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Promoting a European framework for Corporate Social Responsibility

(presented by the Commission)

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EXECUTIVE SUMMARY

1. An increasing number of European companies are promoting their corporate social responsibility strategies as a response to a variety of social and economic pressures. They aim to send a signal to the various stakeholders with whom they interact: employees, shareholders, investors, consumers, public authorities and NGOs.
2. At the European level, the 1993 appeal to business of President Delors to take part in the fight against social exclusion resulted in a strong mobilisation and in the development of European business networks. More recently in March 2000 the European Council in Lisbon made a special appeal to companies' sense of social responsibility regarding best practices for lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.
3. By stating their social responsibility and voluntarily taking on commitments that go beyond common regulatory and conventional requirements that they would have to respect in any case, companies embrace an open governance reconciling contradictory interests in an overall approach of quality and sustainability.
4. This action leads to the development of new partnerships: within the company, regarding social dialogue, skills acquisition, equal opportunities, anticipation and management of change, at the local or national level with reference to the reinforcement of economic and social cohesion and health protection, and more generally on a global level, concerning environmental protection and respect of fundamental rights.
5. This corporate social responsibility concept is mainly driven by large companies, even though all types of enterprises, public and private, including SMEs and co-operatives, should and are already adopting socially responsible practices.
6. These new business practices challenge all of the economic and social actors who are led to bear them in mind in their own activities. Thus corporate social responsibility can result in opening new spheres for social dialogue, through developing new local partnerships for employment, prompting new relationships between large and small companies or redefining the limits of the regulatory intervention.
7. The European Union is therefore concerned with corporate social responsibility, a voluntary business approach which is expected to contribute to the strategic goal decided in Lisbon: "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion".
8. This Green Paper aims to launch a wide debate on how to make the most of existing experiences, to encourage the development of innovative practices, to bring greater transparency and to increase the reliability of evaluation and validation of the various initiatives taking place in Europe.
9. This Green Paper suggests an approach based on deepening partnerships in which all actors have an active role to play.

1. INTRODUCTION

10. At the time when the European Union endeavours to identify its common values by adopting a Charter of Fundamental Rights, an increasing number of European companies recognise their social responsibility more and more clearly and see it as part of their identity. This responsibility is expressed towards employees and more generally towards all the stakeholders affected by business and which in turn can influence its success. These developments echo the growing expectations that European citizens and stakeholders have of the evolving role of companies in the new and changing society of today.
11. Many factors are driving this move towards corporate social responsibility: new concerns and expectations from the citizens, consumers and investors in the context of the globalisation, transparency on business activities brought about by the communications revolution and the Internet, and the need for an appropriate balance between flexibility and responsibility in the design of a business-friendly environment. Environmental and social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors. These external pressures can be expected to exercise an increasing influence, as better information on corporate performance becomes available.
12. At the Lisbon European Council of March 2000, the Heads of European States and governments defined the strategic goal for the Union "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". Corporate social responsibility can contribute to achieving this goal. Although the prime responsibility of an enterprise is generating profits, businesses can at the same time contribute to social objectives, when they integrate corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations.
13. As companies themselves face the challenges of a changing environment in the context of globalisation and in particular the Internal Market, they are increasingly aware that corporate social responsibility can be of direct economic value and that the challenge for tomorrow's success lies in combining profitability with the twin concepts of sustainability and accountability, as this is articulated in the triple bottom line and similar approaches. While much progress has been achieved to bring together the economic and environmental pillars of the triple bottom line, the social pillar lags behind. This Green paper will therefore focus mainly on the social aspects of corporate social responsibility.
14. Corporate social responsibility makes it possible for companies to reconcile their own internal stakes in terms of management and development with their external environment. They can thereby have a consistent approach and an inclusive - financial, commercial and social - governance, leading to a long term strategy minimizing risks linked to uncertainty.
15. As corporate social responsibility is a process by which companies manage their relationships with a variety of influential stakeholders who can have a real influence on their licence to operate, the business case becomes apparent. It is about building relationships with customers, about attracting and retaining talented staff, about managing risk, and about assuring reputation. Thus it should be treated as an

investment, not a cost, much like quality management. Companies should pursue social responsibility internationally as well as in Europe, as it applies to the whole supply chain.

In 1995, responding to an appeal of former President of the Commission Jacques Delors, a group of large European businesses signed the European Declaration of Business against Exclusion. This led to the creation of the European Business Network for Social Cohesion (now CSR Europe).

In its position paper "[Releasing Europe's employment potential: Companies' views on European Social Policy beyond 2000](#)" UNICE has stressed that European companies see themselves as an integral part of society, as they act in a socially responsible way; consider profits to be the main goal of the company but not its only "raison d'être" and opt for long-term thinking on strategic decisions and investment.

16. The European Council in Lisbon made a special appeal to companies' sense of social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development. The European Social Agenda approved at the European Council in Nice emphasised the role of corporate social responsibility in addressing the employment and social consequences of economic and market integration and in adapting working conditions to the new economy. In addition the European Summit in Nice invited the Commission to involve companies in a partnership with the social partners, NGOs, local authorities and bodies that manage social services, so as to strengthen their social responsibility. The European Council in Stockholm welcomed the initiatives taken by businesses to promote corporate social responsibility and made reference to this Green Paper as a means to encourage a wide exchange of ideas with a view to promoting further initiatives in this area.
17. This debate takes place in the wider framework of the Commission's proposal for a European Strategy on Sustainable Development, which has been broadly endorsed by the Göteborg European Council of June 2001. [This Strategy's basic message is that in the long-term economic growth, social cohesion and environmental protection must go hand in hand.](#) The European debate on corporate social responsibility is linked with the reflection of the Commission on the White Paper on governance in the European Union, as corporate social responsibility can support the development of innovative solutions. As it contributes significantly to a favourable climate towards entrepreneurship, corporate social responsibility is also linked with the Commission's objective of creating an entrepreneurial, innovative and open Europe – "Enterprise Europe".
18. Several Member States have recognised the importance of corporate social responsibility as a means to promote social cohesion and have taken active steps to promote it. All Member States are facing similar challenges and could learn from progress made in other Member States.

In Denmark, the Minister for Social Affairs launched the campaign "[Our Common Concern - the social responsibility of the corporate sector](#)" in 1994 and set up the Copenhagen Centre in 1998.

In the UK, a Minister for Corporate Social Responsibility has been appointed in March 2000. An Interdepartmental Group has been established to improve co-ordination of activity to promote corporate social responsibility across the government.

19. At the European level the challenge is about how corporate social responsibility can contribute to the integrated approach to economic reform, employment and social cohesion agreed at the European Summit of Lisbon and in particular contribute to the European Employment Strategy, to the efforts towards social cohesion, to promoting quality in work, including in industrial relations, and to preparing for the enlargement.
20. As corporate social responsibility is being established as a new trend generating a lot of various activities and initiatives, the main contribution of a European approach will be to add value to and complement existing activities by:
 - providing an overall European framework, aiming at promoting quality and convergence of corporate social responsibility practices, by way of developing broad principles, approaches and tools, and promoting best practice and innovative ideas.
 - supporting best practice approaches to cost-effective evaluation and independent verification of corporate social responsibility practices, which play an essential role in ensuring the effectiveness and credibility of voluntary approaches.
21. A European approach to corporate social responsibility must reflect and be integrated in the broader context of various initiatives in international institutions, such as the [UN Global Compact](#) (2000), the [ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy](#) (1997-2000), the [OECD Guidelines for Multinational Enterprises](#) (2000). While these initiatives are not legally binding, they benefit in the case of the OECD guidelines from the commitment of adhering governments to promote the actual observance of the guidelines by business. The European Commission is committed to the active promotion of the OECD guidelines¹. Observance of the core ILO labour standards (freedom of association, abolition of forced labour, non-discrimination and elimination of child labour) is central to corporate social responsibility.²
22. Furthermore, it is necessary to ensure that approaches to corporate social responsibility are coherent and compliant with other Community policies and with international obligations.
23. The Commission hopes that this Green Paper will further stimulate the debate on corporate social responsibility at European and national level among all the actors involved and that the outcome of this debate will be a new framework for the promotion of corporate social responsibility.

¹ The OECD guidelines also encompass an implementation mechanism involving governments and social partners in National Contact Points. Furthermore, their content is covering various areas of corporate social responsibility, namely child labour and forced labour, social relations, environmental protection, consumer protection, transparency and disclosure, fight against bribery, transfers of technology, competition and taxation

² The Commission will issue a communication regarding Promoting of Core Labour Standards and Improving Social Governance in the Context of Globalisation.

2. WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

24. There is no unique definition of corporate social responsibility. Most definitions describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Corporate social responsibility provides the foundations of an integrated approach that combines economic, environmental and social interests to their mutual benefit. It opens a way of managing change and of reconciling social development with improved competitiveness.
25. Being socially responsible means not just fully meeting legal expectations, but also going beyond compliance by investing “more” into human capital, the environment and their relations with stakeholders. The experience with investment in environmentally responsible technologies and business practices has demonstrated that going beyond compliance with the law can contribute to a company’s competitiveness. Going beyond basic legal obligations in the social area, e.g. training, working conditions, management-employee relations, can also have a direct impact on productivity.
26. As they take on their social responsibility, going beyond compliance with legislative or conventional requirements, companies play an active role in promoting social innovation. Socially responsible practices contribute to addressing new challenges that are out of reach of traditional regulatory instruments. Voluntary approaches and benchmarking set higher ambitions to companies.
27. Corporate social responsibility should nevertheless not be seen as a substitute to regulation or legal expectations concerning social rights or environmental standards. In countries where such regulations do not exist, efforts should focus on putting in place the proper regulatory or legislative framework in order to define a level playing field, on the basis of which socially responsible practices can be developed.
28. Corporate social responsibility has important implications for all economic and social actors as well as for public authorities who have to take into account socially responsible practices of companies in their own action. While contributing to an inclusive governance encompassing all their partners and reconciling the economic, social or environmental dimensions, companies assuming their social responsibility directly contribute to current reflections on cohesion, convergence and sustainability.
29. Corporate social responsibility is important in all types of companies and in all sectors of activity, from SMEs to multinational enterprises (MNEs). While so far a number of large or multinational companies are promoting their social responsibility, its wider application in SMEs including micro-businesses is of central importance, given that they are the greatest contributors to the economy and employment. In addition, as the performance and corporate image of a large company increasingly depend on the performance of its network of suppliers and subcontractors, socially responsible practices should be implemented throughout the whole supply chain. Although many SMEs already take up their social responsibility, particularly through community involvement, further awareness raising and support to disseminate good practice could help promote corporate social responsibility among them.

Some forms of business structurally integrate other stakeholder interests, by adopting co-operative and mutual forms, which pursue other objectives than mere rewarding of capital invested. Worker co-operatives and participation schemes, as well as other forms of co-

operative, mutual and associative enterprises take up spontaneously social and civil responsibilities.

30. A number of companies with good social and environmental records indicate that these activities result in better performance and generate more profits and growth. Inversely there can sometimes be a negative impact on a company's reputation due to criticism of business practices. This can affect the core assets of a company, such as its brands and its image. These concerns are linked to the growing attention of consumers and investors to companies' social performance, and to the growing pressure from NGOs and interest groups. Financial institutions have identified this correlation and are making increasing use of social and environmental checklists to evaluate the risks of loans to companies. Similarly, being recognised as a socially responsible enterprise, for example through listing in an ethical stock market index, supports the rating of a company and therefore entails concrete financial advantages.

Assessing precisely what determines financial return of a socially responsible company is difficult. Research (Industry Week, January 15 2001) has shown that about one-half of the above-average performance of socially responsible companies can be attributed to their social responsibility while the other half is explained by the performance of their sector. Socially responsible companies are expected to deliver above-average financial returns, contradicting previously held wisdom that investors seeking to do good with their money have to be satisfied with lower returns. Especially in environmental matters, the link between socially responsible practices and shareholder returns is becoming evident, as a company's ability to deal successfully with environmental issues can be a credible measure of management quality.

31. There is a need for a better knowledge of the impact of corporate social responsibility on business performance. The better analysis of the financial return of corporate social responsibility could be a field for further research between companies, public authorities and academic institutions. These efforts could be supported by the Framework Programmes for research and technology development.

2.1. Corporate social responsibility: the internal dimension

32. At company level, socially responsible practices involve primarily employees and relate to issues such as investing in human capital, health and safety, and managing change.

2.1.1. Human resources management

33. A major challenge for enterprises today is to attract and retain skilled workers. In this context, measures developed by companies to motivate employees include life long learning, empowerment of employees, better information throughout the company, better balance between work, family, and leisure, greater work force diversity, equal pay and career prospects for women, profit sharing and share ownership schemes, and concern for employability as well as job security. Active follow up and management of employees who are off work due to disabilities or injuries have also been shown to result in cost saving.
34. Responsible recruitment practices, involving in particular non-discriminatory practices, should facilitate the recruitment of people from ethnic minorities, older workers, women and the long term unemployed and people at disadvantage. Such practices are essential in relation to achieving the European Employment Strategy objectives of reducing unemployment, raising the employment rate, and fighting against social exclusion.

35. In relation to life-long learning, businesses have a key role to play at several levels: contributing to a better definition of training needs through close partnership with local actors who design education and training programmes; supporting the transition from school to work for young people, for example by providing apprenticeship places; valuing learning, in particular in the Accreditation of Prior and Experiential Learning (APEL); and providing an environment which encourages lifelong learning by all employees, particularly by the less educated, the less skilled and older workers.
36. Those practices which improve quality in work can have a direct impact on profits through increased productivity, lower staff turnover, less resistance to change and greater innovation, higher quality and reliability of products and services. A better working environment leads to a highly committed workforce where employees have the incentive to take risks, be creative, and take pride in what they produce. All of these factors can lead to superior company performance. At the same time, implementing corporate social responsibility needs commitment from the top management and involvement of all levels of staff in a two-way dialogue that can structure permanent feed-back and adjustment.

2.1.2. Health and safety at work

37. Health and safety at work has traditionally been approached mainly by means of legislation and enforcement measures. However, the trend of outsourcing work to contractors and suppliers makes companies more dependent on the safety and health performance of their contractors, especially those who are working within their own premises. In addition, consumers - individuals and companies - have become more sensitive to social and ethical values/issues related to the production process, in particular the health and well-being of workers³.
38. Companies, governments and sector organisations are increasingly looking at additional ways of promoting health and safety, by using them as a criteria in purchasing products and services from other companies and as a marketing element for promoting the sales of their products or services. These voluntary schemes can be seen as a complementary "tool" to legislation and control activities by public authorities as they likewise aim at promoting a preventive culture, i.e. higher levels of occupational safety and health.
39. As the focus on occupational health and safety performance and qualities of products and services is increasing, there is also an increasing demand for measuring, documenting and communicating these qualities in the marketing material and to assist the customers in order to use the products and services in a safe and health manner.
40. Occupational safety and health criteria have been included to varying degrees into existing certification schemes and labelling schemes for products and equipment. Certification of management systems and subcontractors focusing primarily on occupational safety and health have also been launched.

³ For further details: European Agency for Safety and Health at Work (<http://agency.osha.eu.int/publications/factsheets/facts11/>)

The Swedish [TCO Labelling Scheme](#) for office equipment is a voluntary label that intends to stimulate the manufacturers to develop more occupational and environmentally safe office equipment; assist purchasers to choose office equipment less problematic for the users and the external environment; and to provide purchasers and the vendor with a clearly defined label, thereby saving time, work and costs in the purchasing process.

41. The tendency of companies and organisations to include occupational safety and health criteria into their procurement schemes has supported the development of generic procurement schemes based on uniform requirements for contractor occupational safety and health training or management systems which allow for a third party to carry out the “certification” or initial approval of the contractors as well as overseeing the continuous improvement of the scheme.

The Dutch Safety Contractors Checklist (SCC) aims at evaluating and certifying occupational safety and health management systems of contractor companies offering their services to the petrochemical and chemical industry.

The Danish IKA Procurement provides guidelines to define the requirements in tenders for cleaning agents.

2.1.3. *Adaptation to change*

42. The widespread restructuring taking place in Europe raises concerns for all of the employees and other stakeholders as the closure of a factory or a heavy cut in its workforce may involve a serious economic, social or political crisis in a community. Few companies escape the need to restructure, often through downsizing, with the year 2000 seeing more mergers and acquisitions than any other year in history. Studies⁴ however show that few restructuring operations achieve their objectives of reducing costs, increasing productivity and improving quality and customer service, as they are often carried out in a way which causes the morale, motivation, loyalty, creativity and productivity of employees to suffer.
43. Restructuring in a socially responsible manner means to balance and take into consideration the interests and concerns of all those who are affected by the changes and decisions. In practice the process is often as important as the substance to the success of restructuring. In particular this involves seeking the participation and involvement of those affected through open information and consultation. Furthermore, restructuring needs to be well prepared by identifying major risks, calculating all the costs, both direct and indirect, associated with alternative strategies and policies, and evaluating all of the alternatives which would reduce the need for redundancies.
44. Experience of the major restructuring operations carried out in Europe in the steel, coal and shipbuilding industries has shown that successful restructuring can be better achieved through joint efforts involving the public authorities, companies and employees' representatives. This process should entail a “social plan” to safeguard employees' rights and enable them to undergo vocational retraining where necessary, a programme to modernise production tools and processes in order to develop on-site activities, a strategy to mobilise public and private financing and procedures for information, dialogue, cooperation and partnership. Companies should take up their share of responsibility to ensure the employability of their staff. In this regard, the

⁴ source: EBBF www.ebbf.org/sper.html

OECD Guidelines for multinational enterprises recommend that prior notice and consultation with local authorities and staff representatives are undertaken.

Socially responsible companies have developed innovative approaches to job creation, thus avoiding layoffs during necessary restructuring. To alleviate high unemployment, some of these companies have entered into partnerships with national, regional, and local government authorities providing apprenticeship and education programmes to facilitate the insertion of youth into the workforce.

45. By engaging in local development and active labour market strategies through involvement in local employment and/or social inclusion partnerships, companies can lessen the social and local impact of large scale restructuring.

The [Fundación Empresa y Sociedad \(FES\)](#) within the framework of the Article 6 of ESF pilot on Local Social Capital constitutes an interesting example of the involvement of private business in the promotion of social cohesion. It promotes the support to micro-projects, mostly micro-firms, in a run-down neighbourhood in Madrid. Apart from providing micro-grants, a system of tutoring is made available free by professionals from the private businesses. The FES has also mobilised additional support in the form of access to additional micro-credit funding and to private businesses donations of IT equipment.

2.2. Corporate social responsibility: the external dimension

46. While companies play a major role in their local environment, they also assume their social responsibility towards society at large. Issues, such as human rights and environmental protection, have a comprehensive dimension as they are relevant at company, local and global level. They involve employees, shareholders, business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment.

2.2.1. Local communities

47. Corporate social responsibility is also about the integration of companies in their local setting. The interaction between companies and their close local environment is often intense. Companies contribute to their communities, especially to local communities, by providing jobs, wages and benefits, and tax revenues. On the other hand companies depend on the health, stability, and prosperity of the society and of the communities in which they operate. For example, they recruit the majority of their employees from the local labour markets, and therefore have a direct interest in the availability of the skills they need at the site of their location. In particular SMEs often also find most of their clients in the surrounding area. The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competitiveness.
48. Many companies go further through involvement in community causes, notably by means of provision of additional vocational training places, recruitment of socially excluded people, provision of child-care facilities for employees, partnerships with communities, sponsoring of local sports and cultural events or donations to charitable activities.
49. The development of positive relations with the surrounding community and thereby the accumulation of social capital is particularly relevant for companies. The familiarity of local companies with the local actors, traditions and strengths is an asset from which they can capitalise. For example the knowledge of local traditions

and strengths helps them to specialise and to become a valuable partners of large companies. In addition large companies can give support at various stages in the growth of start-ups and SMEs, thereby boosting innovation and job creation, and contributing to local economic development.

Financial institutions can play a particular role through community investing that consists of direct investments in projects that benefit specific communities or constituencies, especially in economically disadvantaged areas. These investments usually take the form of loans for low-cost housing ventures or deposits in community development banks either at or below market rates.

2.2.2. *Business partners, suppliers and consumers*

50. By working closely with business partners, companies are able to reduce complexity and costs and increase quality. Selection of suppliers is no longer exclusively through competitive bidding. Relationships with alliance and joint venture partners and with franchisees are equally important. They can offer fair prices, terms and expectations in exchange of quality and reliable delivery. In adopting socially responsible practices all companies however have to respect the relevant rules of EU and national competition laws.
51. While the concept of corporate social responsibility has been developed mainly by large companies, these large companies are at the same time business partners of the smaller ones, be it as their customers, suppliers, subcontractors or competitors. Companies should be aware that their social performance can be affected as a result of the practices of their partners and suppliers throughout the whole supply chain. Large companies can play a role in spreading good practice in the area of corporate social responsibility, e.g. through mentoring schemes offered by large companies to start-ups and local SMEs, the promotion of social reporting and communication or in relation to suppliers.
52. As large companies have an interest in their integration into functioning local networks, they may also demonstrate corporate social responsibility by promoting entrepreneurial initiatives in the region of their location. Examples for such practices include mentoring schemes offered by large companies to start-ups and local SMEs. Large companies may also advise smaller firms on social reporting and communication. Another form of assistance could be to support suppliers in coping with common challenges. Corporate venturing constitutes a further way for large companies to facilitate the development of new innovative enterprises. Corporate venturing means that the large enterprise takes a minority stake in a promising start-up and promotes its development. This offers various advantages to both partners, including a better grip on innovative developments for the large company and easier access to financial resources and to the market for the small company.
53. As part of their social responsibility companies are expected to provide products and services which consumers need and want in an efficient and ethical manner. Companies which build lasting relationships with customers by focusing their whole organisation on understanding what the customers want and providing them with superior quality, safety, reliability and service are expected to be more profitable. Applying the principle of design for all (making products and services usable by as many people as possible including disabled consumers) is an important example of corporate social responsibility.

2.2.3. *Human rights*

54. Because companies' supply chains are increasingly global, corporate social responsibility has a strong international dimension, including in relation to human rights issues. This is also recognised in international agreements such as [the ILO Declaration on Fundamental Principles and Rights at Work](#) and the [OECD Guidelines for Multinational Enterprises](#). With increasing pressure from NGOs and consumer groups, companies are acting to insist upon respect for human rights on the part of their suppliers and act to monitor performance in this area. Human rights are a very complex issue presenting political, legal and moral dilemmas. Companies face challenging questions, including how to identify where their areas of responsibility lie as distinct from those of governments, how to monitor whether their business partners are complying with their core values, how to approach countries with broad human rights violations, how to operate in countries where human rights principles are not fully respected.

55. Companies and sectors are increasingly adopting codes of conduct covering working conditions, human rights and environmental aspects, in particular those of their subcontractors and suppliers. They do so for various reasons, not only to recognise their social responsibility, but also to improve their corporate image and reduce the risk of negative consumer reaction. Codes of conduct however are not an alternative to national and international laws and binding rules: binding rules ensure minimum standards, while codes of conduct and other voluntary initiatives can complement these and promote higher standards.

The Confederation of Danish Industries has launched a set of guidelines for industry on human rights, inviting companies to pursue the same level of social responsibility in their new host country as in their home country.

An increasing number of multinationals have explicitly committed themselves to human rights in their codes of conduct while a growing number of retailers in Europe apply ethical standards of production to the goods they import. In 1998 Eurocommerce adopted a Recommendation on Social Buying Conditions covering child, forced and prison labour.

There are also several examples of codes of conduct signed by the social partners at European level, particularly in the [textile, clothing](#) and [commerce](#) sectors, which the Commission welcomes.

56. While voluntary codes of conduct can contribute to promote international labour standards, their effectiveness however depends on proper implementation and verification. Codes of conduct may face sub-contractors producing for a number of different multinational companies with the need to fulfil many different criteria regarding wages, working hours and other social conditions..

57. Implementing codes of conduct is primarily the responsibility of companies, which must ensure that their code of conduct is applied at every level of the organisation and production line. Full disclosure of information by companies is important, as well as training for local management, workers and communities on implementation. Furthermore, the emphasis must be on a “developmental approach” - one which stresses continuing gradual improvements to standards, and to the code itself. In the case of child labour, companies should not just respect the letter of the ILO conventions on child labour by dismissing contractors who use child labour but also for example should help tackling child poverty by assisting children into education.

58. There is a need for ongoing verification to check on both codes compliance and implementation systems. The verification should be developed and performed following carefully defined standards and rules that should apply to the organisations and individuals undertaking the so-called “social auditing”. Monitoring which should involve stakeholders such as public authorities, trade unions and NGOs, is important to secure the credibility of codes of conduct. A balance between internal and external verification schemes could improve cost-effectiveness, in particular for SMEs.
59. As a result there is a need to ensure greater transparency and improved reporting mechanisms in codes of conduct and to assist companies in adopting and implementing codes on a voluntary basis. To begin with, codes of conduct should be based on the ILO fundamental Conventions, as identified in the 1998 ILO Declaration on Fundamental Principles and Rights at Work and the OECD guidelines for multinational enterprises, involving the social partners and those in developing countries covered by them.

In response to the diversity of codes of conduct, SAI (Social Accountability International) has developed a standard for labour conditions and a system for independently verifying factories' compliance. The standard, [Social Accountability 8000 \(SA8000\)](http://www.cepaa.org/introduction.htm) (<http://www.cepaa.org/introduction.htm>), and its verification system draw from established business strategies for ensuring quality (such as those used for ISO 9000) and add several elements that international human rights experts have identified as being essential to social auditing.

On 15/1/1999 the European Parliament adopted a Resolution on “EU standards for European Enterprises operating in developing countries: towards a European Code of Conduct” calling for a European code of conduct which would contribute to a greater standardisation of voluntary codes of conduct, based on international standards and the establishment of a European Monitoring Platform, including provisions on complaint procedures and remedial action.

The [IEPCE \(European Initiative for Ethical Production and Consumption\)](http://www.iepce.org/) (<http://www.iepce.org/>) is a European forum (employers, trade unions, NGOs, public institutions) seeking to help companies to adopt and implement codes of conduct through information, training and the exchange of good practice.

2.2.4. *Environmental concerns*

60. As well as having a social impact, companies also interact with the environment. They are increasingly paying attention to this link as they become more aware of the increased profitability that can arise from an improvement in environmental performance. Individual companies have found that reduced resource use can lead to increased profitability. Through the transboundary effect of many business-related environmental problems, companies are also actors in the global environment. There is a need for international co-operation to enhance the business contribution to environmental protection globally.
61. The relationship between business and the environment is discussed more fully in the European Commission's 6th Environmental Action Programme. This relationship is actively supported, for example, through the Eco-Management and Audit Scheme which promotes continuous environmental performance improvements of industrial activities by committing sites to evaluate and improve their own environmental performance and through the Integrated Product Policy. Business is working to strengthen this relationship:

The [European Eco-Efficiency Initiative \(EEEI\)](http://www.wbcsd.ch/eurint/eeei.htm), an initiative of the World Business Council for Sustainable Development and the European Partners for the Environment in partnership with the European Commission, aims to integrate eco-efficiency throughout European business, and in European Union (EU) industrial and economic policies. (<http://www.wbcsd.ch/eurint/eeei.htm>)

2.2.5. *Sustainable development*

62. The Göteborg European Summit has endorsed a new European Strategy on Sustainable Development. Companies, which take on their social responsibility, are also pursuing sustainable development. In addition the role of business in achieving sustainable development is gaining importance in the international discussion on sustainable development. The UN Secretary General has launched a “Global Compact” initiative which seeks to make business a partner in achieving social and environmental improvements globally. The Commission Communication “Ten years after Rio – Preparing for the World Summit on Sustainable Development” (COM 2001/53) contains further details on how business can contribute to global sustainable development.

3. **AN HOLISTIC APPROACH TOWARD CORPORATE SOCIAL RESPONSIBILITY**

63. While companies increasingly recognise their social responsibility, many of them have yet to commit to it and to adopt management practices that reflect it. As they have to integrate it in their day-to-day management involving their whole supply chain, their employees and managers need training and retraining to acquire the skills and competence linked to corporate social responsibility. Pioneering companies can help mainstreaming socially responsible practices by disseminating best practice.
64. While corporate social responsibility can only be taken on by the companies themselves, stakeholders, particularly employees, consumers and investors, can play a decisive role in prompting companies to adopt socially responsible practices in their own interest or on behalf of other stakeholders in areas such as working conditions, the environment or human rights. They require effective transparency about companies’ social and environmental performance.

3.1. **Social responsibility integrated management**

65. Whether driven by changes in consumer behaviour, by pressure from shareholders and employees or by enlightened leadership, a growing number of companies are embracing corporate social responsibility. Their approaches in dealing with their responsibilities and relationships with their stakeholders vary taking into account sectoral and cultural differences.
66. At the start companies tend to adopt a mission statement, code of conduct, or credo where they state their purpose and core values, and responsibilities towards their stakeholders. Companies should then translate these values into action and ensure that they are reflected consistently throughout the organisation, in everything the company does, from strategies, tactics and systems, human resource policies and practices, to day-to-day decisions. This involves practices such as adding a socially responsible dimension in plans and budgets and evaluating corporate performance in these areas, creating “community advisory committees” as well as building corporate

social responsibility into performance evaluation and compensation decisions and into continuing education programmes.

67. As issues of corporate social responsibility are increasingly becoming an integral part of corporate strategic planning and routine operational performance, managers and employees are required to make business decisions based on additional criteria to those they were traditionally trained to expect. Traditional models of organisation behaviour, strategic management and even business ethics do not always give sufficient preparation for managing companies in this new environment.
68. In response to the pressing need to integrate corporate social responsibility into the training of existing managers and employees and to anticipate the skills that will be required of the managers and employees of the future, courses or modules in business ethics become quite a common element of business degrees. They tend however to cover only a limited part of what is meant by corporate social responsibility.

CSR Europe and the Copenhagen Centre have launched a programme with the aim to bring the business and academic community together to identify and address the training needs of the business sector on Corporate Social Responsibility so as to introduce and diversify courses on corporate social responsibility at all levels of study.
(http://www.csreurope.org/csr_europe/Activities/programmes/Universities/universities.htm)

3.2. Social responsibility reporting and auditing

69. Many multinational companies are now issuing social responsibility reports. While environmental, health, and safety reports are common, reports tackling issues such as human rights and child labour are not. Moreover companies' approaches to social reporting are as varied as their approaches to corporate social responsibility. In order for these reports to be useful, a global consensus needs to evolve on the type of information to be disclosed, the reporting format to be used, and the reliability of the evaluation and audit procedure.
70. While many companies refer to their employees as their most important asset, few of them provide much detail on their policies and performance on human resource management and on employment issues such as bargaining and recognition, staff consultation and training and board accountability. In 1998 the [High Level Group on Economic and Social Implications of Industrial Change](#) set-up at the invitation of the European Council, invited thus companies of more than 1000 employees to publish voluntarily a "Managing change report" i.e. an annual report on employment and working conditions. This voluntary process would allow best practice to be disseminated widely and, through benchmarking, comparison and sharing of information, all companies would be encouraged and helped to improve their own policies and procedures. The Group indicated that the report should be developed in consultation with employees and their representatives in accordance with national traditions, and companies would be encouraged to disclose where this is the case. The Group suggested a framework, which would deal with policies, practices and performance regarding employment and working conditions, particularly anticipation of structural change, communication, employee involvement and social dialogue, education and training, employee health & safety and equal opportunities.
71. Furthermore, as suggested by the High Level Group on Change the Commission has proposed in its Social Policy Agenda the establishment of a Monitoring Centre - or

Observatory - on Industrial Change as a means to develop a proactive approach to anticipating and managing change. The Dublin Foundation has included this initiative in its Four Year Rolling Programme, stressing its role in understanding and anticipating change so as to make better decisions, as well as assisting key actors in their understanding, anticipation and management of industrial change through the provision of reliable and objective information.

72. Increasingly public initiatives are supporting the development of social and environmental reporting.

The Danish [Social Index](#) is a self-assessment tool developed by the Ministry of Social Affairs for measuring the degree to which a company lives up to its social responsibilities. Because the Social Index is shown as a number between 0 and 100 it makes it easy to communicate to the employees and external stakeholders just how socially responsible the company is.

Article 64 of the French law concerning the new economic regulations requires companies to take into account the “social and environmental consequences” of their activity in their annual report. This text will apply to listed companies on the first market for their 2001 report and to the other companies for their 2002 report. The contents of the reports will be defined in the application decree.

The Recommendation on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies, adopted on 30 May 2001 is expected to contribute significantly to the development of meaningful and comparable information with regard to environmental issues in the EU

http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=en&numdoc=32001H0453&model=guichett

73. A variety of organisations are developing standards for social accounting, reporting and auditing. These standards pursue varied approaches from process to performance standards, from voluntary to mandatory standards, from single-issue to multiple issues standards, and only a handful cover the full spectrum of issues, including stakeholder dialogue and social reporting, organisational culture, fair trade, working conditions, human resource management and training, gender equality, environmental protection, community development and human rights.
74. Major international initiatives are focusing on the globalization of social standards, public disclosure of information and the development of social reports, i.e. the Social Accountability 8000 standard and the Global reporting Initiative. The complexity of creating global standards that could be applicable to any culture and country has however created a lot of controversy. Internationally agreed standards, such as the ILO fundamental conventions as identified in the 1998 Declaration, by their universal nature therefore constitute the most appropriate basis for such initiatives.
75. Furthermore, there is a need to provide many more companies, and in particular small and medium sized enterprises (SMEs), with guidance and tools that enable them to report on their policies regarding corporate social responsibility, processes and performance in an effective manner. By sharing their expertise and offering capacity building skills large pioneering companies can support SMEs in their efforts to report on their socially responsible practices.
76. Verification by independent third parties of the information published in social responsibility reports is also needed to avoid criticism that the reports are public relations schemes without substance. Indeed such services are already beginning to be offered by a variety of companies, which would need to perform them following

agreed standards. The involvement of stakeholders, including trade-unions and NGOs, could improve the quality of verification.

3.3. Quality in work

77. Employees are major stakeholders of companies. Social dialogue with workers' representatives which is the main mechanism of definition of the relationship between a company and its workers, also plays a crucial part in the wider adoption of socially responsible practices as many issues associated with corporate social responsibility are closely related with the workplace. Furthermore any company strategy towards corporate social responsibility based on an integrated and balanced approach to economic, social and environmental factors requires innovative thinking and thus new skills and closer involvement of the employees and their representatives.
78. As the issues related to corporate social responsibility are wide-ranging and affect practically all company activities, workers' representatives need to be consulted extensively on policies, plans and measures, as proposed in the Commission's draft Directive establishing a general framework for informing and consulting employees in the European Community. In addition, social dialogue needs to be widened to cover issues and instruments for improving companies' social and environmental performance, e.g. awareness raising among management and workers, training schemes, schemes aimed at guiding companies on their social and environmental performance, and strategic management systems integrating economic, social and environmental considerations.
79. At this time when skill shortages are becoming a problem in some sectors and when more candidates are asking about companies' employment policies, various instruments can help improve information and transparency about best practice in the area of human resources management. Published lists of best workplaces in various countries already contribute to promote companies that are good workplaces, as they enjoy a high-profile media coverage, attract superior recruits and benchmark with their peers.

The "[50 Best Companies to Work For in the UK](#)" survey, which is sponsored by both the Department of Trade and Industry (DTI) and Learndirect a unit of the University for Industry (UFI) shows that small family-run enterprises can be as socially responsible as hi-tech multinational companies.

Possible initiative at EU level: The annual publication of a list of Best European Employers could be an effective instrument to reward companies, which through the attitudes and actions of the management are seeking to become good workplaces.

In the framework of the European Day on Handicap (3-12-2001) the Breaking Barriers Award will recognize those companies that provide examples of promoting opportunities for people with disabilities as employees and consumers.

The Framework Strategy on Gender Equality (2001-2005) provides for a gender equality prize or the creation of a European label to be awarded annually to enterprises, which have developed good practice to promote gender equality.

80. At the invitation of the European Council in Lisbon, which stressed the importance of investing in people, the Commission is exploring ways to introduce a European

award for particularly progressive companies, in order to give higher priority to lifelong learning as a basic component of the European social model.

3.4. Social labels

81. At the end of the day it is the consumer who rewards the company for being socially responsible. Consumers do not only want good and safe products, but they also want to know if they are produced in a socially responsible manner. Surveys⁵ have shown that a majority of European consumers say that a company's commitment to social responsibility is important when buying a product or service. This creates interesting market opportunities, as a significant number of consumers would be very willing to pay more for products, which are socially and environmentally responsible. The social responsibility issues European consumers care about the most are protecting the health and safety of workers and respecting human rights throughout company operations and the chain of suppliers (for example not using child labour).
82. As a response to rising consumer demand for corporate social responsibility, a growing number of social labels have originated from either individual manufacturers (self-declared brands) or industrial sectors, NGOs and governments. These are a market-based (rather than regulatory) incentive, which can help to deliver positive social change among enterprises and consumers. Social labelling initiatives are however limited in scope and potential impact, as they are generally restricted to particular niches within the retail market, usually limited to imported products and only accessible to affluent consumers. Consequently, the market share of social labelled products remains low, indicating a need to improve the effectiveness of these labels.
83. Furthermore, consumers are not or little informed of the content of social labels and very few consumers are able to assess the reliability of these labels as these tend to lack transparency and independent verification of their claims. Social labels imply a guarantee that the item was produced free of exploitation and abuse. However, unlike product content or safety labels, such claims cannot be verified by testing the product itself. In order to be credible social labels would require permanent verification of the workplace performed following agreed standards.
84. In addition the growing number of social labels schemes in Europe may be detrimental to their effectiveness as confusion may arise among consumers, from the conflicting diversity of criteria used and lack of clarity of meaning among various labels.

[Fairtrade Labelling Organizations International](#) is an umbrella organisation set up to co-ordinate national fair-trade initiatives, run the monitoring programmes more efficiently, and introduce a single international Fairtrade label.
85. There is increasingly a need for a debate regarding the value and desirability - in the context of the Internal Market and international obligations - of public actions aimed at making social labels more effective. Examples of such actions include support for education and awareness raising around labour conditions issues, promotion of best practice through sponsorship of company awards, facilitation of the development of

⁵ source: MORI (2000)

multistakeholder partnerships, development of standards in social labelling, and use of public procurement and fiscal incentives in promoting labelled products.

3.5. Services of general economic interest and social exclusion

86. Services of general economic interest are at the heart of the European model of society and access to them is deemed necessary to live life by normal standards. The Amsterdam Treaty (Article 16 ECT) states that given the place occupied by services of general economic interest in the shared values of the Union, as well as their role in promoting social and territorial cohesion, the Community and the Member States shall take care that such services operate on the basis of principles and conditions enabling them to fulfil their missions. Cooperative and associative models are an important means to deliver services of general economic interest. Furthermore ETUC and CEEP made a joint proposal for a Charter for Services of General Interest in June 2000. In some areas where access to affordable prices for everyone is not guaranteed by legislation, some companies ensure access for all to basic services as part of their social responsibility.
87. In recent years, there has been a growing concern for financial exclusion, as an increasing number of individuals have difficulties accessing financial services. Given their nature, some financial services today belong to the basic services necessary to live normally. People who do not have access to basic financial services face tremendous difficulties in their daily life.

3.6. Socially responsible investment

88. In recent years, socially responsible investing (SRI) has experienced a strong surge in popularity among mainstream investors who are increasingly factoring social and environmental considerations into their investment making process, leading to a “triple bottom line” approach: financial, environmental and social. Socially and environmentally responsible policies provide investors with a good indication of sound internal and external management. They contribute to minimising risks by anticipating and preventing crises that can affect reputation and cause dramatic drops in share prices. As the demand for SRI funds in Europe increases rapidly, mainstream investment houses are responding by bringing out more of them, but there is little information published on their number, size, and performance except in the United Kingdom where socially responsible investing accounts for 5% of all funds invested.
89. SRI funds invest in companies complying with specific social criteria. Criteria can be negative, thus excluding tobacco and alcohol industries, the weapons trade and others. Criteria can also be positive, including socially proactive companies adopting innovative practices towards equal opportunities, career management, training, etc. Another important option for investors is to engage in shareholder activism to induce company management to act in favour of social cohesion issues. Shareholder activism is expected to increase together with the importance of corporate governance issues and the development of pension funds.
90. For socially responsible investing to grow further however, financial markets need to improve their awareness of the potential returns of SRI. Following the Social Investment Forum established in 1991 in the UK, Social Investment forums (SIF) have recently been set up in France, Germany, the Netherlands and Italy to provide

accurate information on corporate social responsibility policies and to promote and encourage the development of SRI. **The planned EURO Social Investing Forum, a network of national SIF, is expected to support the further development of SRI.**

In May 2000, the European Commission organised the First European Conference on Triple Bottom Line Investing in Europe in Lisbon.
(http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_conf_lisbon.htm)

In 2000 the [UK Social Investment Taskforce](#) was set-up to identify obstacles to the expansion of socially responsible investing and identify solutions to eliminate them.

Since July 2000, the UK “Trustee Act” requires all pension fund trustees to disclose their policies on socially responsible investing.

The French law on Employee Saving Plans requires mutual funds, which collect money from the Employee Saving Plans, the Inter-companies Saving Plans and the Voluntary Partnership Employee Saving Plans, to report on their policies on socially responsible investing.

91. Socially responsible investing is an emerging market with many specialised screening agencies (non-financial analysts) using a number of different tools and metrics. Companies seem however overloaded with excessive and divergent information requests. Thus a further expansion of socially responsible investing may encounter a growing aversion and non-co-operation from companies. A positive response to this can be found in preliminary standardisation efforts in social reporting, which are joined by major screening agencies. There is however a need for more convergence between indicators developed by companies and the criteria used by analysts to assess a company’s social and environmental performance. Furthermore the lack of transparency in evaluation methods used by screening agencies may also restrain large investors from making significant socially responsible investments. There is therefore a need for further standardisation, harmonisation and transparency in screening tools and metrics used by screening agencies.

In August 2000, 11 investment research groups combined their competencies in the [SIRI Group](#) to publish harmonised company profiles in comparable formats.

In September 2000 the “Global Partners for Corporate Responsibility Research” coalition announced “Ten requirements for higher standards of disclosure in the 21st century”, advocating a mix of voluntary, regulatory and market approaches in order to improve significantly the access to data on companies, as well as information integrity and completeness thereby allowing proper auditing and benchmarking.

92. The European Council in Stockholm recognised the need to create a dynamic and efficient European Securities Market by the end of 2003. In this context European market indices identifying companies with the strongest social and environmental performance, will become increasingly necessary as a basis for launching socially responsible investment funds and as a performance benchmark for socially responsible investing. To ensure the quality and objectivity of these indices the assessment of the social and environmental performance of companies listed in them should be done on the basis of the information submitted by the management but also by the stakeholders. Furthermore external audit and internal quality assurance procedures should be used to monitor and maintain the accuracy of the input data, assessment procedures and results.

4. THE CONSULTATION PROCESS

93. The Green Paper invites public authorities at all levels, including international organisations, enterprises from SMEs to multinational enterprises (MNEs), social partners, NGOs, other stakeholders and all interested individuals to express their views on how to build a partnership for the development of a new framework for the promotion of corporate social responsibility, taking account of the interests of both business and stakeholders. Enterprises need to work together with public authorities to find innovative ways of developing corporate social responsibility. Such a partnership could make a significant contribution to achieving the objective of promoting a model of corporate social responsibility based on European values.
94. The word “framework” should be given a broad interpretation. Proposals should build on the voluntary nature of corporate social responsibility and identify ways how it can contribute to achieving a more balanced sustainable development and a more effective way of governance. The level and content of such a framework should be clarified through discussions during the consultation period of the Green Paper.
95. The European institutions - the Parliament, the Council of Ministers, the Commission - as well as the Economic and Social Committee and the Committee of Regions can stimulate the debate, give political support and organise an exchange of information and knowledge about corporate social responsibility.
96. The main questions are:
- What are the driving forces for companies to assume their social responsibility?
 - What are the best means to promote awareness of the business case for corporate social responsibility and its value-added?
 - What actions are most appropriate to promote the development of corporate social responsibility? Such actions could include:
 - support for training and retraining, so that the managers can meet the increasing needs for skills and competence linked to corporate social responsibility;
 - dissemination and exchange of information, in particular in relation to good practice, standard setting, benchmarking and monitoring, accounting, auditing and reporting;
 - medium-term social policy analysis and research,
 - analysis of the role of the legal framework.
 - What levels (the firm, local, regional, sectoral, national, European and international) are most appropriate to implement the above actions with a view to promote the development of corporate social responsibility?
 - What are the best means to promote the effectiveness and reliability of instruments such as codes of conduct, social reporting and auditing, social labels, socially responsible investing?
 - How best to support SMEs, who wish to develop their social responsibility?

- How best to build links between the social and environmental dimensions of corporate social responsibility?
- What should be the respective roles of the main actors, i.e. companies, social partners, public authorities, NGOs in promoting corporate social responsibility?
- How could European public authorities best facilitate the development of corporate social responsibility at European and international level, to add value and complement existing socially responsible activities by:
 - providing an overall European framework, aiming at promoting quality and convergence of corporate social responsibility practices?
 - supporting best practice approaches to evaluation and verification of corporate social responsibility practices?
 - and/or by which other means?
- How best to develop a process of structured dialogue between companies and the various stakeholders?

97. As stated in the introduction, the main aim of this Green Paper is to raise awareness and stimulate debate on new ways of promoting corporate social responsibility. At this stage the Commission does not wish to pre-judge the outcome of that debate by making concrete proposals for action. The Green Paper is being given a wide circulation and it is hoped that it will be discussed at local and national level, as well as at European level.

98. Written comments should be sent by 31st December 2001, to

European Commission
 CSR Green Paper Consultation
 Rue de la Loi/Wetstraat 200
 B - 1049 Bruxelles/Brussel

CSR@CEC.EU.INT

ANNEX

CONCEPTS

- **Cause-based or community investing:** Supporting a particular cause or activity by financing it through investment. Unlike making a donation, cause-based investors require that the original investment can be returned by either repayment (for loans) or trading (for shares).
- **Code of conduct:** a formal statement of the values and business practices of a company and sometimes its suppliers. A code is a statement of minimum standards together with a pledge by the company to observe them and to require its contractors, subcontractors, suppliers and licensees to observe them. It may be a sophisticated document, which requires compliance with articulated standards and have a complicated enforcement mechanism.
- **Corporate citizenship:** the management of the totality of relationships between a company and its host communities, locally, nationally and globally.
- **Corporate governance:** a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. (OECD Code - 1999)
- **Ethical audit:** The application of non-financial, ethical criteria to investment decision.
- **Ethical screening:** inclusion or exclusion of stocks and shares in investment portfolios on ethical, social or environmental grounds.
- **Ethical trade:** Aims to ensure that conditions within mainstream production chains meet basic minimum standards and to eradicate the most exploitative forms of labour such as child and forced labour and 'sweatshops'. Labelling criteria are generally based on core ILO conventions.
- **Fair trade:** Defines itself as an alternative approach to conventional international trade. It is a trading partnership that promotes a sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, awareness raising and campaigning. The criteria for Fair Trade marked products differ between products but cover issues such as guaranteed prices, pre-payment and direct payment to growers or their co-operatives.
- **Human rights:** Human Rights are based on the recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world. They are defined in the Universal Declaration of Human Rights (1948). At the European level, Article 6 of the Treaty on European Union reaffirms that the European Union "is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States". In addition the European Convention of Human Rights adopted by the

Council of Europe is legally binding in all Member States. Moreover, the European Charter of Fundamental Rights adopted in Nice in December 2000 is the instrument inspiring respect for fundamental rights by the European institutions and the Member States where they act under Union law.

- **Monitoring:** the process of regularly collecting information to check performance against certain criteria.
- **Responsible entrepreneurship:** a concept put forward by the United Nations which recognises the business role for the accomplishment of sustainable development and that companies can manage their operations in such a way as to enhance and economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility.
- **Shareholder influence:** seeking to improve a company's ethical, social and/or environmental behaviour as a shareholder by means of dialogue, pressure, support for responsible management and voting at Annual General Meetings.
- **Social audit:** the systematic evaluation of an organisation's social impact in relation to standards and expectations.
- **Social capital:** the stock of shared meaning and trust in a given community. Social capital is a pre-requisite for co-operation and organised human behaviour, including business. Social capital can be transformed, consumed or replenished, just as financial capital.
- **Social Impact Assessment (SIA):** systematic analysis of the impact of a business project or operation on the social and cultural situation of affected communities.
- **Social label:** words and symbols on products which seek to influence the purchasing decisions of consumers by providing an assurance about the social and ethical impact of a business process on other stakeholders.
- **Social report:** a document communicating the findings of a social impact assessment.
- **Stakeholder:** an individual, community or organisation that affects, or is affected by, the operations of a company. Stakeholders may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders, financiers, the local community).
- **Standard:** a widely agreed set of procedures, practices and specifications.
- **Triple bottom line:** the idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital.
- **Verification:** certification by an external auditor, of the validity, meaningfulness and completeness of an organisation's records, reports or statements.

USEFUL INTERNET LINKS

International organisations

- [United Nations Global Compact \(http://www.unglobalcompact.org/\)](http://www.unglobalcompact.org/): a code of conduct for large companies launched by Kofi Annan, the United Nations Secretary-General in 2000. The Nine UN' Principles for multinational and transnational companies recognise various forms of human rights, labour/worker rights, and environmental rights.
- [United Nations research programme on CSR \(http://www.unrisd.org/engindex/research/busrep.htm\)](http://www.unrisd.org/engindex/research/busrep.htm): a project aiming to promote research and policy dialogue on issues of corporate social and environmental responsibility in developing countries
- [ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy \(http://www.ilo.org/public/english/employment/multi/tridecl/index.htm\)](http://www.ilo.org/public/english/employment/multi/tridecl/index.htm)
- [ILO database on Business and Social Initiatives \(http://oracle02.ilo.org:6060/vpi/vpisearch.first\)](http://oracle02.ilo.org:6060/vpi/vpisearch.first): database on Business and Social Initiatives includes comprehensive information on private sector initiatives, which address labour and social conditions in the workplace and in the community where enterprises operate.
- [OECD Guidelines for Multinational Enterprises \(MNEs\) \(http://www.oecd.org/daf/investment/guidelines/\)](http://www.oecd.org/daf/investment/guidelines/): recommendations to enterprises, made by the Governments of OECD Member countries, as well as Argentina, Brazil and Chile, covering corporate social responsibility issues ranging from employment relations to competition, taxation, and bribery (2000).
- [OECD Principles for Corporate Governance \(http://www.oecd.org/daf/governance/principles.htm\)](http://www.oecd.org/daf/governance/principles.htm): standards and guidelines for shareholder rights and other governance issues (1999)

European Union Institutions

[DG Employment and social Affairs webpage on CSR \(http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm\)](http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm)

[DG Trade webpage on CSR and OECD Guidelines for multinational enterprises \(http://www.europa.eu.int/comm/trade/miti/invest/oecd.htm\)](http://www.europa.eu.int/comm/trade/miti/invest/oecd.htm)

Multi-stakeholders organisations

- [Copenhagen Centre \(http://www.copenhagencentre.org/\)](http://www.copenhagencentre.org/): an international, autonomous institution established by the Danish Government in 1998 to encourage voluntary partnerships between government and business so as to promote social cohesion.
- [Business Partners for Development \(http://www.bpdweb.org/\)](http://www.bpdweb.org/): an informal global network of business, government and civil society that aims to promote good

examples of tri-sector partnerships in social and economic development around the world.

- CERES (<http://www.ceres.org/>): non-profit coalition of investors, public pensions funds foundations, labour unions, and public interest groups, working in partnership with companies toward the common goal of corporate environmental responsibility worldwide.

Business-driven organisations

- [WorldCSR \(http://www.worldcsr.com/\)](http://www.worldcsr.com/): shared portal linking the websites of major business-driven CSR organisations.
- [CSREurope \(http://www.csreurope.org/\)](http://www.csreurope.org/): a European business-driven membership network launched in 1996 as a result of the European Declaration of Business against Social Exclusion, initiated by former President of the European Commission, Jacques Delors and 20 business leaders
- national business-driven organisations promote Corporate Social Responsibility at national, regional and local level in [Belgium](#); [Finland](#); [France](#); [Greece](#); [Ireland](#); [Italy](#); the [Netherlands](#); [Portugal](#); [Sweden](#) and the [UK](#)
- [Social Venture Network \(SBN\) Europe](#): a network of socially and environmentally engaged entrepreneurs and business leaders
- European Foundation for Quality Management (EFQM) (<http://www.efqm.org/>): non-profit organisation, supported by the European Commission, aiming at assisting the development of quality improvement activities in customer satisfaction, employee satisfaction, impact on society and business results.
- [Business Impact Taskforce \(http://www.business-impact.org/\)](http://www.business-impact.org/): a taskforce set up in 1998 to provide a reference on the business case, best practice and measurement methodologies encompassing all aspects of corporate social responsibility.
- Conference Board (<http://www.conference-board.org/>): business membership and research network aiming at improving business enterprise and enhancing the contribution of business to society.
- [International Business Leaders Forum \(IBLF\) \(http://www.csrforum.com/\)](http://www.csrforum.com/): an international not-for-profit organisation set up in 1990 to promote responsible business practices that benefit business and society, and which help to achieve social, economic and environmentally sustainable development, particularly in new and emerging market economies.
- [The European Bahá'í Business Forum \(EBBF\) \(http://www.ebbf.org/framinfo.htm\)](http://www.ebbf.org/framinfo.htm): a global business network with a focus in Europe
- [The World Business Council for Sustainable Development \(WBCSD\) \(http://www.wbcds.ch/\)](http://www.wbcds.ch/): an international business network set up in 1995 with the

aim to develop closer co-operation between business, government and all other organisations concerned with the environment and sustainable development.

- [Business for Social Responsibility \(BSR\)](http://www.bsr.org/) (<http://www.bsr.org/>): international business network set up in 1992 to provide members with innovative products and services that help companies be commercially successful in ways that demonstrate respect for ethical values, people, communities and the environment.
- [Association of Chartered Certified Accountants \(ACCA\)](http://www.acca.co.uk/index.html) (<http://www.acca.co.uk/index.html>): a global professional accountancy body promoting ethical and governance standards in all aspects of financial, social and environmental accounting.
- [Society and Business](http://www.societyandbusiness.gov.uk) (<http://www.societyandbusiness.gov.uk>): guide - launched in March 2001 by the UK's Department of Trade and Industry - to the business case for CSR and resources available across business and the UK Government.

NGO-driven organisations

- [Human Rights Watch](http://www.hrw.org/) (<http://www.hrw.org/>): an NGO dedicated to protecting the human rights of people around the world.
- [Transparency International](http://www.transparency.de/) (<http://www.transparency.de/>): an NGO dedicated to curbing both international and national corruption.
- [International Alert \(IA\)](http://www.international-alert.org/) (<http://www.international-alert.org/>): an NGO based in the UK seeking to strengthen the ability of people in conflict situations to make peace by facilitating dialogue at different levels.
- [International Corporate Governance Network](http://www.icgn.org/) (<http://www.icgn.org/>): a network for the exchange of views and information about corporate governance issues internationally and for the development of corporate governance guidelines
- [European Corporate Governance Network](http://www.ecgn.ulb.ac.be/ecgn/) (<http://www.ecgn.ulb.ac.be/ecgn/>): a European non-profit research network involved in European and comparative corporate governance issues

Codes of conduct

- [Codes of conduct](http://www.codesofconduct.org/) (<http://www.codesofconduct.org/>): a web site providing a useful resource for those interested in the full text of various codes of conduct, and their provisions, sponsors, and effects on business practices.
- [IEPCE \(European Initiative for Ethical Production and Consumption\)](http://www.iepce.org/) (<http://www.iepce.org/>): a European forum between the main social and economic players who wish to encourage ethical production and consumption (employers, trade unions, NGOs, public institutions)
- [Social Accountability 8000 \(SA8000\)](http://www.cepaa.org/sa8000.htm) (<http://www.cepaa.org/sa8000.htm>): a voluntary standard for corporate social responsibility launched in 1997 by the Council on Economic Priorities Accreditation Agency (CEPAA), recently renamed Social Accountability International (SAI). Focuses mainly on labour

practices, e.g. child labour, freedom of association, hours of work and wages. This global corporate responsibility code is modelled after ISO 9000 and includes accreditation of auditors and independent monitoring.

- [Caux Round Table Principles for Business \(http://www.cauxroundtable.org/\)](http://www.cauxroundtable.org/): a code of conduct focusing on global corporate responsibility adopted by a trilateral business organisation.
- [Global Sullivan Principles \(http://www.globalsullivanprinciples.org/\)](http://www.globalsullivanprinciples.org/): a set of principles drafted by the Rev. Leon H. Sullivan to guide corporate social, economic, political, and environmental policies
- [ICFTU Basic Code of Labour Practice \(http://www.icftu.org/displaydocument.asp?Index=991209513&Language=EN\)](http://www.icftu.org/displaydocument.asp?Index=991209513&Language=EN): the International Confederation of Free Trade Unions' model code regarding worker rights (1997)
- [Investors in People \(http://www.iipuk.co.uk/\)](http://www.iipuk.co.uk/): a UK quality standard which sets a level of good practice for improving an organisation's performance through its people
- [Ethical Trading Initiative \(ETI\) \(http://www.eti.org.uk/\)](http://www.eti.org.uk/): a UK code developed through partnership between retail and consumer goods companies, NGOs, Trade Unions and the UK Government
- [Amnesty International's Human Rights Principles for Companies \(http://www.amnesty.org/ailib/aipub/1998/ACT/A7000198.htm\)](http://www.amnesty.org/ailib/aipub/1998/ACT/A7000198.htm): an international code requiring companies to protect human rights and abide by several labour standards in countries in which they have facilities.
- [Clean Clothes Campaign Code of Labor Practices for the Apparel Industry \(http://www.cleanclothes.org/codes/ccccode.htm\)](http://www.cleanclothes.org/codes/ccccode.htm): a model code for labour standards and a monitoring system for companies in the apparel industry.

Social labels

- [International Federation of Alternative Trade \(IFAT\) \(http://www.ifat.org/\)](http://www.ifat.org/): federation of producers and "alternative" trading organisations (ATOs)
- [European Fair Trade Association \(EFTA\) \(http://www.eftafairtrade.org/\)](http://www.eftafairtrade.org/): a European network of Fair Trade organisations which import Fair Trade products from economically disadvantaged producer groups in Africa, Asia and Latin America
- [Network of European World Shops \(NEWS!\) \(http://www.shared-interest.com/cust/news.htm\)](http://www.shared-interest.com/cust/news.htm): a network dealing both with the commercial and the education aspect of Fair Trade
- [Fairtrade Labelling Organizations International \(FLO\) \(http://www.fairtrade.net/\)](http://www.fairtrade.net/): an umbrella organisation aiming to co-ordinate the work of national fair-trade initiatives, more efficiently run the monitoring programmes and to introduce a

single international Fair-trade label. The national initiatives retain responsibility for marketing and promoting Fair-trade in their respective countries.

- [The Fairtrade Mark \(http://www.gn.apc.org/fairtrade/\)](http://www.gn.apc.org/fairtrade/): a fair trade label awarded by a foundation aiming at improving the terms of trade for third world producers, to products which meet internationally recognised standards of fair trade.
- [Max Havelaar \(http://www.maxhavelaar.nl/english/\)](http://www.maxhavelaar.nl/english/): a fair trade label awarded by a Dutch foundation aiming at offering access to international trade with good conditions for farmers and workers in disadvantaged parts of the Third World (1986)
- [Transfair International \(http://www.transfair.org/\)](http://www.transfair.org/): a fair trade labelling initiative of EFTA and Transfair Germany
- [Rattvisemarkt \(http://www.raettvist.se/\)](http://www.raettvist.se/): a Swedish Fair Trade label

Social Reporting

- [Social & Ethical Reporting Clearinghouse \(http://cei.sund.ac.uk/ethsocial/index.htm\)](http://cei.sund.ac.uk/ethsocial/index.htm): a website providing links to social and ethical reporting guidelines, organisations and surveys.
- [Global Reporting Initiative \(GRI\) \(http://www.globalreporting.org/\)](http://www.globalreporting.org/): an international, multi-stakeholder effort to create a common framework for voluntary reporting of a company's global economic, environmental, and social practices. CERES and the United Nations' Environment Program convened the GRI in 1997. In June 2000, the GRI released the new Sustainability Reporting Guidelines.
- [AccountAbility 1000 \(AA1000\) \(http://www.accountability.org.uk/\)](http://www.accountability.org.uk/): a standard for measuring the social and ethical achievements of companies against objective criteria issued by the U.K.-based Institute of Social and Ethical Accountability in November 1999

Socially responsible investment

- [UK Social Investment Forum \(http://www.uksif.org/\)](http://www.uksif.org/): a UK membership network for socially responsible investment
- [Dow Jones Sustainability Group Index \(DJSGI\) \(http://www.sustainability-index.com/\)](http://www.sustainability-index.com/): an index of sustainability-driven companies provided by Dow Jones in association with SAM Sustainable Asset Management
- [FTSE4Good \(http://www.ftse4good.com/frm0101.asp\)](http://www.ftse4good.com/frm0101.asp): an index of ethically responsible companies launched by FTSE in association with the Ethical Investment Research Service (EIRIS) and the United Nations Children's Fund (Unicef)
- [Sustainable Investment Research International Group \(SIRI\) \(http://www.sirigroup.org/\)](http://www.sirigroup.org/): a coalition of 10 research organisations aiming to

provide and promote high quality social investment research products and services throughout the world