.

Like there is a variety of different concepts in use, the definitions of what exactly CSR *is* are numerous. No single agreed upon definition exists, but the World Business Council for Sustainable Development has, through extensive global stakeholder dialogues, formulated a definition which is frequently used and which is relatively widely accepted:

> "Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life"(Watts 2000, p. 10)

Apparent in this definition, is the premise central for CSR that a wider group than merely a company's shareholders have a legitimate say in the company's business. People or organisations that have an *impact* on, or are impacted on by the company, constitute stakeholders of importance to a company.

CSR and the distinction between public and private responsibilities

Essentially, CSR is about recognising that businesses hold social responsibilities. The view that the social responsibility of business consists only of an obligation to increase its profits'(Friedman 1970) is increasingly being replaced by a notion of business actors holding wider obligations to society and also enjoying a 'corporate citizenship'. In this respect it has

Reference to part of this report which may lead to misinterpretation is not permissible.

been argued that: 'corporate citizenship means active commitment. It means responsibility. It means making a difference in one's community, one's society, and one's country'(Drucker 1993).

For many this corresponds poorly with the way we are used to thinking about obligations for business actors. Working, for instance, towards securing people's welfare as well as the development of local communities are considered to be tasks for public agencies. Private actors have traditionally been reluctant to take on social and environmental responsibilities and often this stance has been rooted in a fear for government pushing their own responsibilities on them.

In many ways CSR blurs a commonly perceived distinction between a public and a private sphere. However, defining and setting a fixed boundary between social responsibilities of government and business is difficult and can also be misleading. This is first of all because the division between state and society never has been static. Nonetheless, *awareness* concerning the social responsibilities of government and business respectively is important and particularly so when business activities are conducted abroad. Defining a line between the range of a corporation's responsibilities and those of local governments can be difficult and must depend largely on the cultural context and the rate of development of the societies in which the corporation operates. The limits to the responsibility should be decided through dialogue between respective societies, government and the corporation.

CSR in an historical perspective

Corporations have always been part of society. The relationship between businesses and the society, however, is as already mentioned constantly changing. Increasingly, a shift from *paternalism* to the development of *partnerships* has taken place. This shift implies that the traditional role of corporations as actors enjoying exclusive rights and extensive freedom has been replaced by a somewhat less privileged and exalted position. A general decline of trust in society's various institutions has also affected corporations. Consequently businesses have to prove to society at large and their various stakeholders in particular, that their activities are conducted in a responsible and ethically sound manner. A common way of describing this development is by saying that we have moved from an era of a prevalent '*trust me*'-attitude to an era better described as dominated by a '*show-me*'-attitude (Watts 2000, p. 2).

From philanthropy to perceived business benefits

Corporate social responsibility is a new term, but an old phenomenon. Activities and responsibilities now labelled CSR-activities have in fact been taken on for centuries. Corporations similar to the organisations we know today were developed in the 19th century. These corporations enjoyed large freedom and had an almost exalted position above the local communities of which they were part. Their owners and leaders often saw a broader role for themselves in society. By giving *corporate hand-outs* to finance the construction of houses, schools, hospitals, libraries, museums and universities corporations have helped in the so called nation building-process and in improving living conditions and people's quality of life. Such benevolent actions were often implicitly expected of corporations as a favour to society in return for the freedom and privileges enjoyed (Holme 1998, p. 5).

In the interim-period between the two world wars, the discussions on corporate responsibilities changed and took on a more inward focus. Employee rights and internal governance issues were dominant. The post-war era was characterised more by extensive governmental activity in rebuilding and expanding welfare systems. This resulted in business playing a more remote and passive role towards society. Both in Western Europe and Japan, business paid its taxes and the state largely took care of cultural and social welfare affairs.

At the end of the 1950s consumer power as a recognisable force influencing corporate behaviour occurred and was accompanied by a growing concern with environmental issues in the 1970s. A call for a change of the somewhat passive and limited role of business that had dominated the post-war period was, however, first coherently and forcefully made in the 1980s. The political right-wing's ambition of "rolling back the state" implied public organisations playing a more limited role and more responsibility being placed on the individual and the business community (Holme 1998, p. 6). Reducing the role of government meant that more freedom and privileges once again were granted business actors. A reduction of tax-burdens and a de-regulation of business activities were examples of two such privileges. In return for these freedoms business actors were once again encouraged to take on a more active role in ensuring societal development - in effect, to return to its 19th century philanthropic obligations. Parallel to this development, however, the notion that working with corporate social responsibility may yield notable *business benefits* gained momentum. In opposition to the previously dominant idea that corporations hold a moral and philanthropic obligation to engage in CSR-activities such activities are now increasingly being motivated by the idea that it makes good business sense to do so.

CSR-strategies and motives

An important distinction between different CSR-activities needs to be made before various CSR-strategies and sources of motivation are highlighted. A corporation can either approach corporate social responsibility in a reactive or a proactive way. In short, this implies that it can either think in terms like: "how can we do good by avoiding doing bad?" or "how can we do good by doing good?" Various CSR-strategies can be identified that differ with regards to the level of proactivity or reactivity involved. **Figure 9** contains some of the main categories of CSR-strategies that also differ on how much potential business benefits a CSR-strategy is thought to yield.

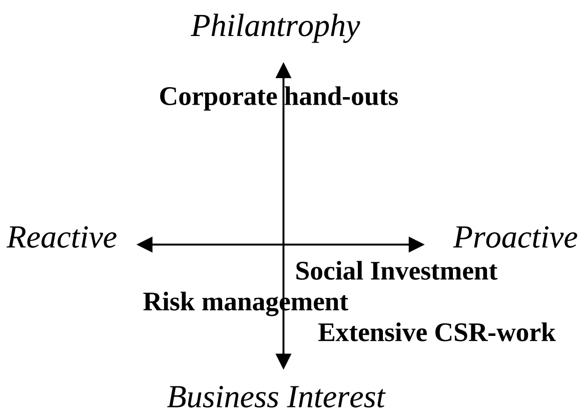

Figure 9 Different CSR-strategies

Corporate hand-outs and *Social Investment* basically constitute the same CSR-strategy. Both involve the granting of support to various institutions in society. The important difference is that corporate hand-outs can be said normally to be motivated by a feeling of obligation to society with none or few expectations of any form of return, whereas social investments may be based on calculations on long-term benefits. Business needs a stable environment that provides a predictable climate for investment and trade. Effective legal systems, well-defined property rights and consumers with spending power and enjoying freedom of choice are important elements of such a business environment and social investments can contribute to the formation of such a healthy and stable business climate imperative for business to thrive and take place.

Using a risk management-approach to CSR implies minimising the likelihood that a company's reputation will suffer from exposure of the corporation's activities or negative consequences of these. Corporations are increasingly subject to the scrutiny of their actions by the media as well as by various pressure groups. Since the most central element of a risk management-strategy is to examine a company's practices and activities in order to prevent incriminating situations occurring, the strategy is inherently reactive.

Increasingly, however, corporations see CSR not as a source of costs but as an investment that can reduce costs and even prove to be beneficial in itself. The business interests involved in taking CSR seriously are more apparent than ever and the number of companies introducing *extensive CSR-work* is growing.

This illustrates an important point, namely that CSR, contrary to how it has been commonly perceived, not necessarily is the same as simple charity – philanthropy – as a pay-off for activities with negative social and/or environmental effects. First and foremost CSR means that the company takes on responsibility for its own operations and does so out of a perceived self-interest to do so (KOMpakt 2001, p 6).

The motives for taking on a CSR-strategy can be many, and different motives often accompany the various strategies. *Social investments* can be motivated by a company's long-term interest in an increased level of welfare in the society in which it operates. For a corporation to be able to form partnerships with stakeholders there is a need for social capital in the society.

A *risk management-strategy* is often motivated by the need for avoiding damaging corporate reputation and unwanted outcomes. Such outcomes may, for example, be consumer boycotts, attacks on a corporation's fixed assets, loss of employee support and a failure to attract new and good employees. Furthermore, a company can avoid having to use extra spending to repair mistakes and prevent that management attention is diverted away from core activities due to frequent 'fire-fighting'. Seeking to avoid restrictions on operations such as regulations and new legislation as well as obstacles in raising finance and insurance, can motivate corporations to take on a commitment to CSR as well.

Potential positive outcomes of working with corporate social responsibility can, however, also motivate corporations. CSR offers a possibility to create practical partnerships and dialogue between business, government and organisations. This may help a corporation more easily to monitor shifts in social expectations held by their stakeholders, identify market opportunities and improve the company's general understanding of the market. Another positive outcome of working with CSR may be that this can represent an *added value* to the final product. Among the wide variety of products, a producer's dedication to CSR may be an element a consumer takes into account when choosing what product to buy.

Reference to part of this report which may lead to misinterpretation is not permissible.

In a world where many companies actually deliver the same product, the BRAND gets higher and higher attention. The brand is closely connected to the perception of the company (whether it is deserved or not). People's perception of a whether a company is a good citizen or not will in the end have power to influence on the brand and thus on the sales figures. It's to do with the issue of the companies moving from the business pages to the front page. Nike, for instance, has been crucified by the media in recent times and thought they didn't do anything wrong. They were doing what everyone did – obtaining high quality products at the lowest cost and selling them on for the highest price possible.

Several factors influence how corporations perceive of the need for CSR. *Physical proximity* between the corporation and its stakeholders has traditionally played an important role. Negative consequences of a corporation's activities have been easier to ignore when affected stakeholders were distant. Today physical distance or proximity is less relevant since media attention can give the same effect. Companies' actions abroad that previously went unnoticed can today have a negative impact if covered by the media. The *degree of risk and reward* associated with a company's activities is also relevant. The higher the reward, the higher the risk, and the fact that oil companies today are among the business actors that have worked the longest and come the furthest is symptomatic for this. The degree of exposure to s*ocietal expectations* and *public opinion* is also of importance.

These factors all influence whether a company sees CSR as important. A company whose projects involve a high degree of risk, who is exposed to high expectations from society and whose activities have interest in the public opinion, naturally feels more incentives to work with CSR than a company whose activities are unlikely to catch the public attention or to be criticised.

Notes for Appendix 1

APPENDIX 2
IMPORTANT CSR INITIATIVES

In this chapter we present a number of different actors within business and industry that are involved in understanding and developing what corporate social responsibility is. The different actors and approaches are not necessarily presented after its importance or analytical depth. They are simply presented as a result of our journey through the jungle of (apparently) infinite number of initiatives that have popped up.

KOMpakt

The Consultative Body for Human Rights and Norwegian Involvement Abroad (KOMpakt) was established in spring 1998. Within KOMpakt they soon realised a need to discuss corporate social responsibility, an issue that already had been acknowledged by both employers and the trade unions. As a result of this concern, the Confederation of Norwegian Trade and Industry was commissioned to organise a working group to prepare a memorandum on Corporate Social Responsibility with regard to Norwegian economic involvement abroad. The aim of the memorandum was to approach a common understanding of what corporate social responsibility is, and to define various roles held by companies, trade union organisations, nonprofit organisations and the authorities in relation to social issues in regions where Norwegian companies operate abroad. Here we will present some of the perspectives and approaches that are given in the final report of the working group (KOMpakt 2001).

As a starting point, the KOMpakt report states that both nationally and internationally, the public or social responsibility of companies is on the agenda. This is true for the authorities, nonprofit organisations and within the companies themselves. The issue of social responsibility is, however, presented under many different terms. The main expressions are:

Corporate citizenship: the company as citizen or member of the society, with a focus that includes public welfare.

Social accountability: social responsibility as the ability to demonstrate dignifies behaviour, with emphasis on standards, accounting and reporting.

Sustainability: sustainability in relation to the impact of a company's activities in the external environment in particular, but now also on social factors.

Local content: required support for the host country and local community when establishing operations abroad – in developing countries with emphasis on local employment and businesses, training and enterprise opportunities and transfer of technology.

Corporate social responsibility: the company's public responsibility, social responsibility or the responsibility voluntarily assumed by corporations for their impact on their natural and social environment.

It is of the view of the authors that *corporate social responsibility (CSR)* now is the most common expression that reflects the issue of social responsibility. The basic idea behind all these expressions is that the company is an actor within a wider social context. It is an integral part of

Reference to part of this report which may lead to misinterpretation is not permissible.

the society. This implies that the company operates not only within a market, but also within a culture, a local community, a political system, or among many cultures. The authors make a differentiation of two types of how one should understand CSR. First, they refer to CSR as a general term. This implies encompassing all the aspects of a company's environmental and public contribution. Second, CSR is a question as how the company manages its relations with employees and other people or organisations affected by or affecting the company's activities.

The KOMpakt-report refers to what is known as "the triple bottom line". According to this term, a company is responsible to economical, social and environmental impact from its operation. All three aspects should be monitored, evaluated and reported. However, they make it clear that "a triple bottom line is a supplement to, but does not reduce the importance of the financial result as an indicator of the company's commercial performance" (p.7). Further they state that, "The company's core tasks are to be innovative and competitive within its areas of business and to be financially profitable. This applies to companies with high levels of social and environmental ambitions too" (p.7). Good financial results are therefore not only the first bottom line, but also the most important one.

Regarding the second bottom line, environmental performance, the KOMpakt-report takes an important position. They regard environmental protection as a vital aspect of corporate social responsibility. In other words: CSR is not limited to the social dimension. This is important because many actors in the CSR-debate tend to exclude environmental impacts from the list of CSR commitments.

When it comes to the third bottom line, social responsibility, the authors highlight the following issues (p.8):

Human rights and labour rights.

- business ethics, the most fundamental being anti-corruption
- the use of resources such as land, minerals, water, and forests. Uses that can give rise to conflicts between companies and local communities
- important public functions, such as health services, schools and local business development.
- partnership with stakeholders.
- the conflict between national (home country) and local (host country) standards for social responsibility.

Finally, the KOMpakt-report addresses two important questions. Firstly, they ask "Why should a company be social responsible"". Then they go on asking: "How far does corporate social responsibility go?"

The main answer to the first question is that there are good commercial reasons for a company do deal with corporate social responsibility.[1] They give five such reasons:

- demand from investors (social and environmentally screened mutual funds are proving very profitable)
- useful partnerships (different stakeholders can make important contributions)
- added value for the product (a commitment to social and environmental aspects can make a contribution to increased sales and customer loyalty)
- attractive employers

Reference to part of this report which may lead to misinterpretation is not permissible.

- trust of authorities (building confidence in the benefits of voluntary schemes and dialogue with the private sector and to preventing detailed regulation)

There are however a remaining question on how far should the companies go in theirs strive for social responsibility. As a point of departure, the KOMpakt-report makes it very clear that the main responsibility lies with the political authorities where the company operates. The companies do not have an obligation to take on political responsibilities in society. Nor should they have such a responsibility. This could seriously be in conflict with democracy. According to a democratic system, the responsibility for public welfare should be in the hands of democratically elected representatives. However, it is a fact that many multinational corporations already possess resources far beyond those available to (most) national authorities. Weather the companies like it or not, in many cases the companies are the ones that actually can contribute to social responsibility. One way to do this is by using their channels through to political circles in order to influence the will of local authorities to enforce human rights or carry out pollution control and environmental protection.

But what can they do? How far should they go? A minimum standard for social responsibility should be that the company respects core international conventions for human rights and working conditions. And they should of course also operate within the local regulations. It is, however, in the interest of company integrity and unity advisable to define a set of standards that go beyond the national and international minimum standards. It may for example be an advantage to base activities on Norwegian standards of health, environment and safety, even when it means exceeding local requirements.

As a final conclusion, the KOMpakt-report suggest four points containing elements that companies can stress in a strategy for corporate social responsibility:

1. Know your stakeholders (conducting surveys and engage dialogue to gain first hand knowledge of stakeholder expectations).
2. Make a commitment to social responsibility (but it on the agenda before someone else does).
3. Be concrete – measure performance (development of performance indicators).
4. Be open – access, reporting, auditing.

World CSR[2]

World CSR is a gateway to websites of the leading business led organisations on corporate social responsibility, worldwide. This business-oriented website links together the sites of organisations around the world who:

- have corporate social responsibility, corporate involvement in sustainable development, corporate citizenship, or social exclusion as their core activity
- support business leadership in these areas and provide advice and assistance to a substantial business membership
- actively contribute to the development of best practices and the advancement of the subject
- have a significant website with material to assist business on these topics

The site is the result of a shared co-operation between the Founder Member Organisations: Centre for Corporate Citizenship at Boston College, Business Impact, Business for Social Responsibility (BSR), CSR Europe, and Prince of Wales Business Leaders Forum (PWBLF).

Reference to part of this report which may lead to misinterpretation is not permissible.

CSR-Europe[3]

CSR Europe is the business-to-business network for Corporate social Responsibility. Their mission "is to help companies achieve profitability, sustainable growth and human progress by placing Corporate Social Responsibility (CSR) in the mainstream of business practice." CSR Europe achieves this objective through co-operations with over 40 company members and 15 national partners.

The website gives access to an extensive range of material on CSR, including publications (books, research), news articles from mainstream and specialist press, business best practice case studies from all over Europe, company reports on social and environmental issues, ad links to online resources from other organisations. These are all available through an extensive databank. In addition, CSR Europe has set up an internet-based tool: the CSR Matrix on Communication and Reporting. It allows the user to quickly look into the depths of 'what' companies are communicating and reporting about and 'how' they are doing it.

According to CSR Europe, an increasing number of companies, large and small, are looking for guidance on how to improve their reporting practices on CSR. Responding to these needs, CSR Europe presented a guideline at the European Business Convention in November 2000. These guidelines, called *The Voluntary Guidelines*, encourage companies to undertake Voluntary Reporting on their social and environmental performance across all company operations and make their findings available to stakeholders. The guidelines identify a four-step approach to reporting which comprises an in-depth analysis of Principles, Practices, Processes and Performance on CSR. They encourage companies to report on how they are embedding CSR practices into their core management operations and strategies. A set of *core indicators* (input, output and outcome) is given for *each sector of CSR* (workplace, marketplace, environment, ethics, human rights, community). These have been identified based on studies of the indicators most used by companies to measure their overall impact on society, and aim to help companies better express their own performance. The suggested indicators within each sector are shown in Table 6.

Table 6 A checklist of performance indicators (Source: CSR Europe)

Sector	"Sub-sector"	Indicators
WORK-PLACE	Working conditions /health and safety/pay and benefits	Occupational diseases and injuries (%) Rate of absence/lost days Health and safety expenditure, number of employees attending HS training Staff turnover and employee retention rate Spread of wages
	Equal opportunities in the workplace	Workforce breakdown by gender/ethnic background; disability/age Workforce breakdown by function, full/part time, temporary work Ratio of women/ethnic background in managerial positions
	Training and professional development	Ratio of Training Expenditure of total operating cost Number of employees attending training courses as % of total number of employees Number of training hours per employee
	Industrial relations	Ratio of recognised trade unions to existing trade unions Number of redundancies by type and location (specific site) Number of days lost to industrial action
MARKET-PLACE	Product stewardship	Customer survey (number of customers interviewed and result) Number of customer complaints
	Supply chain relations	Number of suppliers screened Supplier survey (number of suppliers interviewed and result)
	Research and development	Number and type of new products and services Provision for customers with special needs

Reference to part of this report which may lead to misinterpretation is not permissible.

ENVIRON-MENT	Sustainability and waste management	Quantity of water used Quantity of energy used Greenhouse gas /CO_2 emissions Other emissions to air/water Use of raw materials Number of complaints/prosecutions/fines for environmental offences Quantity of energy produced from renewable sources Quantity of waste generated Quantity of waste recycled Use of recycled materials (These measures could be expressed as ratio to the relevant sector average when available)
	Green activities	Number and type of environmental training programmes / % of employee involved Number of environmental audits – internal /external (% of sites)
COMMU-NITY	Community giving and partnerships	Value of cash, staff time, in kind/donations (total or ratio to pre-tax profit) Areas of charitable support Number and type of community organisations the company is in partnership with Number of people involved in community activities/events organised by the company (special focus on children)
	Employee involvement in community activities	Staff involvement in social activities (numbers of employees and hours) Found raised by employees for charities (and company matching)
	Entrepreneurs hip and Employability	Amount of investment in economic projects Number of jobs created Number of business start-ups Number of people involved in economic/educational projects Number of people that found employment (or better position) after participating in the company training
ETHICS	Ethics	Number and entity of reported cases for bribery and corruption (offered and/or paid) Number of contracts cancelled due to non-compliance with company's ethical policy (and reason of conflict) Number of referrals to the ethical policy unit
HUMAN RIGHTS	Human rights	Number of reported cases of human rights abuses Age and number of the youngest employee Ratio of lowest wage to statutory national minimum Number of contractors/suppliers screened

Reference to part of this report which may lead to misinterpretation is not permissible.

Business for Social Responsibility (BSR)[4]

Business for Social Responsibility (BSR) is a global resource for companies seeking to sustain their commercial success in ways that demonstrate respect for ethical values, and for people, communities and the environment. BSR is based in the US. Through membership in BSR, companies have access to practical information, research, education and training programs, as well as technical assistance and consulting on all aspects of corporate social responsibility. More than 1,400 companies are BSR members or affiliates representing more than $1.5 trillion in combined annual revenues and employing more than six million workers.

BSR strongly underlines that while there is no single, commonly accepted definition of corporate social responsibility, it generally refers to business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment. As a point of departure, BSR has "defined" CSR as: "operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Leadership companies see CSR as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management".

On BSR's website they give references to a number *of external standards*. While there are many external standards that cover one or more aspects of corporate social responsibility, only a handful covers the full spectrum of issues. They include:

<u>The Global Reporting Initiative </u>(GRI. Se section 1.6, appendix 1)

<u>The Global Sullivan Principles</u>: Introduced in 1999, the Global Sullivan Principles expand upon the original Sullivan Principles, which were developed by The Reverend Leon H. Sullivan in 1977 as a voluntary code of conduct for companies who were doing business in apartheid South Africa. According to Rev. Sullivan, "The objectives of the Global Sullivan Principles are to support economic, social and political justice by companies where they do business; to support human rights and to encourage equal opportunity at all levels of employment, including racial and gender diversity on decision making committees and boards; to train and advance disadvantaged workers for technical, supervisory and management opportunities; and to assist with greater tolerance and understanding among peoples; thereby, helping to improve the quality of life for communities, workers and children with dignity and equality."

<u>Social Accountability 8000 </u>is a standard that specifies requirements for social accountability to enable a company to develop, maintain, and enforce policies and procedures in order to manage those issues which it can control or influence; and demonstrate to interested parties that policies, procedures and practices are in conformity with the requirements of this standard. The requirements of this standard apply regardless of geographic location, industry sector, or company size. The Council on Economic Priorities Accreditation Agency developed the standard. It covers standards and monitoring programs for child labour, forced labour, disciplinary practices, non-discrimination, wages and benefits, working hours, health and safety, freedom of association and collective bargaining, and management systems.

<u>The Caux Round Table </u>(CRT) promotes principled business leadership and the belief that business has a crucial role in identifying and promoting sustainable and equitable solutions to key global issues affecting the physical, social and economic environments. The CRT is

comprised of senior business leaders from Europe, Japan, and North America. It is based in Caux, Switzerland. The CRT has produced “Principles for Business,” a document which seeks to express a world-wide standard for ethical and responsible corporate behaviour for dialogue and action by business and leaders world-wide. The principles include the social impact of company operations on the local community, a respect for rules and ethics, support for multilateral trade agreements that promote the “judicious liberation of trade,” respect for the environment and “avoidance of illicit operation,” including bribery, money laundering, and other corrupt practices.

The Interfaith Centre on Corporate Responsibility (ICCR) has published “Principles for Global Corporate Responsibility,” which is not a standard but a “collective distillation of the issues of concern” to religious-oriented institutional investors developed by groups in the U.S., Canada, and the U.K. ICCR is comprised of more than 275 religious institutions that use their investments to promote social change. The principles cover the entire spectrum of CSR issues, including workplace, community, the environment, human rights, ethics, suppliers and consumers. The principles are published as a reference tool that companies (and investors) can use to benchmark or monitor their own policies, or those of the companies in which they invest.

The Sunshine Standards for Corporate Reporting to Stakeholders, proposed in 1996 by the Washington, D.C.-based Stakeholder Alliance – an association of individuals and organisations from environmental, consumer and religious organisations – are described as “the information that corporations should routinely provide in an annual ‘Corporate Report to Stakeholders.’” The standards cover a very wide spectrum of information, from “customer information needs” (related to actions against the corporation, product contents), “employee information needs” (job security, health and safety risks, equal opportunity employment data, employee grievances), “community information needs” (company ownership, financial data, environmental impact, taxes paid, job creation data, investments, contributions), and “society’s information needs” (trade with hostile nations, major government contracts, fines levied against the company).

The Keidanren Charter for Good Corporate Behaviour comes from Keidanren, the Japanese Federation of Economic Organisations, a nation-wide business association whose membership includes more than 1,000 of Japan's leading corporations and more than 100 industry groups. The 10-point charter states that “Corporations, in addition to being economic entities engaged in the pursuit of profit through fair competition, must be useful to society as a whole.” Keidanren members agree to follow the spirit of the charter as “the criterion of their corporate behaviour.”

WBCSD

The World Business Council for Sustainable Development (WBCSD) is a coalition of 150 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. The Council’s members are drawn from more than 30 countries and 20 major industrial sectors. Their mission is to provide business leadership as a catalyst for change toward sustainable development, and to promote the role of eco-efficiency, innovation and corporate social responsibility.

According to WBCSD (2001b) the term CSR is at present firmly on the political agenda.[5] In broad, they state “CSR is the ethical behaviour of a company towards society”. Now, ethical behaviour is necessarily not a new issue for business. The very term CSR is new, but acting responsible to society as an identifiable corporate issue stretches back to the 19th century. At that time, many industrialists carried out philanthropic work, like building schools and hospitals, education workers and look after health care for workers and their families etc. In Norway we have many such examples. In small industrial societies like Årdal and Høyanger, Norsk Hydro (Norwegian Hydro) played an important role in building the welfare state.

During the beginning of the 20th century the philanthropic idea more or less fell out of the international agenda. The state took more responsibility for building the welfare state, and the industry ended up with taking case of its own internal affairs. In other words: business paid its taxes and the state largely took care of culture and social welfare affairs.

This situation has changed during the last decades. Businesses and industrialists are to a large extent expected to play a more important role in the society.[6] Simply paying taxes and follow regulations is no longer enough. This leads back to CSR, which emphasises the need for companies to take an active part in developing the society.

However, there exits no universally acceptable definition of CSR. The WBCSD views CSR as the third pillar of sustainable development, the first and the second pillars being respectively economic growth and ecological balance. CSR is therefore a key component for a sustainable future. The relationship between Sustainable Development and the three pillars is shown in Figure 10.

Based on an international meeting with 60 participants from within and outside business, the following definition emerged:[7]

> "Corporate social responsibility is the counting commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large (WBCSD 2001b)."

This definition tells more about CSR, but it hardly tells us what CSR actually *is*. It is not a precise definition. A precise definition is probably not so important after all. In addition it is not likely that such a consensus will be reach at all. What is important is CSR is *about*. The participants at the WBCSD meeting pointed out five themes that tell us something about the different aspects of CSR. These were: (i) human rights, (ii) employee rights, (iii) environmental protection, (iv) community involvement, and (v) supplier relations. In addition they mentioned to more aspects, which they thought to be "cross-cutting" issues or aspects: (vi) stakeholders rights and finally (vii) monitoring.

Reference to part of this report which may lead to misinterpretation is not permissible.

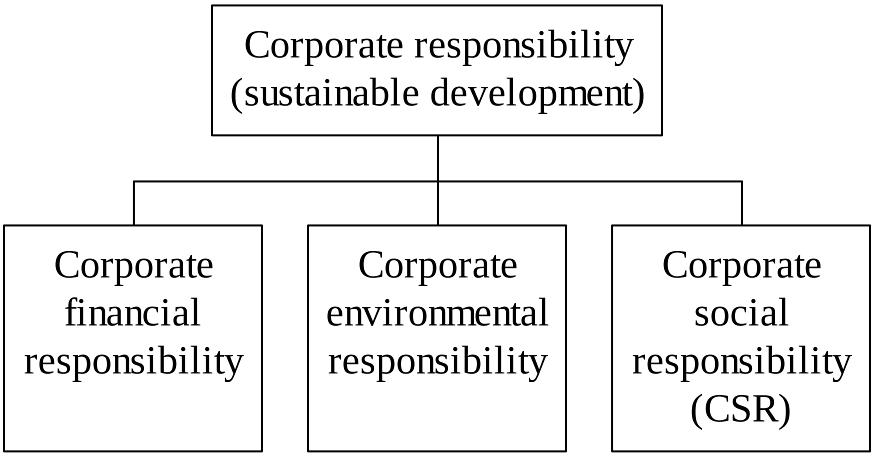

Figure 10 The three pillars of Sustainable development (Source: WBCSD 2001b)

Human Rights are the universal rights that every person is entitled to enjoy and to have protected. The underlying idea of such rights – fundamental principles that should be respected in the treatment of all men, women and children – exist in some form in all cultures and societies. However, such rights are enshrined in the Universal Declaration of Human Rights, adopted by the United Nations in 1948. The declaration covers two broad sets of rights: Civil and Political Rights; and Social and Cultural Rights.

Employee rights are embodied in the International Labour Organisation's Declaration on the Fundamental Principles and Rights at Work. These include: freedom of association and the right to collective bargaining; elimination of all forms of forced and compulsory labour; abolition of all child labour; and the elimination of discrimination in respect of employment and occupation.

Protecting the environment from the impact of operations is a core responsibility. Besides their legal obligations, which can differ according to region and country, corporations are seen to have a broad responsibility to protect the physical environment throughout their supply chains. They should commit to continuous improvements in eco-efficiency (doing more with less) and managing the full lifecycle of their product or service.

Community issues cover a broad range of activities, including community assistance programs; supporting educational needs; foresting a shared vision of a corporation's role in community; ensuring community health and safety; sponsorship; enabling employees to do voluntary work in the community; philanthropic giving.

Supplier chains are mostly complex interrelationships between a wide range of companies. Corporations can – and are – affected by the actions of their direct and indirect suppliers. They can inherit consequences of bad practices of those higher up the chain, such as the use of child labour and polluting production methods.

There is no argument that shareholders who own the company have the first call on the performance of management. But an increasingly large number of people argue that companies also have to satisfy a broader group of interested parties, commonly called *stakeholders*. These include not only shareholders, but also employees, customer/customer suppliers, communities and legislators. Such stakeholders are to have both influence and rights.

Finally, effective management of CSR demands *monitoring, measuring and reporting* of performance against generally accepted indicators. The systems to achieve this are still in their infancy, but much can be learned from those developed over the past decade for the management, monitoring and reporting of environmental impacts and performance.

The Global Reporting Initiative (GRI 2000)

> "The Global Reporting Initiative (GRI) is a long-term, multi-stakeholder, international undertaking whose mission is to develop and disseminate globally applicable sustainability guidelines for voluntary use by organisations reporting on the economic, environment, and social dimensions of their activities, products and services." GRI (2000:1)

Since its inception in 1997, the GRI has worked to design and build acceptance of a common framework for reporting the linked aspects of sustainability- the economic, the environmental, and the social. Although in the long term the Sustainable Reporting Guidelines are intended to be applicable to all types of organisations, the GRI's initial development work has focused on reporting by business organisations.

The GRI was originally convened by CERES[8] in partnership with UNEP.[9] Since then, the GRI has already incorporated the active participation of corporations, non-governmental organisations, consultancies, accountancy organisations, business associations, universities, and other stakeholders from around the world. A steering committee with a membership representing a mix of stakeholders has guides the GRI this far.[10] The first organisational meeting of the GRI took place in the fall 1997. In march 1999 they released a exposure draft Sustainability Reporting Guidelines. During the period from April 99 to Spring 00 there was a pilot testing and comment phase, and in June 2000 GRI released the revised Guidelines (GRI 2000). The aim is to establish an independent GRI institution by 2002.

The purpose of the Sustainability Reporting Guidelines is to help the organisations to report information in a way that represent a clear picture of the impact of business, including the economic, environmental, and social impacts. In order to do so, they have suggested a number of indicators in each of the three aspects of sustainability. These indicators are shown in appendix A. As the GRI works towards consensus among reporters and report users on the specific indicators, it recognises that the indicators have not achieved equal degrees of consensus. The greatest degree of consensus is associated with environmental indicators. These have been subject to a robust review, assessment, and pilot-testing. In contrast, the GRI's economic and social indicators are less developed.

The GRI has chosen to operate with separate indicators within each of the three aspects. However, GRI is of the opinion that so-called *integrated indicators* are those with potential to become generally applicable or organisation-specific. These indicators are at an early and experimental stage of development. Much experimentation and feedback from organisations and business need to be done until such approaches will be available. It is never the less a purpose for the GRI to advance consensus on such integrated indicators.

According to the GRI, integrated indicators are of two types: systemic and cross-cutting. *Systemic indicators* link performance at he micro level (e.g., organisation level) with economical, environmental, or social conditions at the macro-level (e.g., regional, national, or local level). The following are examples of this type of indicator:

- wages and benefits, or investments in research and development, at the organisation level expressed in relation to sectoral or national totals
- workplace accident or discrimination cases at the organisation level expressed in relation to regional or sectoral totals
- an organisation's total materials use during a product's life cycle expressed relative to globally sustainable levels measured in terms of resource availability and/or biophysical assimilative capacity

Cross-cutting indicators bridge information across two or more of the three elements of sustainability – economic, environmental, or social – of an organisation's performance. The following are examples of this type of indicator:

- a composite measure of diversity (economic-social-environmental)
- eco-efficiency (economic-environmental)
- externalised costs of emissions (economic-social or economic-environmental)

Global Compact[11]

United Nations Secretary-General Kofi Annan first proposed the Global Compact in an address to the World Economic Forum on 31. January 1999. The operational phase was launched the following year. What Kofi Annan was doing was nothing less than "challenging the world business leaders to help build the social and environmental pillars required to sustain the new global economy and make globalisation work for all the worlds people".

The core partners in the Global Compact are: the High Commissioner for Human Rights, the International Labour Organisation (ILO) and the United Nations Environment Programme (UNEP). More recently the United Nations Development Programme and the UN Fund for International Partners joined the work.

The Global Compact (GC) has three specific purposes (Econ 2001):

- Firstly, the GC has put together a common framework for the corporate sector to address three critical areas: human rights, labour and the environment.
- Secondly, the GC provides a common framework for co-operation between the international business community, the United Nations and civil society organisations.
- Thirdly, the GC is designed as a platform for identify, disseminate and promote good practices based on universal standards and rights.

It is vital for the GC to underline that it is not a regulatory instrument or code of conduct, but a "value-based platform designed to promote institutional learning". As such, it is not a substitution for effective action by governments, but an "opportunity for firms to exercise leadership in their enlightened self-interest". Nor does the GC seek to supplant other voluntary initiatives.

The GC involves all the relevant social actors: governments, who defined the principles (se below) on which the initiative is based; companies, whose actions it sees to inform; labour, in whose hands the concrete process of global production takes place; civil society organisations, representing the wider community and the stakeholders; and the United Nations, the world's only truly global political forum, as an authoritative convenor and facilitator.

Reference to part of this report which may lead to misinterpretation is not permissible.

A central part of the Global Compact is their *nine principles*. These principles are drawn from:

- The Universal Declaration of Human Rights
- The ILO's Fundamental Principles on Rights at work, and
- The Rio Principles on Environment and Development

The GC asks companies to act on these principles in their own corporate domains. Thus, the Compact promotes good practices by corporations but it does not endorse companies. The principles are shown in Table 7.

Table 7 The Global Compact's nine principles in the topics: human rights, labour and environment.

Topic	Principle ("The Secretary-General asked world business to:")
HUMAN RIGHTS	*Principle 1*: support and respect the protection of international human rights within their sphere of influence.
	Principle 2: make sure their own corporations are not complicit in human rights abuses.
LABOUR	*Principle 3*: freedom of association and the effective recognition of the right to collective bargaining.
	Principle 4: the elimination of all forms of forced and compulsory labour.
	Principle 5: the effective abolition of child labour.
	Principle 6: the elimination of discrimination in respect of employment and occupation.
ENVIRON-MENT	*Principle 7*: support a precautionary approach to environmental challenges.
	Principle 8: undertake initiatives to promote greater environmental responsibility.
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Notes for Appendix 2

[1] Although many people today feel that business have this responsibility as a moral obligation, the KOMpakt-report emphasises that a company's social role cannot simply be defined by the company itself, based on the values of its management or owner.

[2] http://www.worldcsr.com. CSR Europe was formally named “European Business Network for Social Cohesion**”.**

[3] http://www.csreurope.org.

[4] http://www.bsr.org.

[5] The WBCSD started their work on CSR in 1997 with the founding of a CSR working group.

[6] There can be many reasons for this, ranging from pure self-interest (image building and avoiding laws and regulations form the government) to pressure from customers and the national and local authorities.

[7] Approximately 60 diverse and high-level participants attended a 2 1/2 day meeting in The Netherlands in September 1998. They represented business, labour, academia, intergovernmental organisations, church groups, indigenous people, human right organisations, the environmental community and those involved in social responsible investment. The meeting was facilitated by the UK-based Environment Council and the US-based Meridian Institute.

[8] CERES (Coalition for Environmentally Responsible Economies) is a non-profit, non-governmental organisation based in Boston, USA, that consist of environmental organisations, socially responsible investment professionals, institutional investors, labour and religious organisations. CERES is the author of the CERES Principles, formerly Valdez Principles, a 10-point code of conduct on environmentally responsible corporate behaviour.

[9] United Nations Environmental Programme.

[10] Organisations represented on the GRI steering committee: Association of Chartered Certified Accountants (UK), Canadian Institute of Chartered Accountants, Columbian Business Council for Sustainable Development, Centre for Science and Environment (India), Coalition for Environmentally Responsible Economies (US), Council on Economic Priorities (US), Environmental Auditing Research Group (Japan), General Motors Corporation (US), Green Reporting Forum (Japan), Institute of Social and Ethical Accountability (UK), Investor Responsibility Research Centre (US), ITT Flygt (Sweden), New Economics Foundation (UK), SustainAbility, Ltd (UK), United Nations Environmental Programme, World Business Council for Sustainable Development, and World Resource Institute.

[11] http://www.unglobalcompact.org.

APPENDIX 3
EXISTING CSR STANDARDS

Many different standards have been developed and are commonly grouped into three different focus areas: process, performance and hybrid -standards. The process standards focus on management and management systems, while performance standards sets, more or less, specific demands for the companies' behaviour, and the hybrid standard combines both the process and performance perspective. The most established standards are SA8000 and AA1000. AA1000 is a process standard and SA8000 is a hybrid standard because in addition to requirements on performance it also has requirements for processes to be implemented.

SA8000

SA8000 was developed by the Council on Economic Priorities Accreditation Agency, CEPAA (CEPAA later changed name to SAI, Social Accountability International). SA8000 was the first audible international standard on workers' rights. It is based on the principles underlying the eleven Conventions of the International Labour Organisation (ILO), United Nations Convention on the Rights of the Child, and the Universal Declaration of Human Rights. The standard provides definitions and parameters to ensure conformance to these universal rights. In this way the standard enables a certification of a workplace process to be conducted and an audit resulting in a proven conformance guarantees the audited company or organisation a certificate. The overall ambition of the standard is to promote continuous improvement of workplace conditions.

The focus on workplace conditions includes:

- child labour
- forced labour
- health and safety
- freedom of association and collective bargaining
- discrimination
- disciplinary practices
- working hours compensation
- management systems

A central element in the standard is that leaders of the organisation formulate a *policy* that expresses a commitment to striving towards being socially accountable. Furthermore a monitoring system is required to enable verification of conformance to the specific requirements in the standard. An organisation also has to establish and maintain procedures to communicate regularly to interested parties or stakeholders information regarding conformance to the requirements of the standard. These are central components in the ISO-model and SA8000 is based on the same methodology as ISO 9000 and ISO 14000.

Reference to part of this report which may lead to misinterpretation is not permissible.

AA1000

AA1000 is an alternative standard to SA8000 developed by the Institute of Social and Ethical Accountability. The Institute facilitated a comprehensive process involving a large number of organisations and individuals world-wide from business, government, and civil society that resulted in the new standard. Rather than building on treaties and conventions, a 'best practice'-approach has been used to develop AA1000. The standard focuses on achieving social and ethical accountability by establishing a continuing process of planning, accounting, auditing and reporting. By establishing such processes continuous improvement can take place through linking the company's values to this process. Essential for the standard is a focus on creating a learning process based on communication with relevant stakeholders. The main purpose of the AA1000 is consequently to serve as a general framework giving directions for organisations wanting to work systematically with ethics and social responsibility.

Every organisation has multiple stakeholders often with conflicting interests, and this dilemma is one AA1000 seeks to address in particular. The AA1000-standard has a strong focus on an organisation's stakeholders and interaction with stakeholders is at the heart of the standard. Guidelines for how such interaction can take place are provided in the standard. By outlining a process for organisations to become engaged with stakeholders, the aim is to help organisations find common ground and build trust with their important stakeholders.

The Institute stresses the creation of a body of professionally trained and qualified social and ethical accountants and auditors and wants to help build a new profession. Accreditation is given to persons not to companies! The AA1000 outlines multiple guidelines for how such roles can be filled.

AA1000 is a broad standard and can encompass most other initiatives and guidelines, like for instance the Global Reporting Initiative (GRI) or SA8000. The GRI guidelines are closely aligned to AA1000, but focus only on one element of the process, namely *reporting*.

AA1000 is now being revised as the AA1000 Series (AA1000S). AA1000S will include a revised framework and five stand alone modules to strengthen and standardise the guidelines provided in the core framework. These modules are:

Module 1: Quality Assurance and External Verification

Module 2: Governance and Risk Management

Module 3: Integration of the Accountability Processes with Existing Management and Metric Systems

Module 4: Measuring and Communication the Quality of Stakeholder Engagement

Module 5: Accountability Management in Small and Medium Organisations

These modules represent the interests and concerns of the business, NGO, consultancy and academic communities regarding the practice of corporate accountability.

As part of the revision process a round of multiconstituency international consultations will take place until June 2002.

Reference to part of this report which may lead to misinterpretation is not permissible.

Comparing SA8000 and AA1000

There are several similarities between the standards. Both standards are generic and applicable to a wide range of organisations of different size, structure and geographical location. Both standards can be useful to both large and small organisations, single site, multi-site and multi-national organisations as well as public, private and non-profit organisations. Companies wanting assurance that their suppliers or subcontractors are socially accountable can utilise both standards in this respect.

Furthermore, both require that definition of a policy, the monitoring of activities and results, the verification of conformance, the communication of procedures, and the development of management systems take place. SA8000 emphasises stakeholder dialogue and governance to a certain extent, but it does not include *stakeholder engagement* as a core part of the accounting process like the AA1000 does.

With regards to processes needed to be in place to secure a management system-approach to CSR, the AA1000 and SA8000 have strong similarities. One of the main differences between the standards is that while AA1000 strictly prescribes procedural steps, the SA8000 also prescribes specific requirements with regards to what is acceptable social performance.

Focus:

By focusing on workplace conditions SA8000 covers only part of the breadth of the term social accountability. AA1000 is more general and can encompass more of the term social accountability such as sustainability. Furthermore, since SA8000 has a more narrow focus mainly on employees' rights few of organisations' various stakeholders are taken into consideration. AA1000 has a broader stakeholder focus. The broad focus of the AA1000 standard makes it fairly generic and applicable to most organisations. The more narrow focus of SA8000, however, makes it more suited for certification.

AA1000 is a process standard, which means it does only specify which processes an organisation should follow to account for its performance and not the levels of performance the organisation should achieve. SA8000 is also process oriented in the way that it requires certain processes to take place in the organisation, but it also sets specific requirements as for how an organisation ought to perform and organise it's work processes. In this way SA8000 also does set certain minimum levels of performance.

Scope:

AA1000 is a foundation standard and is claimed to serve either to underpin the quality of other, more specialised accountability standards or as a stand-alone system and process for managing social and ethical accountability and performance. SA8000 is also compatible with management standards like ISO 9000 and ISO 14000 and can thus also be an integral part of a more overall management system.

Unlike SA8000, the AA1000 is not intended to be a certifiable standard. The Institute of Social and Ethical Accountability perceives certifiable standards as something that can result in the development of a rigid compliance-oriented culture. Rather, the intention behind this standard is to stimulate innovation around key quality principles. The Institute is convinced that working out a standard not intended to be certifiable is a more effective approach to reaching this goal.

Content:

The standards are different in the way that SA8000 has universal rights (such as the International Convent on Human Rights, the International Convent on Civil and Political Rights, the Convention on the Rights of a Child, and International Labour Law) as it's most important elements. Whereas AA1000 uses stories of best-practice in social and ethical accounting, auditing and reporting as its most important material. In this way SA8000 has more top-down features whereas the making of AA1000 to a larger extent resembles a bottom-up process.

The standards also differ on what and how they will determine who is "socially accountable". According to SA8000 an organisation or business can be called "socially accountable" when certain universal rights and defined criteria are met. Compliance is here the crux of the matter. AA1000, on the contrary, does to a lesser extent focus on compliance with defined rights and criteria, but more on the extent of the engagement with relevant stakeholders. AA1000 consequently defines accountability almost solely by an organisation's engagement with its stakeholders. The level of transparency, responsiveness and compliance are important questions in this respect.

The wide range and almost universal applicability of the standards is caused by their content. Whereas SA8000 has a narrow focus on employees' working conditions and therefore is applicable to almost any organisation, AA1000 is applicable due to its broad focus on processes. This focus allows AA1000 to serve as a more general framework in which other, more specific standards can fit in. AA1000 does itself bring attention to the suitability of a contingency-approach. It does so by stating that: "a variety of different approaches to the AA1000 process, for examples towards stakeholder engagement, will address the quality requirements identified by the process standards, and that different approaches will be more appropriate in different organisation types and geographies".

Assessment:

Both standards can be used in assessments. An assessment with AA1000 as a point of reference, would be an assessment of *processes* in an organisation, whereas assessment by using SA8000 would focus just as much on performance as processes. Self-assessment, second party assessment and third-party assessment can in principle take place for both standards, but today third-party assessment is available only for SA8000.

Managerial consequences of adoption of standard:

SA8000 is in many ways a minimum standard that sets certain criteria for performance that need be met in order to secure compliance. An organisation taking on and accepting SA8000 may experience consequences mainly related to its organisation of work processes and its human resources management. AA1000 does however, to a larger extent, focus on tying social and ethical issues into the organisation's *strategic* management and operations. Consequently, the standards are different with regards to how central a part of the general management system they aspire to be.

Adaptation of AA1000 is a lot more time and resource consuming than SA8000 which is more limited and parsimonious. It is therefore likely that adoption of AA1000 requires an even stronger dedication from top management than the SA8000 to be successful.

Reference to part of this report which may lead to misinterpretation is not permissible.

Critical views:

SA8000 has been criticised for outsourcing the problem to the supply chain and for having a too narrow focus. The standard is in many ways an expression of a set of criteria that as a minimum have to be met in order for an organisation to be called 'socially accountable'. AA1000 has a much broader scope but does not state any objective or universal requirements. The standard's focus on stakeholder engagement and transparency is undisputedly important, but is often problematic and limited in reality. The AA1000 standard has in this way been criticised for in some ways resembling 'wishful thinking' and being too broad. The important point in this respect must be that neither SA8000 nor AA1000 are complete or sufficient. Both have shortcomings and need to be accompanied by other guidelines and standard. Thus, SA8000 and AA1000 are not rivalling standards. Rather, the standards can serve as useful supplements to each other.

Since a SA8000 audit normally is notified in advance there is always a significant risk that irresponsible managers or owners easily can hide non-conformances from an auditor. This "risk" will also apply for DNV as the accredited body when issuing a certificate.

An organisation in need of a framework incorporating their efforts towards implementing CSR in their organisation, will find AA1000 useful, whereas an organisation wanting to demonstrate that their labour practices are compatible with labour and human rights may rather prefer SA8000. Furthermore, SA8000 has been criticised for championing human and children's rights in a too rigid manner. The organisation Save the Children states that to simply stop doing business with companies found using child labour, is not a good or viable option. Rather these companies should be met with demands and be assisted in finding ways of gradually reducing the element of child labour and/or making the working conditions better.

ECS2000

The Reitaku University in Japan has developed what can be termed a CSR standard. ECS2000 is an Ethics Compliance Management System Standard, which has focus on business ethics and legal compliance.

Rather than making a common list of social responsible activities for corporations to follow, ECS2000 encourages corporations to establish management systems with an explicit CSR policy and strategy.

Companies are able to apply the standard at different levels of commitment. Level one commitment is where ECS2000 is used as a guide - a resource to be drawn from in the creation of a system. Level two commitment views ECS2000 as a checklist to test the validity of existing systems that may already be in place. Level three is then the certification level - self-certification and third party certification. Companies are expected to declare the level at which they are using ECS2000.

The system is composed of the much used Plan, Do, Check, Act (PDCA) framework.

The ECS2000 contains many requirements very similar to both the SA8000 and the AA1000. A social policy for the company has to be formulated, planning of how this policy is to be implemented and realised must take place, monitoring and corrective action are to be secured and the results of this monitoring process are to be brought into the management review.

Critics have claimed that ECS2000 is not aimed at the business that needs to effectively manage stakeholder relationships, or to maximise its positive impact on society. As such, it probably represents a fairly reactive standard, shaped by the events in Japan over the last ten years. The CSR agenda elsewhere is already being shaped by quality business responses to a range of expectations that are difficult to codify and the response is difficult to capture in a document-and-control approach. But as expectations of socially responsible conduct become internationally applied, it may well be that the companies will seek solutions developed from their own business model - in which case ECS2000 may be the starting point.[1]

Notes for Appendix 3

1 BUSINESS RESPECT - CSR Dispatches#21/12-Jan-2002

Reference to part of this report which may lead to misinterpretation is not permissible.

APPENDIX 4
CSR AND SUSTAINABILITY

Our common future (the Brundtland Report)

The idea of sustainable development has survived nearly a decade of rhetorical excess and academic criticism. From the Brundtland Report *Our Common Future* to *Agenda 21*, it has remained the central goal and guiding norm of environment-and-development policies (Lafferty and Langhelle 1999). Lafferty and Langhelle argue that just as every country and ideology after the World War II wished to profile itself as ‘democratic’, we find the same trend today with respect to ‘sustainable development’. The underlying idea of sustainability is, of course, much older than the 1987 report from the World Commission on Environment and Development. It is, however, only since the publication of *Our Common Future* (WCED 1987) that sustainability, coupled to the notion of ‘development’, has become so important. Lafferty and Langhelle put is this way: “Pity the politician, the party programme, the long-term plan or the international agreement which does not pay respect to the idea. The prospect of a ‘non-sustainable society’ is on a par with that of a non-democratic society. It’s simply not on.” (p.1)

But what is sustainable development about? Is it possible to give a precise definition? How should the term be interpreted to give guidance in everyday policy? There is, unfortunately, a tremendous diversity and interpretations (Høyer 2000, Aall 2000, Lafferty and Langhelle 1999). Competing understandings of ‘sustainable development’ are surely as numerous as competing understandings of ‘democracy’. One of the reasons for this diversity is the inconsistent use of the term within the Brundtland Report itself. Here we can find at least six different definitions of the term, all of them mutually exclusive. No wonder researchers and politicians are confused. In addition to the variety of definitions in Our Common Future itself, Høyer and Aall (1997) suggests that there has been a battle between different groups that all want to “own” the term. Both politicians and professionals have been active in this fight.

Although there seems to be some inconsistency about the term within the Brundtland Report, there can be no doubt that this report has become the point of reference for every debate, political or professional, on sustainable development (Lafferty and Langhelle 1999).

The Brundtland Report can be regarded as an attempt to reconcile two themes which long have been in an antagonistic relationship with each other, namely environment and development. While the concept of sustainability – with its origin in ecology – has a reasonably clear meaning, the concept of development is more troublesome. Development can be understood both as a descriptive and a normative term. According to Lafferty and Langhelle (1999) the Brundtland Report links sustainability to development in the context of the latter connotation. “Hence the definition of sustainable development sets a normative frame for the concept’s meaning. It indicates the direction for development and within which scope or limits this development must take place in order to be sustainable” (p.3).

The Brundtland Commission defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. According to the report, this contains within it two key concepts:

- the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given
- the ideal of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs (WCED 1987:43)

There are several aspects to this definition which are worth noting. Firstly, the basis of the definition is not the environment, but humans and human needs. The commission deliberately chose this emphasis, and rejected the suggestion that they should concentrate on discussing environmental problems only. In the foreword, Gro Harlem Brundtland provides the following reason for such a standpoint:

> "This would have been a grave mistake. The environment does not exist as a sphere separate from human actions, ambitions, and needs, and attempts to defend it in isolation from human concerns have given the very word 'environment' a connotation of naivety in some political circles (WCED 1987: xi)".

This differentiation between an narrow 'environmental' understanding of sustainable development and a broader understanding including both nature, humans and society, reflects three distinct types of usage (Lafferty and Langhelle 1999):

1. Sustainability is used as a *purely physical concept for a single resource*. The idea here is quite simple: applied to the forest as a renewable resource, the exploitation of the forest is sustainable if one does not take out more threes than are replenished in growth. In this way, the resource is exploited without depleting the physical stock.
2. Sustainability is used as a *physical concept for a group of resources or an ecosystem*. The idea is her the same, but is it immediately more problematic to determine the effects of the exploitation due to the complexity and the interaction between the different parts of the ecosystem. The exploitation of virgin forest, for example, would influence and change the constitution of animal and plant species. Even though a logging operation can be sustainable when the forest is regarded as an individual perspective, it is not necessarily so for the original ecosystem.
3. In the final type of usage, the concept encompasses a broader social context. Sustainability is here used as a *social-physical-economic concept related to the level of social and individual welfare that is to be maintained and developed*.

The definition of sustainable development in the Brundtland Report clearly comes under the third category.

Despite the academic and political differences about the term, it is possible to highlight some basic key characteristics (Aall 2000):

- ecological sustainability
- development
- equity between generations
- equity within the same generation

The first characteristic is often referred to as the 'environmental' part of sustainable development, while the next three sums up to the social part. Sustainable development has therefore an environmental part as well as a social dimension. At a minimum, however, sustainable development requires that the natural systems which supports life on Earth, atmosphere, water, soil, and other living beings, are not endangered (WCED 1987:45).

Hence even the narrowest concepts of physical sustainability – the minimum requirement for a sustainable development – includes considerations of 'social equity' (WCED 1987:43). These questions must be considered in relation to each other if one is to follow the general admonitions of the Brundtland Report. Inherent in the goal of development, therefore is social equity: that is, meeting the needs of the present without compromising the ability of future generations to meet their needs. It is partly this which should be maintained and developed. Furthermore, the Brundtland Report claims that social equity between generations 'must logically be extended to equity within each generation' (WCED 1987:43). Hence social equity as an inherent development goal in sustainable development has two different dimensions, a time dimension and a space dimension (**Figure 11**)

Space dimension

		National	Global
Time dimension	Within the same generation	National equity within the same generation	Global equity within the same generation
	Between generations	National equity between generations	Global equity between generations

Figure 11 The temporal and spatial dimensions of sustainable development (Lafferty and Langhelle 1999:7).

Rio de Janeiro and Agenda 21

> "Humanity stands at a defining moment in history. We are confronted with a perpetuation of disparities between and within nations, a worsening of poverty, hunger, ill health and illiteracy, and the continuing deterioration of the ecosystems on which we depend for our well-being. However, integration of environment and development concerns and greater attention to them will lead to the fulfilment of basic needs, improving living standards for all, better protected and managed ecosystems and a safer, more prosperous future. No nation can achieve this on its own; but together we can – in a global partnership for sustainable development" (Agenda 21, Preamble, Section 1.1).

One of the important messages from Our Common Future was launching a plan for an international conference and discuss the content in the Brundtland Report. The conference took place at the Earth Summit in Rio de Janeiro in 1992. 178 countries were represented and more than 100 prime ministers participated. At the end of the Summit five different documents were signed and agreed upon. Agenda 21was one of these documents.

Agenda 21 is no less than a comprehensive 'action plan' for achieving sustainable development in the 21st century. According to Lafferty and Eckerberg (1998) one of the most characteristic features of the whole UNCED process is the goal of bringing together key social actors for joint co-operation efforts on vital issues of environment and development. This is strongly reflected in Agenda 21. The entire Section III is devoted to "strengthening the role of major groups". The action plan itself builds on the premise that the achievement of sustainable development requires new forms of social learning, whereby major collective actors seek to resolve potential conflicts on environment-and development issues through new forms of involvement and co-operation. Chapter 30 of the Agenda is devoted to one of the most important of these actors: Business and Industry. The Agenda outlines the rationale for action in this area as follows:

> Business and industry, including transnational corporations, play a crucial role in the social and economic development of a country. A stable policy regime enables and encourages business and industry to operate responsibly and efficiently and to implement longer-term policies. Increasing prosperity, a major goal of the development process, is contributed primarily by the activities of business and industry. Business enterprises, large and small, formal and informal, provide major trading, employment and livelihood opportunities. Business opportunities available to women are contributing towards their professional development, strengthening their economic role and transforming social systems. Business and industry, including transnational corporations, and their representative organisations should be full participants in the implementation and evaluation of activities related to Agenda 21. (Agenda 21, Chapter 30, item 30.1)

Let us take a closer look at what Agenda 21 prescribes for a sustainable future. It is interesting to notice that sustainable development covers all the topics that have been put forward in the CSR debate.

Labour rights

Chapter 29 in Agenda 21 ("Strengthening the role of workers and their trade union") deals with worker, or labour, rights. As a basic for action Agenda 21 state: "Efforts to implement sustainable development will involve adjustments and opportunities at the national and enterprise levels, with workers foremost among those concerned. As their representatives, trade unions are vital actors in facilitating the achievement of sustainable development in view of their experience in addressing industrial change, the extremely high priority they give to protection of the working environment and the related natural environment, and their promotion of socially responsible and economic development" (item 29.1).

The overall objective regarding the role of workers and their trade union "is poverty alleviation and full and sustainable employment, which contribute to safe, clean and healthy environments - the working environment, the community and the physical environment. Workers should be full participants in the implementation and evaluation of activities related to Agenda 21" (item 29.2).

To meet that end the following objectives are proposed for accomplishment by the year 2000 (item 29.3):

a) "To promote ratification of relevant conventions of ILO and the enactment of legislation in support of those conventions;

b) To establish bipartite and tripartite mechanisms on safety, health and sustainable development;

c) To increase the number of environmental collective agreements aimed at achieving sustainable development;

d) To reduce occupational accidents, injuries and diseases according to recognized statistical reporting procedures;

e) To increase the provision of workers' education, training and retraining, particularly in the area of occupational health and safety and environment."

Three concrete activities are suggested:

- promoting freedom of association
- strengthening participation and consultation
- provide adequate training

Human Rights

Chapter 24, 25 and 26 deal with human rights and the special actions that should be taken to safeguard these rights for women, children and youth and indigenous people.

Regarding the role of women (chapter 24), governments should take active steps to implement the following (among others):

a) Measures to review policies and establish plans to increase the proportion of women involved as decision makers, planners, managers, scientists and technical advisers in the design, development and implementation of policies and programmes for sustainable development

b) Measures to strengthen and empower women's bureaux, women's non-governmental organisations and women's groups in enhancing capacity-building for sustainable development;

c) Measures to eliminate illiteracy among females and to expand the enrolment of women and girls in educational institutions, to promote the goal of universal access to primary and secondary education for girl children and for women, and to increase educational and training opportunities for women and girls in sciences and technology, particularly at the post-secondary level

d) Programmes to develop consumer awareness and the active participation of women, emphasising their crucial role in achieving changes necessary to reduce or eliminate unsustainable patterns of consumption and production, particularly in industrialised countries, in order to encourage investment in environmentally sound productive activities and induce environmentally and socially friendly industrial development

Regarding the role of children and youths (chapter 25) each country should: "combat human rights abuses against young people, particularly young women and girls, and should consider providing all youth with legal protection, skills, opportunities and the support necessary for them to fulfil their personal, economic and social aspirations and potentials.

Reference to part of this report which may lead to misinterpretation is not permissible.

Governments, according to their strategies, should take measures to (among others):

a) Establish procedures allowing for consultation and possible participation of youth of both genders, by 1993, in decision-making processes with regard to the environment, involving youth at the local, national and regional levels;

b) Ensure access for all youth to all types of education, wherever appropriate, providing alternative learning structures, ensure that education reflects the economic and social needs of youth and incorporates the concepts of environmental awareness and sustainable development throughout the curricula; and expand vocational training, implementing innovative methods aimed at increasing practical skills, such as environmental scouting;

c) Establish task forces that include youth and youth non-governmental organisations to develop educational and awareness programmes specifically targeted to the youth population on critical issues pertaining to youth. These task forces should use formal and non-formal educational methods to reach a maximum audience. National and local media, non-governmental organisations, businesses and other organisations should assist in these task forces;

Regarding the role of indigenous people (chapter 26), Agenda 21 states that: “Indigenous people and their communities shall enjoy the full measure of human rights and fundamental freedoms without hindrance or discrimination. Their ability to participate fully in sustainable development practices on their lands has tended to be limited as a result of factors of an economic, social and historical nature. In view of the interrelationship between the natural environment and its sustainable development and the cultural, social, economic and physical well-being of indigenous people, national and international efforts to implement environmentally sound and sustainable development should recognise, accommodate, promote and strengthen the role of indigenous people and their communities” (item 26.1).

Stakeholders

Agenda 21 strongly underlines the need to bring all relevant parties in a co-operation towards sustainable development. This is the case for non-governmental organisations (chapter 27), the local authorities (chapter 28) as well as employees and affected people in the community (chapter 30):

- “Encourage and enable partnership and dialogue between local non-governmental organisations and local authorities in activities aimed at sustainable development” (item 27.10).
- “By 1996, most local authorities in each country should have undertaken a consultative process with their populations and achieved a consensus on "a local Agenda 21" for the community” (item 28.2).
- “All local authorities in each country should be encouraged to implement and monitor programmes which aim at ensuring that women and youth are represented in decision-making, planning and implementation processes” (item 28.2).
- “Through consultation and consensus-building, local authorities would learn from citizens and from local, civic, community, business and industrial organisations and acquire the information needed for formulating the best strategies” (item 28.3)
- “Business and industry, including transnational corporations, should ……fostering openness and dialogue with employees and the public” (item 30.26).

Reference to part of this report which may lead to misinterpretation is not permissible.

Ethics

The ethical responsibility for business and industry is put forward in chapter 30. Here it is stated: “Business and industry, including transnational corporations, should ensure responsible and ethical management of products and processes from the point of view of health, safety and environmental aspects. Towards this end, business and industry should increase self-regulation, guided by appropriate codes, charters and initiatives integrated into all elements of business planning and decision-making” (item 30.26).

Environment

There can be no doubt that safeguarding the environment is a vital part of sustainable development. This was strongly put forward in the Brundtland Report, and the message is still clear in Agenda 21. This is true for every social actor, including business and industry: “Business and industry, including transnational corporations, and their representative organisations should be full participants in the implementation and evaluation of activities related to Agenda 21” (item 30.1). This implies that: “Business and industry, including transnational corporations, should recognise environmental management as among the highest corporate priorities and as a key determinant to sustainable development” (item 30.3).

The role of the (multinational) corporations and industry

Since the Brundtland Report there have been no questioning about the importance of business and industry regarding the goal of achieving sustainable development. Both the Brundtland Report and Agenda (as well as the work in UNCED since 1992) underlines this role. In our opinion, however, there have been two important changes regarding the role of business and industry between the 1987 Report and 1992 when Agenda 21 was presented.

First, it seems that the meaning of sustainable development for business and industry has been narrowed between 1987 and 1992. In Our Common Future the challenges for business and industry were connected to the whole spectre of aspects regarding sustainable development. This includes responsibility both for the social and the environmental aspects of sustainable development. In Agenda 21, chapter 30 “strengthening the role of business and industry”, the main focus is on the environment. The key words are “cleaner production”, efficient production”, environmental management”, etc. “Business and industry, including transnational corporations, should recognise environmental management as among the highest corporate priorities and as a key determinant to sustainable development.

Second, there seems to have been a change in the roles between business and government. In Our Common Future there was a strong emphasis on the regulatory role of the government. There are, according to the Brundtland Report, limitations to the extent society can count on voluntarily actions from the industry. It is not possible for business and industry to take on the whole range of challenges related to sustainable development. There need to be strong national and international regulations and economic incentives that can control the negative effects from industry. In a document from UN Commission on Transnational Corporations to the Preparatory Committee for the UNCED, one of the conclusions is: “It is clear that the effective implementation of sustainable development cannot be accomplished by transnational corporations alone. Even the most committed firms cannot operate sustainable unless, as a minimum, Governments have in place a policy framework conductive to sustainable economic and social development”.[1]

Reference to part of this report which may lead to misinterpretation is not permissible.

In Agenda 21 the tone was somewhat different. Self-regulation and voluntary agreements seemed to be the new trend. “Some enlightened leaders of enterprises are already implementing "responsible care" and product stewardship policies and programmes, fostering openness and dialogue with employees and the public and carrying out environmental audits and assessments of compliance. These leaders in business and industry, including transnational corporations, are increasingly taking voluntary initiatives, promoting and implementing self-regulations and greater responsibilities in ensuring their activities have minimal impacts on human health and the environment (Chapter 30, item 30.3). And there is more: “A positive contribution of business and industry, including transnational corporations, to sustainable development can increasingly be achieved by using economic instruments such as free market mechanisms in which the prices of goods and services should increasingly reflect the environmental costs of their input, production, use, recycling and disposal subject to country-specific conditions” (Chapter 30, item 30.3).

The World Business Council on Sustainable Development quickly adopts this view. In the report *The Business Case for Sustainable Development*, they state: “Sustainable Development called for…greater use of market instruments and less of command-and control regulations (WBCSD 2001a)”.

These two changes must not, of course, be looked upon as absolute and definitive processes. The differences are one of emphasis. No one would argue that business and industry should have all the responsibility for achieving a sustainable development. It will also be hard to find someone who put the entire work on the Governments shoulders. There must be some sort of a joint venture. Our point is that there has been a change in the division of responsibility. It used to be *mainly* the responsibility of the Governments (and UN). Now it is *mainly* a question of voluntary agreement and self-regulation.

The same holds for the division between the different aspects of sustainable development. Since 1992 it is true that business and industry have been focusing on environmental challenges. This does not imply that they haven’t been occupied with the many dimensions of the “social part” of sustainability. The main focus, however, have been on the environment.

The relationship between Sustainable development and CSR

There are many different ways of looking at the relationship between on the on hand Corporate Social Responsibility (CSR) and Sustainable Development on the other when it comes to the role of business and industry. There is in our opinion, no major substantial differences between CSR as we have described it in this report and sustainable development as it originally was presented in Our Common Future. Or to put it another way: every aspects of CSR should already be covered by sustainable development.

The major themes in sustainable development are also the main aspects of CSR. These themes are:

- concern for the natural environment
- concern for labour (employees)
- concern for human rights
- concern for the wider community
- stakeholder involvement

Reference to part of this report which may lead to misinterpretation is not permissible.

This implies that whether a company choose to take a corporate social responsibility or they go on to fulfil the commitments derived from sustainable development, there would be no difference in practice. In both cases the company acts in the interest of the society, including environmental protection, securing labour rights, communicating with stakeholders, acting in the interest of the involved communities, and promoting human rights.

In a research report from Association of British Insurers (ABI 2001) concerning CSR they put is this way (and we strongly agree):

> "Sustainability is another common term in this context. It is sometimes connected mainly with the environment, but has com e to embrace social and economic issues as well, as embodied in the concept of the 'triple bottom line' which brings together social environmental and economic objectives. In this sense sustainability and social responsibility are broadly interchangeable." (page 3)

There are, however, two nuances that are worth noting about the relationship between sustainable development and CSR. First, as we already have touched upon, that sustainable development is dependent on a strong involvement from the Governments, and that this is not the case for CSR. The social responsibility for corporations is mainly a job for business and industry themselves. Active regulations and large taxes have no place in this picture. Self-regulation and voluntary initiatives are the key terms. Second, even if it is our opinion that CSR and sustainable development mainly has the same implications for corporations, this it not the case for everyone. Making a sign of equality between CSR and the social dimension of sustainable development, have many supporters. Referring to sustainable development as mainly an "environmental thing", also has strong defenders. Our view, however, is that CSR and sustainable development completely imply the same commitments and actions.

Notes for Appendix 4

---

[1] United Nations, Commission on Transnational Corporations: "Transnational corporations and issues relating to the environment, including the contribution of the commission and the United Nations Centre on Transnational Corporations to the work of the Preparatory Committee for the United Nations Conference on Environment and Development", Report of the Secretary-General, E/C.10/1001/3, 25 March 1991.

Reference to part of this report which may lead to misinterpretation is not permissible.