

EUROPEAN MULTISTAKEHOLDER FORUM ON CSR



CORPORATE SOCIAL RESPONSIBILITY

Final results & recommendations



29 June 2004
Final Report

FOREWORD

At the Forum's final meeting on 29 June 2004, the following Report, a fair record of points of consensus identified during the twenty month process and work of the Forum, was presented, discussed and agreed*. There are some differences and debates that remain. Members of the Forum expressed their views about the merits and limitations of this Report in their speeches and statements made on the occasion of the closing plenary meeting of the Forum. These statements, along with other information on discussions and work of the Forum can be accessed and downloaded at the following addresses:

http://europa.eu.int/comm/enterprise/csr/index_forum.htm

http://forum.europa.eu.int/irc/empl/csr_eu_multi_stakeholder_forum/info/data/en/csr%20ems%20forum.htm

Forum Members:

UNICE (Union of Industrial Employers' Confederation of Europe), CEEP (European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest), UEAPME (European Association of Craft, Small & Medium-sized Enterprises), Eurocommerce, CECOP (European Confederation of Workers' Cooperatives, Social Cooperatives & Participative Enterprises), ERT (European Round Table of Industrialists), Eurochambres, CSR Europe (European Business Network for Corporate Social Responsibility), WBCSD (World Business Council on Sustainable Development), ETUC (European Trade Union Confederation), Eurocadres/CEC (European Confederation of Executives and Managerial Staff), Social Platform (Platform of European Social NGOs), Green Eight (Group of 8 Environmental NGOs), BEUC (European

Consumers' Organisation), FIDH (Fédération Internationale des Droits de l'Homme), Amnesty International, Oxfam (which ceded their seat to IIED), FLO (Fairtrade Labeling Organisations International)

Forum Observers:

EU Council, European Parliament, CoR (Committee of the Regions), ILO (International Labour Organisation), UNEP (United Nations Environment Programme), EUROSIF (European Sustainable and Responsible Investment Forum), EUA (European University Association).

* This endorsement remains subject to further internal consultation led by some NGOs within their constituency.

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Introduction

European and international context

At the Lisbon Summit in 2000, when setting the strategic goals for Europe, the European Council made, for the first time, an appeal on CSR, seeking contributions from businesses in meeting those goals. This was complemented by the European Council in 2001 in Gothenburg, when it decided that the EU sustainable development strategy should complete and build on the Lisbon commitment by including an environmental dimension. This recognises that in the long term, economic growth, social cohesion and environmental protection must go hand in hand.



The Lisbon Summit was also the starting point for the current EU debate, which has included the initial Green Paper on CSR (2001) and the subsequent Commission Communication on CSR (2002), and the setting up of the European Multi-Stakeholder Forum on Corporate Social Responsibility (hereafter the Forum).

The deliberations of the Forum and its Round Tables took place in this context, and in a context of EU enlargement. There was also an important international echo: in 2002, at the World Summit on Sustainable Development in Johannesburg, which resulted in the Plan for Implementation and its particular reference to the concept of CSR.

As well as these formal discussions, in many places, companies, citizens and stakeholder organisations continued to debate the roles which could be played and the action which could be taken by different actors, in securing economic, social and environmental improvements.

The Forum came at a time when there were also many other multi-sector dialogues and debates taking place at other levels, developing an understanding of how society can move forward, through new partnerships and ways of working together.

The contribution which businesses and stakeholders can make, through CSR, to these aspirations, and what the factors are which determine this contribution, are the subject of the Forum's report.

The Forum's origin, objectives, organisation and process

In July 2002, the European Commission announced its intention to establish the Forum with the aim of promoting CSR through raising the level of understanding of CSR, and fostering a dialogue between the business community, trade unions, civil society organisations and other stakeholders.

Its objective was:

With the overall aim to foster corporate social responsibility, the CSR EMS Forum shall promote innovation, transparency and convergence of CSR practices and instruments through:

- Improving knowledge about the relationship between CSR and sustainable development (including its impact on competitiveness, social cohesion and environmental protection) by facilitating the exchange of experience and good practices and bringing together existing CSR instruments and initiatives, with a special emphasis on SME specific aspects;

- Exploring the appropriateness of establishing common guiding principles for CSR practices and instruments, taking into account existing EU initiatives and legislation and internationally agreed instruments such as OECD Guidelines for multinational enterprises, Council of Europe Social Charter, ILO core labour conventions and the International Bill of Human Rights.

The European Commission facilitated and chaired the Forum, which had a membership of employer's organisations, business groups, trade unions and Non Governmental Organisations (NGOs). The Forum was asked to present before summer 2004 a report about its work to the European Commission, and a framework of conclusions and recommendations.

Four theme based Round Tables took place as part of the process, each one meeting three times:

1. Improving knowledge about CSR and facilitating the exchange of experience and good practice;
2. Fostering CSR among SMEs;
3. Diversity, convergence and transparency of CSR practices and tools;
4. Development aspects of CSR.

These Round Tables adopted some ground rules to help them in their work, including :

- exploring case examples in a spirit of mutual respect, the "no shame and no fame" rule;
- experiences were presented as far as possible by multi-stakeholder teams.

The Round Tables benefited from hearing about the practical experiences of a range of different companies, including social economy organisations / cooperatives, which have long established experience of placing CSR at the core of their business.

Each Round Table had a balanced membership made up of representatives from trade unions, NGOs, business and employers' organisations, enriched by observers from a number of European and international organisations.

Each one of these Round Tables produced a summary report to the Forum which are attached. This final report of the European Multi Stakeholder Forum on Corporate Social Responsibility builds on the learning they contain and reflects their outcomes.

What do we understand by CSR?

The starting point for the Forum's discussion was the definition of CSR provided by the European Commission.

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

Through CSR businesses contribute to sustainable development. The deliberations of the Forum have led to an enriched understanding of CSR. Our baseline understanding is:

- CSR is the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations. CSR is about going beyond these, not replacing or avoiding them.
- The commitment of management in driving CSR forward is essential.
- CSR is about the core business activities of a company, and while companies are there to make profits, an approach which integrates environmental and social considerations and is based on dialogue with stakeholders is likely to contribute to the long-term sustainability of business in society;
- CSR is one means amongst many for achieving economic, social and environmental progress, and for integrating these concerns into business practice.
- The dialogue with relevant stakeholders adds value to the development of companies' CSR practices and tools. As employees are an integral part of a company, it is important to pay particular attention to the role of employees and their representatives and dialogue with them.

- CSR is complementary to other approaches of ensuring high environmental and social performance: there are limits to CSR, and it alone cannot be expected to ensure environmental and social improvement and that it should not be used to shift public responsibilities to companies.
- CSR is an ongoing learning process for companies and stakeholders. The development of tools and practices is work in progress. Companies need to consider their approach carefully and choose tools which suit their needs and respond well to stakeholders' expectations. They need to refine and develop their approach over time, responding to changing circumstances and expectations. Scope for flexibility, innovation and refinement are important for successful CSR.
- Convergence of CSR practices and tools is occurring on a market-led basis through voluntary bottom-up and multi-stakeholder approaches, and other drivers, and that this can achieve quality and a good balance between comparability, consistency and flexibility.
- Companies taking a CSR approach, as well as other organisations, benefit from communicating about these activities in a transparent and meaningful way. There are different ways in which this can be achieved, of which reporting is one. A company's response to the transparency challenge will depend on its activities, capacity and the needs of its stakeholders, which may be difficult to reconcile.
- The environmental, social and economic impacts of a company's activities up and down its supply chain, as well as in its own operations need consideration.
- When operating in developing countries and / or in situations of weak governance, companies need to take into account the different context and challenges, including poverty, conflicts, environment and health issues.

EUROPEAN MULTISTAKEHOLDER FORUM ON CSR

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PART ONE

Reaffirmation of international and European agreed principles, standards and conventions

Part One

Reaffirmation of international and European principles, standards and conventions

Recalling the baseline understanding, and after having heard and discussed around fifty cases involving companies and stakeholders, the Forum recognises that there are a number of reference texts and instruments, which have served as a starting point or guidance for companies and stakeholders when developing their CSR approaches. The aim here is not to try to be exhaustive or prescriptive, but the Forum would like to draw attention to a number of key texts. There are other texts referenced in the Round Table reports.

Important reference texts and instruments, both developed with the involvement of business and directly addressed to them are:

- the ILO tripartite declaration of principles concerning Multinational Enterprises (MNEs) and social policy (1977, revised 2000),
- the OECD guidelines for MNEs (1976, revised 2000),
- the UN Global Compact (2000)

There are also a number of texts addressed more widely to states and governments, containing values that can inspire companies when developing their CSR, which in turn can play a role in reinforcing and making tangible the values these texts represent. The Forum highlights the following texts:

- the UN Declaration on Human Rights (1948), International Convention on civil and political rights (1966), International Convention on economic, social and cultural rights (1966) - The International Bill of Rights.
- the Council of Europe Convention for Protection of Human Rights and Fundamental Principles (1950),
- EU Charter of Fundamental Rights (2000)
- Council of Europe Social Charter (1961, revised 1996)
- the ILO Declaration on fundamental principles and rights at work (1998),

- Rio Declaration on Environment and Development (1992) and its Agenda 21 (1992),
- Johannesburg Declaration and its Action Plan for Implementation (2002)
- UN guidelines on consumer protection (1999)
- The EU Sustainable Development Strategy, as adopted by the European Council at the Gothenburg Summit (2001)
- Aarhus Convention on access to information, public participation in decision making and access to justice in environmental matters (1998)

Many companies or groups of companies involved in CSR take account of these texts explicitly when developing their CSR policies, practices and tools. They build on them or elaborate internal rules to implement them. Others, especially SMEs, may do so implicitly. What is important, is the concrete and effective contribution to the overall implementation and reinforcement of fundamental values and principles and sustainable development which CSR can make.

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PART TWO

Analysis of CSR determining factors: drivers, obstacles and critical success factors

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Analysis of CSR determining factors: drivers, obstacles and critical success factors

Each of the Round Tables has, from its discussions and debates catalysed by presentations and case examples, identified the factors which for its particular topic, determine the take-up and development of CSR. This part of the Forum's final report brings together the most important determining factors, drawing on the Round Table reports, and briefly discusses them. They are not presented in any order of priority.

The determining factors may be internal to a company, or external. They may be related to the business case for CSR, or to what has been called the values case for CSR. They may be related to the overall context of the desire for sustainable development, and associated activity by public bodies and civil society organisations to encourage this, as well as by businesses themselves.

It is important to note that the relevance of these determining factors may vary, according to the size, age, activity of the company, and its geographical, political or cultural context. Particularly in the case of SMEs, what may be determining factors for some are not necessarily equally important for all. Some will more relevant to owner-managers, and some to others working in the business. It is also the case that something which is seen as an obstacle may be seen in other circumstances as a driver or a success factor.

Some of the determining factors apply to the overall take-up and approach to CSR. Others apply to the choice of particular tools or practices, once a company has decided to take a CSR approach.

Drivers

Internal drivers

Although this section of the report summarises the key learning about internal drivers in general, it is recognised that the significant drivers will vary from business to business, depending on factors such as the reasons for the initial creation of the

organisation, its internal culture and strategy. They will also manifest themselves differently, depending on the context in which the business is operating.

The values and commitment of key decision makers are an internal driver. There are situations where senior decision makers decide that it is 'the right thing to do', to reinforce and integrate environmental and social values regardless of whether there is a carefully weighed up business case.

The other internal drivers are related to the business case - minimising risk, maximising opportunity - although it is often easier to set out this case 'in principle' than to find hard evidence to back it up. In the longer term, business success and where relevant shareholder value will, it is argued, be better delivered by those companies which are contributing to sustainable development.

- Reducing costs through eco-efficiency;
- Protecting or enhancing the resources (environmental or human) on which the business depends;
- Anticipating, avoiding and minimising risk and the associated costs;
- Anticipating costs (including insurance costs), societal and stakeholder expectations customer demands, and future legislation;
- Retaining the "license to operate";
- Differentiating from, and gaining an edge over, competitors;
- Protecting, building and enhancing reputation particularly for branded and business to consumer companies;
- Attracting and retaining skilled and motivated employees;
- Learning and innovating, improving quality and effectiveness;
- Being an attractive prospect for investors;
- Improving relationships with stakeholders.

External drivers

As understanding of the impact of business on the environment and on society has developed, so society's expectations of business practice have also developed. These expectations show themselves in a number of ways, as different parts of society directly and indirectly incentivise or promote some approaches or provide disincentives for others, with the aim of improving the environmental and social impact of businesses.

These signals come from different players, including

- Investors - seeking to invest in line with their own values, or in line with an expectation that companies with a CSR approach will be better investments;
- Consumers and others in the supply chain - choosing one product, service or company over another on the basis of their understanding of its environmental or social credentials;
- Public authorities - through a range of mechanisms including promotion and information provision, their own role as purchasers, regulatory and fiscal signals;
- NGOs - monitoring and assessing the environmental and social impact of business and campaigning for improvements;
- Trade unions - seeking to influence company behaviour through mechanisms such as collective agreements;
- Other companies, business networks, intermediaries and supply chains - co-operatively through sharing experience, developing a shared understanding of better approaches and expectations, providing external benchmarks and challenging practices in business to business relationships.

Obstacles

Whether perceived or real, the key obstacles all relate to the choice which a company will make about whether there is a net benefit in taking a CSR approach, and adopting a particular CSR practice or tool.

- Adopting a CSR approach involves continuous effort and adaptation. There may be costs, such as the time and investment needed to plan and implement new ways of doing things. Evidence for the benefits of particular

CSR tools and practices, or for CSR in general, remains in some cases elusive and generally poorly available (aside from eco-efficiency benefits). For smaller companies in particular, even when there are net benefits in prospect, there may not be the resources available to deploy, or other more immediate pressures and competing priorities may mean that CSR is not pursued.

- A steep learning curve - a new set of jargon to be made concrete to their circumstances or translated into business language, a new way of doing things, additional records to be kept, a new set of organisations and people to interact with. The CSR agenda is very broad, and there may be a lack of useful information or examples of what others have done. The company, particularly SMEs, may lack the skills, resources or experience to move forward.
- Obstacles to obtaining help - some companies may be reluctant to seek help, unsure about the organisations which are offering help, or unable to find suitable sources of help.
- CSR can be a complex and uncertain area, taking in impacts and influences across the environmental and social field as well as the economic, and suggesting an approach which favours engagement and dialogue with relevant stakeholders;
- Unclear boundaries and the need to clarify them - what parts of the organisation, which issues, where geographically, how far out into the supply chain, how far does responsibility extend when causes are multiple or indirect? Stakeholders may need to be identified, complex, on-going communication mechanisms established, and conflicting priorities and interests understood.
- Identifying or developing tools or practices, which suit the company's particular and changing circumstances, and are effective and credible.
- Collecting information and ascertaining its reliability;
- Filling gaps in awareness and understanding, especially in international supply chains, or international companies, in order to move forward.

- Weak or absent public governance and the rule of law, weak infrastructures, poorly resourced and developed local stakeholder capacity and civil society, limited possibilities for partnership, low or short-termist consumer, customer or investor interest, mean that it is even more challenging to establish effective and credible CSR.
- The time it takes to align activities around the values and business case for CSR, particularly within complex companies. In the meantime, there may be conflicting actions, particularly when margins are narrow or reputational factors are not so important to a company.
- The particular language of CSR, may need to be adapted and made concrete, particularly for SMEs.
- Openness to learning, improvement and innovation;
- Engagement with external stakeholders - including local stakeholders in non-EU countries - understanding their views and expectations, being open to learning from them, communicating well with them about issues, goals and progress, being open about areas of agreement and disagreement and thus building a trusting relationship, where the company and its stakeholders are willing to co-operate in good faith in efforts to achieve its CSR goals, including to the extent of working in partnership together;
- Involving employees and their representatives in developing and implementing CSR, programmes, activities and initiatives;
- Sharing experience, learning from and with peers, in sectoral and multi-stakeholder initiatives or through networks, good practice examples, initiatives and benchmarking, and being willing to solve problems, innovate and improve as a result of this learning;

Critical Success Factors

The four Round Tables identified some critical success factors for credible and effective CSR, including:

- Commitment from key people - directors, owners, senior managers;
- Ensuring that the values and vision of the CSR approach are integrated into the business and its culture;
- Integrating the CSR approach and any associated practices and tools, with the corporate strategy, core business, mainstream management processes and policies, and everyday operational practice. This might mean adapting existing systems, or adopting or developing new ones;
- Setting appropriate goals or targets, related to the core business, developing a staged plan for achieving them (including some quick wins), evaluating progress towards them, and communicating this appropriately;
- Communicating about the approach, strategy, aims or activities in a transparent and meaningful way. Such communication is also a way of helping to magnify the benefits associated with drivers of CSR practice, for example through aiding learning and innovation, as well as building credibility and helping to improve relationships with stakeholders.
- The availability of easily accessible and specific advice, and appropriate, effective and credible tools and initiatives which the company can learn from when developing its own approach, use, or join in with, which are suitable to its circumstances or are flexible enough to be enable the company to learn over time, innovate and respond to circumstances.
- Particularly for developing countries, the existence of an appropriate legal environment which reinforces compliance with fundamental standards, and the presence of strong civil society organisations such as trade unions and NGOs as stakeholders and potential partners;
- A high level of awareness among consumers and investors, of the issues and companies' options in responding to them.

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PART THREE

Future initiatives and recommendations

Part Three

Future initiatives and recommendations

In line with the objectives of the Forum, Part Three builds on the work of each of the four Round Tables and particularly the analysis of CSR determining factors, set out in Part Two of this report.

Against this background, the Forum wishes to make these recommendations, covering the three areas considered in each of the Round Table discussions:

a) Raising awareness and improving knowledge on CSR

b) Developing the capacities and competences to help mainstreaming CSR

c) Ensuring an enabling environment for CSR

The recommendations are based on our common understanding, set out in the Introduction.

Those recommendations addressed to business are relevant to all types of companies (including SMEs and social enterprises), and will be of most immediate interest to those companies which want to take up or further develop their CSR approach. For those companies which have not yet begun this approach, we hope they will be an inspiration.

The Round Table on SMEs recognised the need to understand what motivates those SMEs which are involved in CSR; how best to reach them; how to most effectively support their internalisation of CSR; and how to promote CSR to other SMEs. The Forum has tried to take account of this in its analysis and recommendations but many were based on the available experience of larger companies. Therefore, the Forum acknowledges that in order to successfully engage more SMEs, there is a need to further reflect their realities and to enable them to progress in line with their circumstances and capacities.

A) Raising awareness and improving knowledge on CSR

1. Raising awareness of core values and key principles embodied in reference texts

The Forum recommends that...

- ...public authorities and all other stakeholders in their respective capacities and fields of responsibility increase awareness on the key principles and reference texts (examples given in Part One) and on how they have been and can be made understandable, tangible and be translated into practice. Awareness raising and promotion can take place in a variety of ways, for example via codes of practice, collective agreements, partnerships and global framework agreements. This should also include the supply chain, giving special attention to small and medium-sized enterprises.
- ...when fulfilling their responsibilities in relation to the texts in Part One, national, European and international public authorities co-operate closely with stakeholders in order to better understand how to promote these values and principles and how they can be taken up, implemented and monitored.
- ...stakeholders consider co-operating in order to learn about obstacles and success factors in translating these principles and values into practice.
- ...respective stakeholders work, individually and/or together, to elaborate user's guides such as those which exist from IOE or TUAC, devoted to deliver practical information on most relevant tools and principles identified in Part One. This information should be presented in a useful and understandable way for companies, including SMEs, and other stakeholders.

2. Collecting, exchanging and disseminating information about CSR

The aim of collecting, exchanging and disseminating information about CSR is to promote and develop effective CSR practices, tools and initiatives which improve the social, economic and environmental impact of business.

The Forum recommends that...

- ...stakeholders contribute to this collection, diffusion and exchange of information on effective and credible CSR practices, tools and initiatives;
- ...in order to make such information more publicly and easily available, there be a European multi-stakeholder run internet portal, inter-linking different stakeholders enabling them to learn;
- ...information be also made publicly and easily available through existing stakeholder channels and sources which are close to the companies, in particular SMEs.

3. Researching and improving knowledge about and action on CSR

Although universities, business schools, stakeholder organisations, consultancy bodies, as well as the European Commission and Member States currently undertake, coordinate or promote research on CSR, there is nonetheless a lack of empirical research on CSR.

The Forum recommends that...

- ...more comparative, qualitative research on CSR be undertaken, particularly that which is multi-disciplinary, multi-stakeholder and action research based on real case studies;
- ...different actors research specific aspects of the business case, trends in CSR, CSR take-up, practices, tools, and impact (i.e. their effectiveness in improving the social, economic and environmental impact of business). Special attention should be given in research projects to the following CSR areas, identified in the Round Table discussions:
 - the impact at the macro-level of CSR on competitiveness and sustainable development;

- Integration of social and environmental criteria in public procurement, and the impact of this;
- supply-chain issues and the added value of partnerships between large and smaller companies;
- best available technology transfer issues;
- the relationship between corporate governance and CSR;
- making CSR information accessible to consumers, investors and the wider public.
- ...these future initiatives build on those initiatives supported by the European Commission, through its various programmes such as the 6th Research Framework Programme.

B) Developing the capacities and competences to help mainstream CSR

4. Enhancing the capacity of business to understand and integrate CSR

Developing and implementing CSR policies is a challenge which requires learning and innovation, and companies wishing to take a CSR approach are likely to need to enhance their capacity. It is important that there be a variety of learning opportunities for companies, and that there is a need for those which are topical, relevant and easily accessible to the company. The commitment of leaders in each organisation to integrating CSR into the business is vital to enrich decision-making processes at all levels with the aim of improving the competitiveness of the company in a sustainable way.

The Forum recommends...

- ...co-operation within and between companies, business organisations, and stakeholders, towards developing opportunities to learn at the level of networks, sectoral initiatives, chains of suppliers and buyers, and partnerships;
- ...increasing the general availability of easily accessible, ready-to-use, practical information and advice on how to secure coherent, incremental implementation of CSR within

and across all functions / departments / operations / locations and enable each company to assess and learn from its own experience.

- ...increased exchange of experience be organised between purchasers and suppliers in order to build capacities in sustainable supply chain management, through improved understanding of global supply chain issues and responsibilities, including how purchasing practices impact suppliers and their communities. There should be particular attention to the involvement and contribution of SMEs, and notably those in the South, and to examples of partnerships with larger companies which support engagement in CSR practices.

The Forum recommends to companies striving for greater integration of CSR in their daily business operations that ...

- ...they adapt tools to take account of their needs, circumstances and impacts.
- ...they be willing to progress in their CSR efforts by examining their performance in relation to their CSR objectives, and learn from this; e.g. through key performance indicators (KPIs), impact assessment, and reporting on these achievements.
- ...people who work on CSR be trained in how to understand the economic, social and environmental impacts of their company.
- ...they focus on developing internal learning opportunities (which might include adapting everyday communications and meetings as well as formal training programmes directed towards the development of skills and competencies).

5. Building the capacity of "capacity builders"

Building on the Round Table discussions the Forum recognises that there are many organisations which can play a catalysing or support role for companies in their CSR efforts (for example business advisors, consumer organisations, investors, trade unions, media), and in some cases have a multiplier effect.

The Forum recommends that...

- ...such organisations develop relevant understanding, skills and capacities on CSR;
- ...people who work on CSR be trained to understand the economic, social and envi-

ronmental impacts of relevant companies and how to support the development of best practices;

- ...business advisors and support organisations which wish to do so, develop know-how on effective CSR practices, to contribute to capacity building, take-up and assisting businesses in their CSR efforts;
- ...recognising that not all stakeholders have the resources required to take CSR initiatives forward, public authorities, companies and other stakeholders support capacity building activities.

6. Including CSR in education and the curriculum

Business schools, universities and other education institutions have an important role to play in order to build the necessary capacity for relevant CSR strategies. Their core business is indeed about education. In this capacity they need to help future managers and employees improve their capacities to coherently approach CSR. But they educate not only the business world. They are essential to improve the knowledge on CSR for everybody in our capacity as consumer, employees, stakeholder partners, etc.

The Forum recommends that...

- ...CSR and related topics be mainstreamed into traditional courses, in the curricula of future managers and graduate students, in executive education, and in other educational institutions.

C) Ensuring an enabling environment for CSR

7. Creating the right conditions for CSR

Primary responsibility rests with governments and public authorities, to ensure that the right combination of economic, environmental and social framework conditions exists to support sustainable growth and entrepreneurship, and the sustainable development of societies and economies. It is citizens and businesses which will deliver the changes in consumption and investment patterns needed to deliver sustainable development.

7.1 The European Union's Lisbon and Gothenburg strategies together provide the European framework for sustainable development of society and economies, aiming to make the European Union a more competitive, dynamic knowledge-based

economy, capable of sustainable economic growth with more and better jobs and greater social cohesion, delivering a cleaner, safer and healthier environment.

The Forum recommends that...

- ...EU institutions and governments step up their efforts towards a more co-ordinated policy approach, and that they implement the Lisbon goal and Gothenburg strategy;
- ...public authorities ensure that there is both a legal framework and the right economic and social conditions in place to allow companies which wish to go further through CSR, to benefit from this in the market place, both in the EU and globally.

7.2 When companies develop their CSR approaches, it is important that they take into account their nature, size, activities and location as well as costs, capacities and other competitive concerns, and the expectations of stakeholders, in order to further improve their environmental and social performance in an innovative manner.

Trust and credibility in CSR are enhanced through transparency and open communication which in turn can contribute to learning, organisational processes, management performance and successful CSR practices. Therefore the challenge of transparency exists not solely for companies but for all organisations.

There are a variety of processes to ensure credibility of CSR practices, including for example reporting, dialogue and partnering with stakeholders, monitoring and communication of progress and results, and a variety of tools including on-line communication, internal / external auditing etc. The Forum notes that for trade unions and NGOs, transparent CSR reporting is a particularly important process in providing meaningful information, a clear record of CSR development and assessing credibility (see Round Table Transparency Report section 3 and 4 for more detail).

Drawing on the experience of companies with well-developed transparency and communication policies, **the Forum recommends that companies...**

- ...explore the most suitable channels of communication for them with a view to ensuring

that information reaching different stakeholders is meaningful and credible to them;

- ...have a clear commitment and strategy from the top towards transparency and communication on CSR, ensuring that roles and tasks for developing method and processes are clearly defined and assigned;
- ...identify what items are pertinent with regard to the company's vision and specific objectives, the risks and opportunities associated with its environmental and social footprint, the views of relevant stakeholders, the commercial sensitivity of certain data, and other possible competitive concerns;
- ...identify and improving appropriate performance criteria and where relevant drawing inspiration from existing tools or making use of any of the many transparency frameworks currently available;
- ...collect and using information to ensure a better understanding of the complexity of managing certain CSR issues and sometime conflicting expectations;
- ...consider the risks, opportunities and costs of suitable tools and / or systems to improve the robustness and assure the quality of data;
- ...develop a continuous learning process whereby the company can evaluate the overall impact of its practice, track changes in stakeholders' expectations, and share its experience with others.

These points can also be useful guidance for other organisations, not just companies, according to their particular roles, responsibilities and impact.

7.3 As long-term non-financial factors are being taken into account by more and more investors including through Socially Responsible Investment (SRI), which is thus an increasingly important driver of CSR, **the Forum recommends that...**

- ...information about SRI funds and other funds, and their approach to CSR (funds and indices, their methodology and investment criteria) be gathered and made accessible, so that potential investors, and companies, can understand, evaluate and use them better.

8. Developing stakeholder dialogue

The spirit of constructive dialogue is very important in furthering the aims of CSR.

The Forum recommends that...

- ...companies and stakeholders contribute to constructive dialogue from the development stage of companies' CSR activities on goals and progress thereby adding value to these activities;
 - ...for successful dialogue to take place there need to be clear understanding of roles and expectations, and a willingness to pursue innovative, inclusive and dynamic cooperation and / or partnerships in good faith;
 - ...since they are an integral part of the company and are key players in realising CSR, dialogue with employees and trade union / worker representatives at company level is particularly important. Dialogue at other levels may also be relevant.
 - ...companies and stakeholders engage in dialogue at a local level on relevant issues, to ensure that local realities and concerns are understood and taken into account;
- ...public authorities at different levels (EU, national, regional and local) recognise their contribution to driving CSR, alongside others, and in cooperation with stakeholders, assess and strengthen their role in raising awareness of, providing information on, promoting, and supporting the take-up, development and innovation of effective CSR, and the development of environmentally and socially responsible products and services;
 - ...EU and / or Member States consider and evaluate how to use public funds in the most responsible and effective manner, taking into account environmental and social, as well as economic considerations.
 - ...public authorities examine their practices, know their social, environmental and economic impacts and disseminate best practice on their role as organisations, for example as employers and consumers.

9. The role of public authorities / EU

The EU has a key role in promoting sustainable development within Europe and on the wider global stage. Through CSR companies can make a contribution to sustainable development. The EU and public authorities have a role in enabling this.

The Forum recommends that...

- ...EU institutions and governments be consistent across policy areas, taking a lead in moving towards the goal of sustainable development, both within Europe and at a global level, in particular through appropriate trade and development policies and international agreements, thereby setting a context for CSR;
- ...EU institutions and governments encourage and assist all countries to ratify and implement international conventions protecting human and social rights and the environment.
- ...as it is a clear responsibility of national governments to promote democracy and human rights, governments provide the appropriate

legal framework for protecting human, social and economic rights of citizens, and a climate conducive to economic, environmental and social progress particularly in developing countries;

EUROPEAN MULTISTAKEHOLDER FORUM ON CSR

CORPORATE SOCIAL RESPONSIBILITY



FINAL REMARKS

Final remarks

The recommendations above are mutually reinforcing and as a whole set out a way forward for CSR in the EU. The Forum looks forward to seeing progress in the areas of these recommendations and invites all actors to contribute to this. The Forum asks the Commission to reflect on how to support these recommendations in forthcoming communications.

The Forum invites the Commission together with stakeholders, to convene an initial shared review in two years time of progress made in relation to the Forum's recommendations, and of the trends, developments and innovations in CSR.

EU Multi-Stakeholder Forum on Corporate Social Responsibility (CSR EMS Forum)

Attendance List Final High Level Meeting, Brussels, 29th June 2004

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- Penny Walker, Independent Consultant, UK
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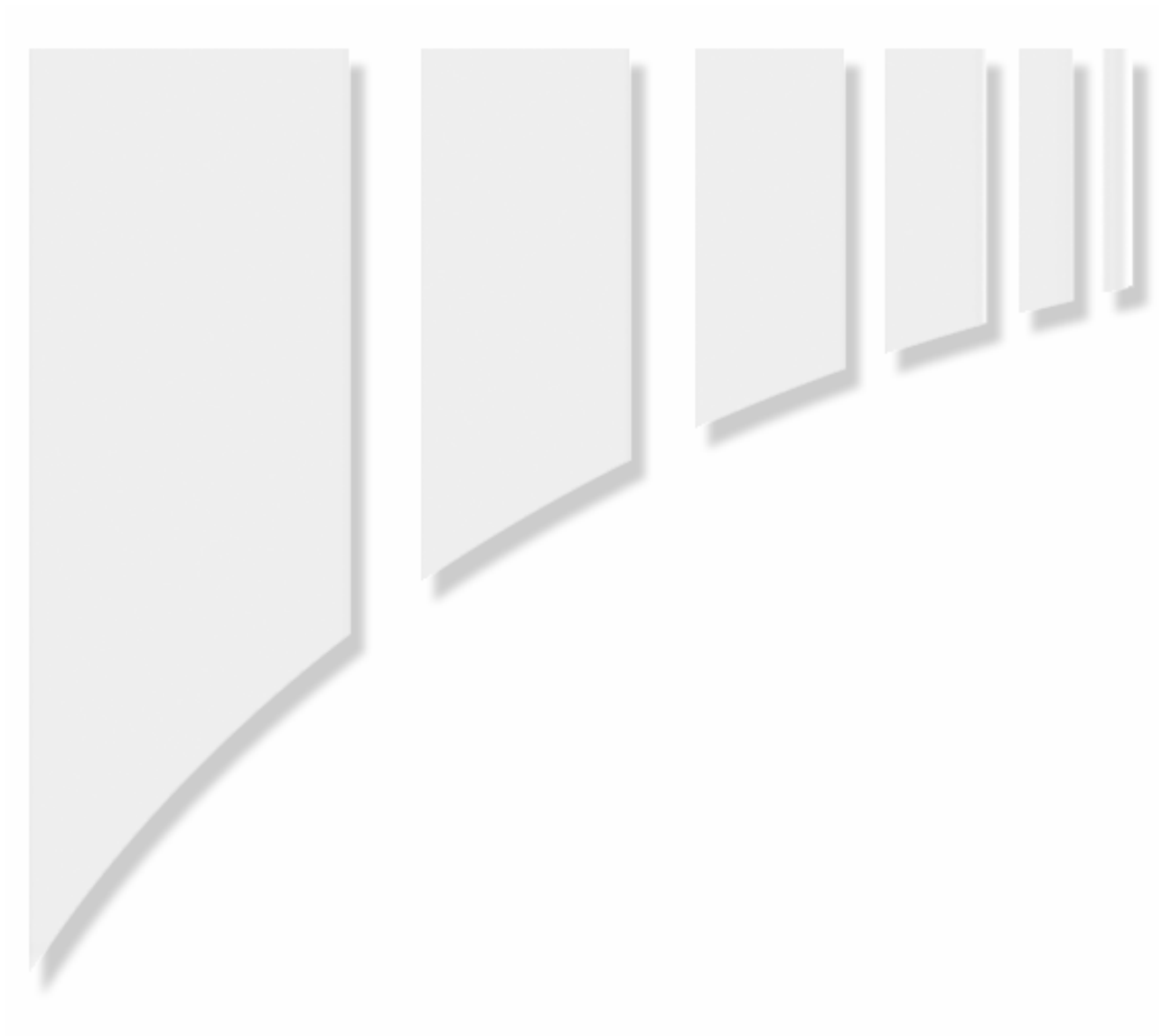
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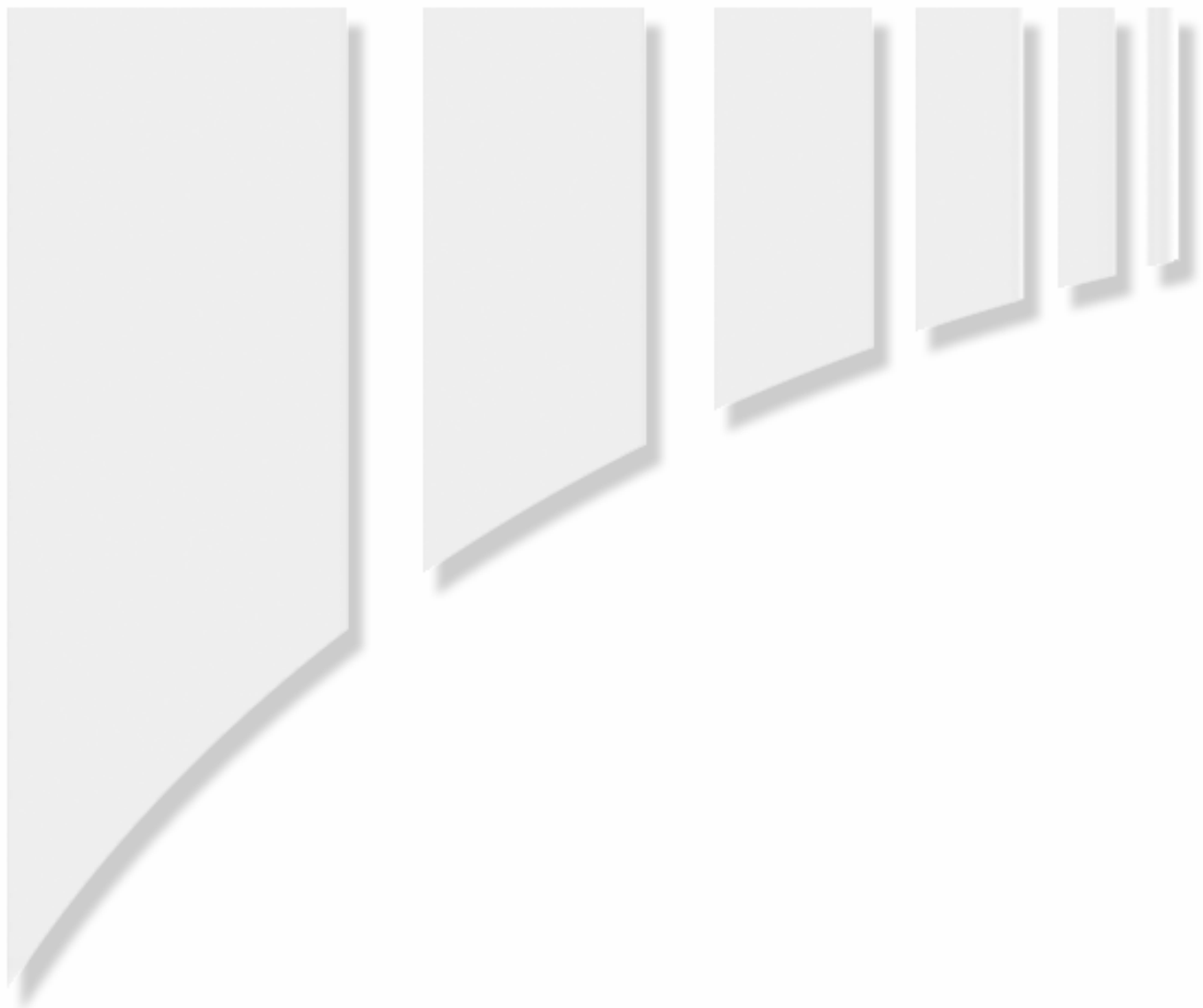


Round Table Report Section



Round Table

*Improving Knowledge about CSR
and Facilitating the Exchange of
Experience and Good Practice*



Final report

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1. Introduction and context

This report is based on the three Round Table (RT) meetings on the subject of ‘Improving knowledge about Corporate Social Responsibility (CSR) and facilitating the exchange of experience and good practice’. In the case studies presented during the meetings and the pursuing discussions, several key points were raised. These were as follows:

- Why and how is CSR done
- Impact of CSR on business and society
- Processes, incentives & tools to stimulate dissemination of knowledge, innovation, uptake of CSR;
- Integration of CSR in business strategies, structures & processes;
- Integration of CSR in education & training.

The analysis and discussion of several case studies and business experiences, during the first two Round Table meetings, showed the complex ‘CSR challenges’ firms and their stakeholders face. Indeed, adapting the management disciplines and practices to include a multitude of stakeholder interests is far more complex than the traditional decision models and processes. However, things are different for external and internal stakeholders. The so-called ‘internal’ stakeholders - workers and their representatives - are already present in the traditional decision-making models and processes. So here mainstreaming is already a fact of life. Nevertheless this still leaves the challenge of developing a more holistic CSR focus for and with the numerous groups of stakeholders, each with their specific interests and business approach.

CSR needs resources and hence, a sound economic basis. It was argued that only economically healthy companies can address social and ecological issues.

Some do not agree with this view because CSR is considered to be an investment in the long-term sustainability of the company, and thus is applicable to companies in any situation.

Dr. Anupama Mohan pointed out that the real challenge for CSR is to manage complexities. She showed that CSR refers to a myriad of approaches and definitions each with its own interpretation. This complexity results in a large diversity across nations, cultures, institutional and sociological perspectives, industries, organisations, and also across corporations. Mads Ovlisen from Novo Nordisk pointed out that it is not only up to business to define CSR, but also to society.

The first round of the EMS Forum Round Tables already clearly showed that the issues tackled, the involvement of enterprises and the degree of CSR integration are very heterogeneous throughout the European Union (EU), without even taking into account the global business world. This was perceived as inevitable from a business perspective, as companies operate in different contexts, are confronted with different demands, etc. However, it was argued that “some guidance in exploring the limits of CSR” could be useful. One of the key determinants of success was to be more explicit about the respective roles of business and government as well as other stakeholders. More attention should also be paid to a better understanding of “what works and what doesn’t work”. In order to add as much value to the Forum as possible, the second wave of Round Table presentations were asked to focus on drivers, barriers and success factors, as well as elements detailed in the introduction of this report.

It was agreed upon that the working definition of CSR would be the definition proposed by the European Commission (EC) in its Communication of July 2002.

Overview of the cases:

Company (and/or organisation)	Theme/topic
Danone & IUF	<ul style="list-style-type: none"> – General tools for CSR management (the Danone Way) – Development of a communication and information platform for employee-related issues
Norsk Hydro & Transparency International Norway	<ul style="list-style-type: none"> – Challenges of bribery and corruption – Constructive dialogue with NGOs
Insight Investment & Amnesty International	<ul style="list-style-type: none"> – Challenges and opportunities of socially responsible investment
Entreprise & Personnel and Euronext	<ul style="list-style-type: none"> – Mainstreaming CSR in a company's strategy and management systems – CSR and investor relations
UPM Kymmene, Stracel & WWF	<ul style="list-style-type: none"> – Implementing CSR in an MNE
Telefonica & Fundacion Empresa & Sociedad	<ul style="list-style-type: none"> – CSR mainstreaming from a reputation point of view
Federchimica & EMCEF/FEM CA CISL	<ul style="list-style-type: none"> – Responsible Care programme of the Chemicals Industry
Ethical Trading Initiative & Chiquita	<ul style="list-style-type: none"> – Learning and experience exchange through dialogue and co-operation
Consumentenbond	<ul style="list-style-type: none"> – The consumer dimension
OECD Guidelines	<ul style="list-style-type: none"> – OECD Guidelines: focusing on the implementation and monitoring processes

2. Analysis of the key drivers, barriers and success factors

2.1 Drivers

From the case studies, presentations and discussions in the two Round Table meetings it was clear that numerous factors drive the business world into the direction of CSR. In order to gain a better understanding of these drivers and exploit that knowledge to stimulate other firms to go into that same direction, a framework of driving forces had to be developed. Two broad categories of drivers can be detected: a set of drivers comes from 'inside' the corporation, whereas others are more 'external' in origin.

2.1.1 Internal Drivers

Numerous types of 'internal' drivers have been identified and discussed during the RT meetings. To some extent they can be re-grouped in two broad categories:

A first internal driver can be that CSR is embedded in the corporate culture, values and attitudes (see point a). This is especially true when CSR is part of the founders' and management's values.

The 'business case' for CSR is composed of numerous rational arguments for integrating CSR concerns in the normal business processes and corporate behaviour. In analysing the business case, it is argued that CSR has a positive effect on the (long-term) performance of a firm. However, it was argued in the second wave of the RT that it is difficult to demonstrate the business case for CSR because of the complex nature of business performance and the huge problem of 'causality'. Notwithstanding these 'academic' challenges, numerous rational arguments popped up from the RT discussions (see points b through d). Some arguments focus more on cost efficiency (e.g. risk management), while others mainly relate to quality improvement, innovation and growth (e.g. corporate reputation).

a. CSR as part of the corporate culture and values, and/or as an ingredient of the founders’ philosophy

During the opening session of the first meeting of the RT, Mads Ovlisen argued that CSR should be a “philosophy” or a “conviction”. Companies that are most likely to succeed in mainstreaming CSR are those companies that include the elements of CSR already in their values and in their culture. Such CSR values and cultures can go back to the founders’ philosophy (e.g. Danone case).

b. Better risk management

One of the ways CSR could add to better performance is through a more efficient and more effective risk management. This was also shown by the case of Federchimica where the number of accidents had dropped significantly after adopting the Responsible Care Programme. In this example, CSR helps to operate more efficiently, protect workers and save money.

c. Better corporate reputation, leading to a competitive advantage in all types of markets

It was argued that corporate reputation is one of the most important assets of a company. Companies with a solid reputation might be considered as preferred suppliers, business partners or employers. CSR might thus be considered as a way to differentiate from competitors.

Telefonica identified reputation as its “number one concern”. Reputation is an important intangible asset that represents in most cases a significant part of the total firm value. However the Telefonica case also clearly showed that reputation is subjective, “in the eye of the beholder”. They therefore developed a holistic corporate-wide framework to identify possible expectation gaps and to ‘manage’ corporate reputation in close relationship with their stakeholders.

The presentations showed that CSR can play an important role in reputation management (discussions showed that having

a good reputation seemed almost impossible without serious CSR considerations). Mads Ovlisen pointed out that employees get motivated by CSR as well, so that companies adopt CSR to attract and retain better employees.

d. Higher effectiveness and innovation through better stakeholder relations

Good stakeholder relations can facilitate implementation of difficult decisions and help to solve important trade-offs. The case of Danone and IUF for example, clearly demonstrated that establishing sound relationships between the company and its trade unions helps to make tough decisions in a climate of mutual understanding. However it was clear that such stakeholder relations rely a great deal on mutual trust and confidence of the stakeholders and the company. CSR is a people-centred process, which cannot be uncoupled from stakeholder relations. Long-term lasting relationships are built on trust. Building trust relies on dialogue and investments from all parties involved. Everyone needs to play their role in order to contribute to building trust in mutual relationships.

In other discussions it was also mentioned that better stakeholder relations can lead to more pro-active developments and more effective innovations.

2.1.2 External Drivers

All external drivers relate to some types of ‘pressure’ from external, societal forces. Given the importance of investors, this category has been given extra attention.

e. Incentives from the investor community

According to Insight Investment, institutional investors and fund managers have a responsibility towards stimulating CSR. It was argued that Socially Responsible Investment (SRI) in particular might considerably influence the ethical stance of a company. As SRI receives growing attention, more companies are actively taking measures to make sure they are not ex-

cluded from SRI indices such as the FTSE4Good.

Therefore, SRI and investor relations' officers (who are both explaining companies' strategies to investors and echoing investors' expectations within their companies) were considered as possible drivers of a CSR-approach for companies. However it was argued that it can take some time (approximately 5 years?) before investor relation officers will be able to perform their potential role as CSR catalysts.

At the same time, we must keep in mind that it cannot be overlooked that SRI has still an extremely limited market share. Defining SRI funds from both a positive and negative screening perspective, the relevant SRI fund market in 2003 was less than 1 % of the total retail market across Europe and between 2-3 % of the institutional market. However, if the SRI definition simply comprises exclusions – for instance from an industry perspective – and engagement practices, the ratio of SRI funds reach a considerable size in certain countries (in particular in the UK and the Netherlands).

f. Pressure from society

Numerous stakeholder groups play an important role in fostering corporate social responsibility. The case of Federchimica showed that the Responsible Care Programme had emerged as a consequence of the critical attitude of society towards the chemical industry after the Bhopal incident in the eighties. Mads Ovlisen pointed out that CSR could help a company in receiving and keeping its 'licence to operate' attributed to it by society.

g. Pressure from governments and public policy

The OECD Guidelines for Multinational Enterprises are an example of widely accepted voluntary guidelines that can urge companies to comply with these guidelines and adapt their behaviour accordingly.

2.2 Barriers

Numerous factors can hamper the development and implementation of a true CSR strategy. Some of these barriers are caused by the complexities involved. The more stakeholders involved, the more global the supply chain, the more complex societal expectations, the tougher the challenges firms face. Other barriers relate to the difficulty of implementing a CSR strategy in competitive capital and product markets. Last, but not least, lacking skills, experience and resources can also hamper the effective introduction of such a CSR strategy.

h. Vague boundaries of societal responsibilities

Concerns exist about managing the supply chain and how far to control subcontractors. Irregularities in the supply chain often lead to reputation damage or litigation. In some instances this can be a two-way process in which subcontractors demand responsible behaviour from their customer. However, some companies do not consider that the supply chain is within their control. The issue is that there can be limits to what a company can do with regard to its suppliers. The more complex the supply chain, the less it can be controlled at reasonable cost. However, it was ETI's view that employers are morally responsible for their workers, even if they are not directly employed by them. They should - and in some cases already have - a duty to comply with standards in health and safety, and other employment conditions no matter where in the supply chain these employees work. It was suggested that the ILO labour standards could be useful in this respect.

Also the unclear responsibilities of other institutions in society add to the vague boundaries of corporate social responsibilities. It was considered necessary that governments clarify their role in society and live up to their responsibilities as well.

i. Complex set of issues and the challenge of working with different stakeholder groups

A company may need to work with different stakeholders, having specific interests and attitudes. It can take time and effort to discuss and align - sometimes conflicting - interest groups and agendas. However, identifying relevant stakeholders is not only the responsibility and choice of the company, it is a process that can be initiated and coordinated by the different parties involved. Workers, for example, are clearly visible and present through their representative structures, including trade unions.

Having clear objectives and processes for the development and implementation of CSR policies and programmes, as well as for the stakeholder dialogue, is necessary (see next point).

j. Difficulty of clear communication and transparency

It is important, yet difficult, to comprehensively inform and communicate with stakeholders having different interests. The argument was raised by some that companies should avoid one-way reporting and presentations. Some believe that transparency might be inhibited by fragmented and incomparable data from a time, company size and geographical perspective.

The way dialogues and discussions are organised can have an effect on the willingness of some parties, including NGOs, to enter into future relationships. Some participants felt that discussions and dialogues about general principles often do not touch the heart of the matter. Some stated that a dialogue should tackle more specific problems, which are relevant to the stakeholders participating in the dialogue. The evolution of the Round Table discussions is a good example of the benefit that can be gained by a more focused 'multi-stakeholder' dialogue.

The issue was raised about the difference and complementarity of social dialogue and CSR. It was agreed that CSR is not the

same as the social dialogue. Multi-stakeholder dialogues are not intended to replace social dialogue. However, as the "internal" social aspect of CSR – where workers and trade unions play a fundamental role - is one of the main CSR pillars, CSR needs to be linked to social dialogue and vice-versa. Meanwhile, some argue that there is a need for a better understanding of the role trade unions can play in the CSR debate and how other stakeholder forum can be structured in order to include unions.

k. Complex corporate structures

It was argued that the majority of large companies are spread all over the world and are divided into departments and divisions (i.e. they function in a vertical way). This can inhibit cross-functional discussions needed for an effective CSR process.

How can all the people involved be taken on board to develop and implement a group-wide CSR policy? International alignment between the different divisions of a company and the creation of a global platform for CSR can be in contrast with multi-national or trans-national approaches that respect the cultural and competitive diversity.

Such barriers were indicated in the cases of UPM-Kymmene, Telefonica and Enterprise & Personnel.

l. Implementing and developing CSR in a competitive world

In the first session of the Round Table, it was suggested that a lot of managers are sceptical about CSR because they believe that it will bring extra costs leading to competitive disadvantage. The case of UPM Kymmene shows that it can be difficult to implement a CSR strategy when competitive pressure is high. It was concluded that it is not easy to implement CSR simultaneously with other business priorities in a balanced and motivating manner.

Moreover, some are convinced that the consumer lacks interest in CSR as products of this nature remain 'niche'. Many con-

sumers are interested in services and/or products representing good value for money, regardless of other concerns apart from product safety. Research results from a study of Consumentenbond showed that consumers are interested but, in most cases, lack information to evaluate the CSR stance of a company. In their view, getting the needed information is the main problem with CSR for consumers.

There might also be a need to turn the table and look at how expensive it can be not to be socially and environmentally responsible.

m. Focus of investors on quantitative short-term financial performance indicators

Capital markets and investment circles often focus on short-term financial performance indicators. Such indicators may seriously hamper the implementation of a fully-fledged CSR strategy within a company on the stock exchange. Since mainstreaming CSR takes time, the pace of transformation and its long-term positive effects should not be underestimated. This is certainly the case in an international group because of the considerable differences in CSR expectations and culture. Moreover, such financial indicators can fail to capture the immaterial value created through better CSR.

Investors claim to be lacking relevant metrics that capture and show the business case for CSR.

n. Lack of skills and resources

It was suggested that numerous companies do not fully engage in adopting CSR strategies because they lack the required skills and resources. Lack of skills and resources can result in ‘add on’ rather than integrated CSR strategies, which are unlikely to succeed. CSR means managing complex stakeholder relations and sometimes making difficult trade-offs. Companies need the right skills to cope with such complex challenges. More difficult management processes and procedures can also necessitate extra human and financial resources, and as such, can

become a barrier for certain firms to fully engage in CSR strategies.

To some extent the lack of information and knowledge can also explain the barriers consumers are faced with when making their buying choices.

2.3 Success Factors

Based on the experiences gained by leading CSR companies, the Round Tables offered an overview of numerous factors that were instrumental in introducing successful CSR strategies.

Some of these success factors rely on the specific competencies of firms and their positive approach towards CSR (like commitment from the top, engagement of all employees, adapted business models). Others depend more on a favourable framework and environment, which helps to stimulate true CSR attitudes and practices (like mutual trust, commitment of all stakeholders, flexibility).

o. Commitment of and support from the top management and of the whole organisation

Leadership is required to inspire and mobilise everyone throughout the company and to ensure wider understanding of CSR benefits and implications. In several cases during the two Round Table meetings, it was stressed that ongoing support from top management was a crucial success factor for mainstreaming CSR.

p. Integration of CSR in corporate strategy and its translation into the daily operations

Coherence between corporate culture, core business finality and CSR principles is necessary, but not evident. As employees face CSR challenges in their daily activities, they too need to fully understand the commitments of the firm. Therefore, it is important to translate CSR into an understandable language for all employees so that they can see how their job can contribute to the CSR policy of the company and how their actions impact upon the company’s reputation. In addition to employee education, however, there is also a need for involvement of employees and

their representatives in the development and implementation of CSR policies and programmes.

It was also mentioned that short-term individual interests may conflict with CSR objectives. Some participants suggested that aligning job functions and bonus systems with those objectives would help resolve these conflicts.

q. CSR strategy and policy that goes beyond mere ad-hoc initiatives of corporate citizenship

Ad hoc approaches towards CSR were criticised by some participants, which favoured the development of a more holistic approach to manage the whole CSR process. From the Telefonica case and their concrete experience in Peru, we learned that philanthropy is not a sufficient condition for CSR. Philanthropy is, however, not a bad thing. A company, willing to engage in this, should try to combine these initiatives with including CSR in its business strategy and processes.

r. Possibility to rely on existing management systems and processes

It was argued that mainstreaming CSR becomes easier if a company can rely to a certain extent on already existing management systems and processes. This is, however, not possible or relevant in all cases, as different goal setting, monitoring, assessment etc., may be required. Separate CSR systems were thought not to add to a successful mainstreaming. Therefore management systems in force that are gradually adapted and enriched with CSR components were seen as more appropriate. Hence the great importance of research to adapt management disciplines and integrate CSR principles in traditional management tools. Some interesting routes can already be found in the business world, such as the adaptation of Chiquita’s balanced scorecard to include CSR objectives.

This should not mean that companies cannot develop their own CSR management systems. The Danone Way (first session) and Telefonica’s reputation

management model (second session) are good examples of this.

s. Adequate data gathering and communication about companies’ CSR performance

The greater need/demand for transparency is embedded in a more general trend of disclosing a broad set of social and environmental indicators that go beyond the traditional financial indicators. Increasing importance is attached to intangible assets and, in this respect, issues related to performance in terms of stakeholder expectations and CSR can be included. Adapted communication and reporting frameworks may offer a better chance for a successful implementation of a CSR strategy. It was demonstrated in a number of cases that companies and other organisations have developed specific indicators, e.g. to measure the reputation risk of CSR performance. The verification process and evaluation of goals that have been set should also be taken into consideration.

t. Trust

Trust is not only a success factor in stakeholder relations, it is also necessary for employees and the company as a whole to have trust in the CSR process. Trust in the process depends on the presence of clearly stated goals. Further, transparency concerning the plan for action and the process can stimulate trust. When goals are clear, their achievement can be evaluated and monitored. This structured approach may contribute to building trust in the process. Which factors might contribute to building trust merits further exploration by the Round Table.

Disagreement can appear in every dialogue. The way disagreements are coped with and managed can be decisive for the building of trust. Some argue that trust is not only a prerequisite but also a result of a clear and open dialogue with well-defined goals. Others stress the need for partners that are willing to engage and co-operate.

u. CSR instruments and processes have to be sufficiently flexible

From the RT discussions, it became clear that it is important to know where every business unit or division is situated in the CSR process. This was referred to as “CSR maturity”. Therefore, it is important that applied CSR instruments and processes are sufficiently flexible in order to allow different business units and divisions that are at different stages of maturity and in different situations to use them.

v. Engagement with stakeholders and commitment of other parties in society

CSR is not a matter for companies alone. It was clearly stated by some stakeholder groups, that CSR is not only about the 'business case'. Companies have to be able to rely on the commitment of other parties in society. This is referred to as societal responsibility by ETI. A company should be able to count on its stakeholders. Key business partners and customers have to contribute, as well as local and supranational authorities.

The involvement of employees and their representatives is key and local stakeholder groups as well as NGOs can offer valuable advice and expertise. Examples were given concerning area planning, including mobility considerations, housing close to the work place and other amenities.

w. Availability of tools and multi-stakeholder initiatives

CSR standards and instruments such as the ILO core labour conventions, the OECD Guidelines for Multinational Enterprises, the Global Reporting Initiative (GRI), the EU’s Eco-Management and Audit Scheme (EMAS), SA8000 and AA1000 can be used as an aspiration/guide for implementing CSR into companies’ daily management practices. Furthermore, private standardisation bodies are also developing standards that incorporate social and environmental aspects.

x. Opportunities to learn from, and with peers

Broad, multi-stakeholder CSR initiatives – national, regional, sectoral, – provide the necessary framework for individual companies, ensuring a coherent and more supportive approach to CSR (e.g. ETI, Responsible Care).

3. Areas for further consideration

Some suggestions were not sufficiently discussed to enable the drawing of conclusions. This could be because of lack of agreement on the content of the suggestion, or because due to lack of time there was no sufficient in-depth discussion on the issues involved. The following list includes some of these suggestions.

y. Public procurement

Some argue that governments and local authorities could also act responsibly by integrating the respect of CSR principles into their public procurement criteria. Given the significant amounts of public procurement, such a policy is seen by some as a potential driving force. Others argue that a number of uncertainties and dangers of distortion of competition arise from the integration of social and environmental criteria into public procurement and this is therefore not seen favourably. They consider that - given the voluntary nature of CSR - linking CSR and public procurement cannot be justified and would amount to discrimination against other bidders.

z. Promotion of Socially Responsible Investment (SRI)

During the first Round Table session, some suggested that governments could play a role in stimulating ethical investment/SRI, for example through tax incentives (as is already the case in the Netherlands, for example). Others argue that specific state intervention is not necessarily needed and prefer to rely on market-led developments for SRI to become a more important and sustainable element in investment policies and financial markets.

aa. Risk and Liability issues

Since the RT based its work on the EC definition of CSR, the issue of liability, which is linked to legal and/or contractual obligations, goes beyond the voluntary character of CSR. It has therefore been criticised as not being relevant for this RT. Nevertheless for the sake of completeness of this report, attention should be paid to the diverging views in this respect.

The point of liability issues was raised in the third session of this RT. Corporate liability and the risks involved were approached both from a positive and from a negative point of view. Since reducing risk is in everybody's advantage and interest, it would be beneficial to the corporation as well as to society at large if CSR would result in risk reduction. This has a direct effect on insurance premiums and hence, can be considered as a positive financial driver. On the other hand, if the business world is unable to answer the societal needs, new liability legislation could be further forced upon them.

Others reacted by saying that there are already sufficient laws. The discussion on CSR in this EMS Forum starts from the EU definition, stating that CSR goes beyond the legal obligations. A good example in this respect can be found in the OECD Guidelines which are already a widely accepted tool. Others pointed out that CSR and legislation ought to be mutually reinforcing to have good compliance and CSR. CSR shouldn't be considered as solving the problems of a lack of legislation or compliance. More attention needs to be given to the process behind legislation and compliance. This process has to be efficient and effective. The solution is not more or less legislation but better legislation.

4. Conclusions and recommendations identified and explored

This part summarises the discussion around possible recommendations and major issues raised throughout the three waves of the Round Table.

4.1 Raising Awareness and improving knowledge on CSR

4.1.1 Awareness creation by stakeholder groups

This EMS Forum has been developed under the guidance of a wide variety of stakeholder groups. These groups can further stimulate the CSR awareness of all societal partners. Raising awareness and improving knowledge on CSR related issues should not be limited to companies, but also concerns other relevant players. Several players in society can contribute to a positive approach towards voluntary CSR and the valuing of company practices in these areas. It was suggested by some, for example, that better awareness could be created among consumers. This could also include the search for more transparency about CSR practices.

4.1.2 Awareness effects of peers

Companies with well-implemented CSR policies could stimulate their peers in adopting a CSR strategy relevant to them, while at the same time making their knowledge and experience available to their peers. If such companies help other companies to implement a CSR strategy and these companies follow in their footsteps, a true multiplier effect can be created.

4.1.3 Research to raise awareness and improve the knowledge of CSR

It was agreed that more research on the many facets of CSR will be useful.

Research can be aimed at raising the level of understanding with regard to CSR, stimulating corporate thinking about CSR, developing a compendium of good practices and cases.

A stock taking exercise of existing tools and instruments (rather than promoting one instrument or tool) might also be part of a larger research effort. Other research can include research into tools such as integrated performance indicators and comparative analysis of cases.

It was suggested, based on the results of the Lisbon Summit, that more research is needed on the link between CSR and sustainable development, and on the link between sustainable development and competitiveness. Neither the EMS Forum Round Table presentations, nor academic literature have been able to deliver conclusive proof of the CSR business case, whereas many companies have highlighted their individual business case for CSR. Without this, it was shown that it is difficult to convince investors as well as top management to adopt a true CSR strategy. One of the barriers, explicitly referred to in the second Round Table, relates in fact to the difficulties of implementing a CSR strategy in a competitive environment. Research could be undertaken to help better understand the business case and look into the issue of the influence CSR might have on business performance

More research on stakeholder engagement would also be welcomed. For some companies and in some industries, it is not always an easy task to bring stakeholders together. Sometimes, there is unwillingness from stakeholders to engage in dialogue.

It was also stressed that there is a strong need for collaborative research, action research, and interdisciplinary research. In this respect, reference can be made to the European research initiatives on CSR which are due to start in June 2004 with the support of the Sixth EU Framework Programme for Research and Technological Development (FP6). Possible areas for research include among others: strategy, governance, business models, leadership, learning, policy framework and societal context. The European Academy of Business in Society will play a key role in co-ordinating and disseminating progress

on the latest research activities related to CSR across Europe to all stakeholders.

4.2 Developing the capacities and competencies to help mainstreaming CSR

4.2.1 Corporate training

The development of the right attitudes and skills for all employees including apprentices to help them cope with the daily practice of CSR received some focus. It was suggested that CSR is not a stand-alone issue, but a dimension of management. As such, skills will have to reach further than PR skills. Hence, CSR could be gradually integrated into management training and functional departments across all levels of the organisation, including strategy, R&D, purchasing, marketing, sales, human resources, communication and operations.

4.2.2 Networking with partners in the supply chain with special attention for SMEs and companies in less developed countries

Companies can play a role in ‘educating’ not only their peers, but also their partners in the supply chain. Companies can encourage their suppliers to adhere to certain requirements and may influence them through their purchasing behaviour. In this context, companies can also play a lead role for their suppliers. Improving knowledge is, however, not a one-way process. Purchasers and suppliers need to improve their understanding of global supply chain issues and the impact of purchasing practices. However, when further considering this issue, the complexity of managing a supply chain and issues discussed under point 2.2.a should also be taken into consideration.

In order to enhance the creation and implementation of CSR policies, it has been recommended to exchange best practices between firms, with special attention for SMEs, but also for less developed regions. However, since there are no globally accepted “CSR standards”, transferring relevant CSR practices and

instruments to companies in developing countries needs careful consideration and planning. This is an area that calls for partnerships.

4.2.3 Capacity building for stakeholders

Stakeholders (NGOs, Trade Unions, Media, etc.) should also invest in training their constituencies on CSR issues. This is necessary to understand the subject better, to develop their role as facilitator or catalyst, and also to mainstream CSR in their own organisations. It was pointed out that not all stakeholders have the same resources to invest in capacity building and that support may be needed in order for stakeholders to be able to engage with companies.

4.2.4 Mainstreaming CSR in the curricula

Business schools, universities and other education institutions have an important role to play in order to build the necessary capacity for relevant CSR strategies. Their core business is indeed about education. In this capacity they need to help companies improve their capacities to coherently approach CSR. But they educate not only the business world. They are essential to improve the knowledge on CSR for everybody, in our capacity as consumers, employees, stakeholder partners, etc.

An important factor is that CSR should be mainstreamed into traditional courses and to a lesser extent considered as optional courses. This last approach can however be seen as an important first step into the direction of mainstreaming CSR in the curricula. CSR issues should be included in the curricula of future managers (Masters and MBA) but also in curricula of graduate students (universities) and in executive education (managers) and in other educational institutions.

4.2.5 Developing CSR case studies and research

As has been highlighted during the Round Table presentations, there is a great need for building case studies as teaching tools,

thus creating awareness and developing the skills of future managers and other stakeholders. Especially professional and managerial staff need the abilities to participate in discussions on responsible management and negotiate ways of assessing the company's societal performance and exchanging opinions with other stakeholders.

4.2.6 Promotion of existing instruments

International organisations, such as the ILO, could work together with companies and other parties for capacity building. Other existing, and accepted, standards such as the OECD Guidelines could be further promoted.

4.3 Ensuring an enabling environment for CSR

4.3.1 Networking from a sector approach

As some cases presented during the Round Table meetings have shown, a close collaboration between firms in specific sectors can enable the awareness for CSR and facilitate the transfer of knowledge between firms. Hence, the suggestion by some to look at stimulating sector networks.

4.3.2 Networking between stakeholder groups and companies

It has been suggested that innovative relationships with companies and stakeholders could enhance the process of stakeholder dialogue and CSR mainstreaming.

The role of the media in creating an enabling environment should not be underestimated.

4.3.3 Networking between stakeholder groups

Given the important specialist views and experiences available in the different stakeholder groups, networking between them and access to information could be beneficial for all parties involved. It could also help the dialogue with the business world.

4.3.4 Collaboration with all relevant partners to establish some kind of a ‘CSR-resource centre’

The suggestion to establish a resource and knowledge centre was shared by different participants in the RT. Possible activities of such a centre could be to market existing tools for those that are implementing CSR, and to stimulate CSR. This initiative could be based on existing networks or experiences such as CSRwire.com, to name one. Questions remain about the target audience, structure and responsible party for initialising this.

Numerous disagreements exist as to the concrete aspects of such an initiative. Some suggest a multi-stakeholder “instance”. Others think more clearly - in the context of a resource and knowledge centre - of something virtual, a central web-site bringing together different information on CSR and helping knowledge

building, clearly not being about some kind of multi-stakeholder structure. Moreover, the idea of a clearing-house was not shared at all by the business and employer side.

4.3.5 Enabling efforts by governments & international organisations

One of the challenges for public authorities is to develop consistent policies with regard to fostering competitiveness and sustainable development. Several stakeholders also supported more consistency between Member States initiatives. One possibility mentioned by the Commission and supported by some participants was peer review through the High-Level Member States Group. With regard to the Lisbon Summit, a closer look at the link between sustainable development and competitiveness could be especially useful

Annex 1 - SUMMARY OF CASE STUDIES

Danone & IUF

Danone considers CSR and sustainable development as a lever of performance. The founder of Danone laid the foundations of the dual commitment of Danone, being a commitment to business success and a commitment to social responsibility. This is translated into a well-established set of social responsibility practices.

In this context, Danone closely collaborates with IUF (International Union of Food Workers). After a few years of a collaboration that was based on exchanging information, a common viewpoint was established in 1988. Danone and IUF agreed upon a number of principles like providing sufficient and relevant information to workers' representatives and unions, equality between men and women at the workplace, skills training, and union rights.

Further, they established a joint understanding in the event of changes in business activities in which Danone gives unions room to come up with an alternative plan for restructuring decisions. Danone also guarantees future employment or other solutions in case of restructuring.

IUF has a number of positive experiences in this context. Positive aspects are, amongst others, recognition of the trade union movement, negotiation framework agreements and information on agreements. Still, a number of problems are detected in this collaborative structure. The implementation of this collaboration in non-European companies is lacking to a certain extent and the control of implementation can be improved.

The question was raised whether having good relationships with one stakeholder was a sufficient condition for CSR. Danone showed its “Danone Way”, a performance measurement system that takes into account a much broader set of stakeholders. One of the future steps will be to provide more information, not only to unions, but to stakeholders and the public at large.

Norsk Hydro & Transparency International Norway

The case of Norsk Hydro showed that the concept of CSR has evolved a lot in the past 100 years. Although the founder introduced the concept from the very beginning (e.g. housing for employees, but also board seats for employees), it was only recently (in 1999) that CSR was integrated into management and training programmes. New products were produced by means of conduct and guidelines on Hydro Social Responsibility.

The case of Norsk Hydro showed that a number of dilemmas are apparent, for example, short-term profits vs. long-term gains, a large CSR-project vs. integrating it in the competitive daily business, general CSR approach vs. regional (cultural, regional, and ethical) requirements.

The Norsk Hydro case chiefly tackled the challenge of bribery and corruption and discussed constructive dialogue with NGOs such as Transparency International. Notwithstanding the good collaboration between Norsk Hydro and Transparency International, it was clear from the discussion that a lack of clear standards on transparency and regulation can cause some serious problems.

Insight Investment & Amnesty International

Insight Investment showed that investors have a duty to society to hold companies to account for achieving high standards of CSR. Insight Investment are concerned not only with how much profit a company makes but also how profit is made.

Amnesty International works together with parties such as Insight Investment for multiple reasons. The most important reasons are that through collaborating with the investment community, they gain access to business leaders and hope to persuade companies to integrate human rights, corporate governance, etc. through using the leverage of the investment community.

Insight Investment also showed the business case for responsible investing for them (e.g. better reputation and better risk management). As investors have a deep understanding of industries and companies, they are excellent partners for organisations such as Amnesty International. A number of motivations for their collaboration were addressed. It was argued that most companies lack explicit human rights policies relating to internationally recognized protocols and standards. Furthermore, few companies have a designated board member responsible for the company's wider social and environmental impacts. Desired outcomes of this collaboration are, amongst others, to make companies more aware of human rights and of international principles, standards and protocols. Furthermore, they want make companies more motivated to develop appropriate policies and implementation mechanisms.

CSR Europe, Entreprise & Personnel and Euronext

CSR Europe and Entreprise & Personnel conducted a survey with 12 companies from different industries and different countries. The objective of the survey was to help companies identify principles for action towards CSR.

The focus of the survey was on how CSR interacts with strategy and how organisational structures and processes could be adapted to implement a CSR friendly strategy. Further, the study looked into how CSR could be integrated into people management and how an integrated approach to CSR produces innovation.

A number of drivers (e.g. financial gains through eco-efficiency, attracting talent), success factors (e.g. relying on structures in place, corporate culture, business finality) and barriers (e.g. exercising CSR in different cultural zones) were identified.

Another study was conducted in 2002 by CSR Europe and INSEAD in cooperation with the Investor Relations Society. This study takes a closer look at the IR department through gauging their awareness of CSR, analyzing the interaction with investors on social/environmental performance, and analyzing the impact of this issue on their work.

The study showed that IR officers played a new role as catalysts of CSR both internally and externally. Other trends are that social and environmental performance will probably be gradually integrated in company assessment by the mainstream financial community. It is expected that the integration will probably start through a more global risk management approach and the assessment of their potential financial impact. However, possible limits could be the focus of investors on quantitative and short-term measures.

UPM Kymmene, Stracel and WWF

At UPM-Kymmene, CSR has been on the agenda since 1870 but not under that name. The CSR function was established in 2002. It comprised three domains: environmental strategy, producer responsibility, and social responsibility.

Implementing CSR systematically in a multinational corporation is a process that takes time. First of all, there was board and top management commitment. Then relevant guidelines (such as OECD Guidelines for MNEs, ILO) were introduced into group policy documents. It was of critical importance to get all business partners committed. The social responsibility mainly covers employee issues (involvement, health & safety, training), customer issues (product safety), local communities and supply chain management.

There is still room for improvement (e.g. in collaboration with WWF) on aspects like transparency (now internal audit) and a more global approach (quality difference of CSR due to cultural and legal differences). A dilemma to which UPM Kymmene pointed was the question whether a withdrawal of Western companies from countries with a low social and environmental sensibility, which could be a way to avoid compromising own values and criticism from NGOs, would improve the situation in these countries.

Telefonica & Fundacion Empresa & Sociedad

Telefonica wants to behave as a group with common policies for the management of both hard and soft assets. Telefonica considers its total value as the sum of intangible value, relational value and financial value. Intangible value consists of reputation, brand, values, and corporate governance. Relation capital is the value of the stakeholder relations. Their goal is to make the most of the company's value through a better management of these intangible assets.

Corporate reputation is the number one risk and is much larger than is commonly believed (AON, October 2001). Reputation is managed through a multi-stakeholder approach aiming at measuring and managing the gaps per stakeholder between expectations and (perception of) CSR performance. The Corporate Reputation Management Model (CRMM) takes a stepwise approach:

First, area goals are set (consolidation of business units in 143 indicators). Second, stakeholders are identified. The stakeholder groups represented in the CRMM include investors, customers, society, suppliers, regulators, employees, and media. All these stakeholders are potential sources of risk which might lead to reputation damage. Trust is the main value for the reputation of Telefonica. Trust is jeopardised whenever a stakeholder feels that he/she is being neglected. Therefore, knowing who the stakeholders are and what they want is crucial for a company's reputation.

A next step is to draw up a matrix to list the stakeholders and the potential risks involved. In the case of Telefonica, 750 risks are identified. Because not all risks can be tackled at once, it is necessary to decide on a reduction of the number of priority risks. The list of the top 150 risks is then confronted with the respective expectations and evaluations of stakeholders. Telefonica aims at having balanced relationships with its stakeholders.

Following from this, an integrated corporate reputation map is established. By and large, the CRMM aims especially at closing the gaps between “what Telefonica says”, “what they do”, and “who they are”.

A number of spin-off projects were established, focusing on values, business code, institutional presence (in institutions such as GRI, UN Global Compact, etc.), intangible assets, re-

porting a CSR Strategic Plan. Furthermore, reputation workshops are organised in every area (HR, finance, marketing, etc.). The main target of these workshops is to define common corporate plans in order to minimise the effect of the main risks and to establish measures to avoid them.

OECD Guidelines

OECD LEVEL:

“The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws.” (OECD Guidelines, 2000)

The guidelines have a voluntary (or ‘non-binding’) nature, fostered by the OECD and BIAC (Business Industry Advisory Committee). Should the voluntary character of the guidelines disappear, then 80 % of the guidelines would no longer be accepted. The guidelines focus more on the implementation of CSR than on its definition. There is also a legally binding element. Adhering governments are legally obliged to set up NCPs and to follow strict procedural guidance guaranteeing transparency and confidentiality.

In contrast to the UN Global Compact, the OECD Guidelines are very detailed. They consist of 13 pages of guidelines and 15 pages of clarification, whereas the UN Global Compact has only 9 principles.

Every adhering country (all 30 OECD countries and a growing number – at present 7- of non-OECD countries) has a National Contact Point (NCP). Their main task is to implement the OECD guidelines, by undertaking promotional activities, handling inquiries about the guidelines and contributing to the solution of specific issues. NCPs have to live up to four criteria: accountability, visibility, transparency, and accessibility. The main partners are BIAC (Business Industry Advisory Committee) and TUAC (Trade Unions Advisory Committee). BIAC provides the private sector’s view on OECD studies and policies. TUAC is an interface for trade unions to the OECD. TUAC developed a user’s guide to the OECD Guidelines for MNEs which is intended to help trade unions world-wide in using the guidelines. Individual NGOs have been involved in the process from the outset. They recently organised themselves in the “OECD Watch”.

CZECH NCP LEVEL:

The Czech NCP was established in 1995 after the accession of the Czech Republic to the OECD. The NCP’s responsible person is the director of the International Organisation’s Department at the Ministry of Finance. It solved two cases, Siemens and Bosch, to all the parties’ satisfaction, including the employers’ association and the trade unions.

Czech BIAC recognises a major importance of Foreign Direct Investment (FDI) for the Czech Republic. Therefore, the OECD guidelines are a welcomed instrument for helping to improve the foreign investment climate. BIAC especially recognises the Czech NCP’s vital role in this process.

Federchimica & EMCEF/FEM CA CISL

The Responsible Care Programme of the Chemical Industry is a voluntary initiative of the global chemical industry (CEFIC –EUR; ICCA – international council of chemical associations) in gradual collaboration with trade unions. Other stakeholders are not officially involved yet. The initiative is already implemented in 47 countries, covering 85 % of the

global chemical production. It was launched in 1985 in Canada, in 1987 in the USA, and then introduced in Europe in 1990. In 1992, it was launched in Italy.

Through their national associations, companies publicly commit to continuously improve the health, safety and environmental performance of their operations and products.

The Responsible Care initiative has eight fundamental features, each being at different development levels throughout the different countries:

1. formal commitment by CEOs (appr. 70 % in place),
2. codes, guidance notes & check-lists (appr. 80 % in place),
3. progressive development of indicators (appr. 70 % in place),
4. ongoing communication with internal and external audiences (appr. 50 % in place),
5. sharing views and exchanging experiences (appr. 65 % in place),
6. adoption of title and logo (appr. 65 % in place),
7. encouragement to commit (appr. 40 % in place), and
8. verifying implementation through a self-assessment, based on a standard checklist (appr. 45 % in place).

Overall, the Responsible Care Programme was implemented for approximately 65 % in all 45 countries (at the time of the survey, now 47). Another 10 % the Programme is in the course of being implemented. Countries that have recently joined the initiative are at lower levels of implementation than the older, more mature national programmes.

Specifically in Italy, 165 companies are involved in the Responsible Care Programme, representing approximately 65.000 employees, which is one third of the total number of employees in the Italian chemical industry. It is a voluntary commitment to behaviour change, continuous improvement of HSE performance and open communication with all stakeholders.

There are five guiding principles that outline the scope of the Programme:

1. Employees' Safety, Health and Environmental Protection included in the enterprise policy;
2. Industrial practices and behaviours oriented to Safety, Health and Environment;
3. Co-operation with customers and suppliers for the safety of products and their residuals;
4. Transparency in information and co-operation with the external world;
5. Principles support and experience sharing with other enterprises.

For the Italian chemical industry, HSE performance improvements are communicated in the annual Responsible Care Report, now already for the eight consecutive time. The Responsible Care Programme helped to develop indicators for business performance, which also inspired further legal steps.

In addition to what is happening with trade unions at European level (Memorandum of Understanding among CEFIC, ECEG and EMCEF), there is an ongoing cooperation process at national level: Responsible Care is cited in the national contract for chemical workers, and Joint technical groups (industry and trade unions) are dealing with themes like contractors operation and "big maintenance", to be included in joint HSE guidelines.

Chiquita and Ethical Trading Initiative (ETI)

ETI is a true example of a voluntary tripartite initiative between individual corporations, trade unions and NGOs. It started in 1997 with UK companies in the retail sector, mainly focusing on food and clothing. It is the intention of ETI to broaden its scope and include sectors like furniture, jewellery, etc.

The main purpose of the ETI is to enhance the quality of life of the employees throughout the supply chains of the companies in the industries in which the ETI is active. The basic hypothesis is that companies are morally responsible for workers in their supply chains, even though they do not directly employ them.

The ETI’s activities are experience-based, rather than verifying. ILO Labour Standards are used as a reference framework for members that voluntarily commit themselves to a code of conduct throughout the supply chain. ETI views its initiative as a mechanism to help promote continuous improvement rather than static goals.

Chiquita has a productive relationship with ETI concerning learning and experience exchange through dialogue and co-operation. Corporate Responsibility at Chiquita means three things:

- Managing all operations in accordance with a set of core values (integrity, respect, opportunity, responsibility) and a code of conduct (based on SA 8000)
- Achieving high environmental, social and ethical standards
- Balancing the interests of all stakeholders.

The environmental and social action has gradually increased through the years. Starting in 1992 with the Rainforest Alliance “Better Banana Project”, Chiquita updated its code of conduct based on SA 8000 standards in 2000. In 2001, there was the labour rights framework agreement with the IUF. In 2002, Chiquita became an ETI Member, in December 2002, Chiquita’s Costa Rica division earned SA 8000 certification, and its divisions in Colombia and Panama are working to achieve SA 8000 certification. The advantage of certification is that it requires discipline, clear targets, public commitment and continuous improvement.

Corporate Responsibility is also integrated in the daily business of Chiquita. There is a vice-president of CR, who reports to the CEO and the Audit Committee. In all divisions, CR specialists are appointed. The implementation of CR is monitored and governed by management systems and procedures. CR is fully integrated into the strategy and the objectives of the company. Furthermore, CR is reflected in the managers’ annual bonus.

Consumentenbond

Consumers have become more and more interested in the production process of the products they buy. In order to advise consumers that want to make responsible choices, the Consumentenbond started research into the CSR policy embedded in consumer products. The Consumentenbond conducted research into CSR aspects of production in 4 product areas. For chicken and pork, clothes, wooden floor and mobile telephones it was investigated how much information end producers and retailers were willing to share on their products and the way they were produced along the production chain. Also, ample research among consumers was conducted.

With regard to the meat industry, the research showed that the consumer receives insufficient information. The research found that the clothing industry is rather reluctant to discuss about supply chain issues as they were not aware of all suppliers and their production methods. NGOs are certainly addressing these issues, but they focus on conflicts rather

than on sector or product evidence. In the wood industry, there is a lot of self-regulation. However, labels can be misleading and it is difficult to obtain more relevant information. In the mobile phone industry most companies are MNEs with ethical codes and monitoring devices. However, given the complexity of their products, they do not have a view on the CSR policies of their suppliers. The complex supply chain can go up to 1000 suppliers.

The research concluded that there is insufficient reliable information for consumers to make responsible choices. The study also found that there was not enough willingness of business to collaborate in the process of information gathering. Especially retail stores were found to remain too passive. The suggestion was made to enforce better transparency on the respect of CSR in the process of producing and distributing consumer products.

Annex 2 - LIST OF PARTICIPANTS

First meeting of the Round Table « Improving Knowledge about CSR and facilitating the exchange of experience and good practice”, 12 February 2003, Brussels

CHAIR: Mr Pedro Ortún, Director, Enterprise DG

RAPPORTEUR: Prof. Lutgart Van den Berghe

Mr Lieven Somers, Assistant to the Rapporteur

EMPLOYERS

CEEP (European Centre for Public Enterprises and Services of General Economic Interest)

Mr Luc Perrouin, Direction des Relations Extérieures, France Télécom

Eurocommerce

Mr Ray Baker, B&Q

Ms Christelle Maes, Senior Adviser, Eurocommerce

UEAPME (European Association of Craft, Small & Medium-Sized Enterprises)

Mr Luc Hendrickx, Director Enterprise Policy, UEAPME

UNICE (Union of Industrial and Employers' Confederations of Europe)

Mr Vidar Lindefjeld, Director, International Employers' Relations, Confederation of Norwegian Business and Industry – NHO

Mr Adrian Payne, Head of Corporate, Social and Regulatory Affairs, British American Tobacco

Ms Natascha Waltke, Adviser, UNICE

Mr Roberto Suarez, Confederación Española de Organizaciones Empresariales, CEOE

TRADE UNIONS

ETUC (European Trade Unions Confederation)

Ms Penny Clarke, Adviser, ETUC

Mr Patrick Itschert, General Secretary, ETUC Tci

Mr Mats Svensson, Industrifacket

Mr Paul Kolm, GPA

Mr Edgardo Iozia, UIL

Ms Sandy Boyle, UNIFI / Uni Europa

Ms Hardy Koch, EMF - FEM

EUROCADRES

Mr Dirk Ameer, Executive Officer, Eurocadres

BUSINESS NETWORKS & ORGANISATIONS

CECOP (European Confederation of Workers’Co-operatives, Social Cooperatives and Participative Enterprises)

Ms Agnès Mathis, Responsable Affaires Européennes, CECOP - FEBECOOP

Ms Sevdalina Rukanova, International Programmes Coordinator

CSR EUROPE (The European Business Network for Corporate Social Responsibility)

Mr Jan Noterdaeme, CSR Europe

Ms Elisabeth Alteköster, Head of VW Liaison Office in Brussels

Mr Maarten Capiou, Ahold

Ms Elena Bonfiglioli, Microsoft

Mr Alin Stanescu, CSR Europe

ERT (European Round Table of Industrialists)

Mr Reto von Keller, Siemens AG

Ms Kathie Harris, ERT Secretariat

EUROCHAMBRES

Ms Cindy Fökehrer, Eurochambres

Mr Markus Stock, Austrian Federal Economic Chamber (WKÖ)

WBCSD (World Business Council for Sustainable Development)

Mr Andrew van Chau, WBCSD/CSR Europe

CIVIL SOCIETY ORGANISATIONS

Amnesty International

Mr Peter Frankental, Amnesty International UK

BEUC (European Consumers Organisation)

Ms Melanie Peters, Consumentenbond

Ms Grit Munk, Danish Consumer Council

FIDH (International Federation For Human Rights)

Ms Marie Guiraud, Responsible for Human rights and globalization, FIDH

Social Platform (The Platform of European Social NGOs)

Mr Patrick de Bucquois, Secretary General, CEDAG (European Council of Voluntary Organisations)

Mr Owen W.J.Espley, Quaker Council for European Affairs

Ms Denise Auclair, CIDSE / Caritas Europe

Mr Marius Wanders, Caritas / Europe

Ms Suzy Summer, Solidar

OBSERVERS

ACP secretariat

Dr. Pa’O H. Luteru, Assistant Secretary-General

Eurosif (European Sustainable & Responsible Investment Forum)

Mr Matt Christensen, Executive Director, Eurosif

Global Compact / WBCSD

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CASE STUDY 3

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BEUC (European Consumer Organisation)

Ms Grit Munk, Danish Consumer Council

FIDH (International Federation for Human Rights)

Mr Alan Dreanic, FIDH

Green 8 (Group of 8 Environmental NGOs)

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Social Platform (The Platform of European Social NGOs)

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CASE STUDY 3

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Ms Veronica Nilsson, TUAC

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Mr Vladimír Matousek, Czech-Moravian Confederation of Trade Unions

Day 2 (3 June 2003)

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Mr Antonio Scalfaro, EMCEF/FEM CA-CISL

Mr Oraldo De Tomi, EMCEF

CASE STUDY 2

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Ms Laura Currie, EDELMAN/Chiquita

CASE STUDY 3

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Third meeting of the Round Table « Improving Knowledge about CSR and facilitating the exchange of experience and good practice”, 17 February 2004, Brussels

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BEUC (European Consumers Organisation)

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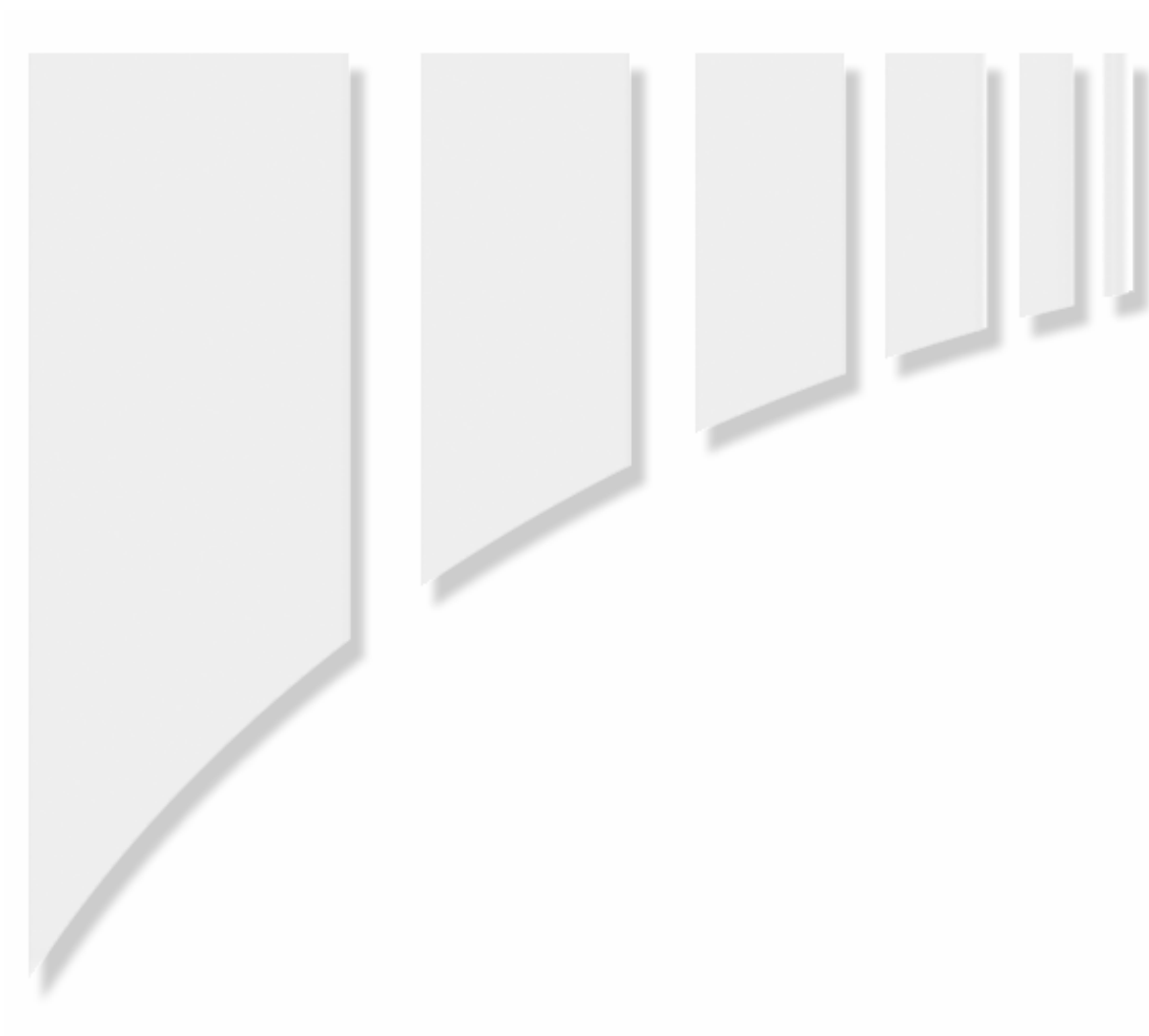
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Ms Liz Scurfield, Quaker Council for EU Affairs
Ms Denise Auclair, CIDSE / Caritas Europe
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Round Table

Fostering CSR among SMEs



Final Report

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Executive Summary

Corporate Social Responsibility (CSR) is not a “bolt-on” to how business is run. It goes to the core of how business does business: how it sources, manufactures, markets and how it engages its stakeholders and the wider environment. CSR is about the long-term sustainability of business and of society. It is relevant for businesses of all shapes and sizes. Relatively little is known about CSR amongst small and medium sized enterprises (SMEs). Where SMEs are doing it, they may not use the language of CSR. Just as the best of SMEs are a source of innovation for business generally, so it can be assumed that the best of environmentally and socially responsible SMEs will offer CSR innovations. Efforts to engage more SMEs in CSR should be mindful of this fact. They should reflect the daily realities of SME life. They should work through channels as close to SMEs as possible, which SMEs already use and trust. This will involve a range of initiatives at local, regional, national, EU and sectoral levels. They will include initiatives from different stakeholder groups such as staff and consumers. There is an important role in improving and sharing knowledge about CSR and SMEs for social partners, business organisations and public institutions as well as universities & business schools.

1. Context & Initial Observations

1.1 The importance of small businesses and responsible entrepreneurship

Much of the focus in CSR so far – and most of the available tools and initiatives such as the Corporate Responsibility Index or the Global Reporting Initiative – has been about big business. The very phrase “Corporate Social Responsibility” implies a certain size of enterprise. How do SMEs do CSR and how do we engage with the mass of the 25 million SMEs across the EU? This has been the “exam question” addressed by this series of Round Tables. In doing so, it was recognised that the issues and, therefore, the approaches to, and the tools most relevant for, different sizes of SMEs from the sole-trader, through the micro-enterprises to the small business and the medium-size enterprise may be different.

The Round Table has worked on the basis of recognised EU definitions for “SMEs” and for CSR. As from January 1st 2005¹, SMEs are:

Enterprise category	Headcount	Turnover or	Balance Sheet Total
Medium-sized	< 250	Up to 50m Euros	Up to 43M
small	< 50	10	10
micro	< 10	2	2

CSR is defined by the EU 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 is not, therefore, some ad-hoc, bolt-on activity. It has as its starting point, respect and support for the law; but it goes beyond legal and contractual commitments. At its best, it goes to the heart of how a sustainable successful business is run: engaging stakeholders; thereby determining what CSR particularly means for that particular business; and then continuously striving to minimise negative social and environmental impacts and to maximise positive impact.

The Round Table has not thought it appropriate to reformulate the definition of “CSR” although it recognises that both within the EU and internationally, the term is used to mean different things – and some management gurus, businesses and stakeholders have criticised the imprecision of the term and its interchangeability with other terms like “corporate citizenship.” The Round Table did, however, have to consider the applicability of the term to SMEs. In particular, it recognised that for SMEs where there is a heavy turnover of new entrants and businesses ceasing to trade; where most face intense daily pressures to survive; and where they face what may often seem like a constantly changing and extensive range of regulatory requirements, then simply meeting relevant environmental and social legislation will be a substantial commitment. There is a widespread fear amongst SMEs about additional regulatory burdens. All this needs to be appreciated in any discussion of CSR and SMEs. Sometimes too, heavy demands placed on SMEs at the end of long supply chains can translate into pressure to cut costs in such a way

¹ Commission Recommendation May 6th 2003 2003/361/EC replacing 1996 Recommendation. This made no change to headcount categories but reflected inflation.

that social and / or environmental responsibilities are jeopardised.

The case-studies and discussions showed that many SMEs believe that CSR if effectively internalised – “the way we do business around here” – could be a source of competitive advantage for individual firms – as well as benefiting society as a whole. For large and small companies alike, the starting point for CSR should be the same – the realisation that CSR can help create sustainable businesses and sustainable societies. As such, they see CSR as an integral, building block to the more entrepreneurial European Union envisaged by the Lisbon Council. As such, CSR should not just be integral to business; but also to the work of all those working to achieve the Lisbon Goals.

1.2 Knowing what we know!

There have been some attempts to measure the scale of CSR amongst SMEs in Europe, including a European SME Observatory study in 2002, although this largely examined external activity like sponsorship and community involvement.

The first observation from the Round Table is that we know relatively little about the scale and impact of CSR amongst SMEs – and much better baseline data is required. Later in this report, there are specific suggestions for a range of further research which the Round Table believes will assist all those interested in seeing many more European SMEs become more sustainably competitive through incorporating CSR into their business strategy and practice.

That many SMEs are committed to environmental, social and community responsibility is certainly clear. Much of this will not be called “CSR” by those who are doing it! Successful SMEs are regularly providing excellent goods and service. They provide employment. They engage their employees and harness their motivation and skills for the long-term success of the enterprise. They recognise the value of informing and consulting employees, and of creating participative workplaces. They are intensely alert to human rights issues and to health and safety considerations; they encourage staff to acquire new skills; help them achieve better work-life balance; recruit and promote on merit – irrespective of gender, race, disability, age, sexual orientation. Many SMEs are striving to operate sustainably: conscious of their use of natural resources; mindful of their sourcing; seeking ways to reduce their energy and water consumption and their excess packaging and

waste. Many SMEs are also putting something tangible back into their local communities: such as providing work experience for local schools, sponsoring local community organisations, supporting environmental clean-up drives.

The Round Table received presentations from a number of such smaller enterprises from Belgium, France, Germany, Greece, Italy, Spain and the UK². It has also benefited from studying further written case-studies collected by Enterprise DG in a booklet of good practice examples of responsible entrepreneurship across Europe³.

CSR Europe has assembled 100 SME case studies which are published on the www.smekey.org website. The Rapporteur invited participants to submit additional examples which have been collected and are available on the Round Table site⁴.

A second observation from the Round Table is that whilst we may not know, the full scale and impact of CSR amongst SMEs, it would be presumptuous to assume that all the expertise and good practice in CSR lies with the large national and multinational companies. Often with limited resources and despite constant commercial pressures, many SMEs are striving to achieve commercial success that incorporates a commitment to social and environmental sustainability. Innovation and good practice in CSR will be found amongst SMEs as well as amongst larger firms – it may just be harder to find.

This report is largely based on case studies presented at the RT (as well as the knowledge and expertise of its participants) and descriptions of those case studies are available at the end of the report (annexe 2). Businesses willing to come to Brussels to talk about how they internalise their environmental and social responsibility alongside their commercial obligations are obviously

² Details are posted on the Round Table website at:

www.europa.eu.int/comm/enterprise/csr/index.htm

³ The cases were identified and selected by a group of national experts. The booklet is available in 14 EU languages. Website: http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/responsible_entrepreneurship/index.htm

⁴Website:

www.europa.eu.int/comm/enterprise/csr/index.htm

already committed and engaged. The focus of the RT discussions has been about how to spread the message: to understand what motivates those SMEs already involved; what *might* motivate other businesses; how best to reach SMEs and how most effectively to support more SMEs to internalise CSR into the way they operate. It recognises that many SMEs don't know what CSR is or how to incorporate it effectively in their business – and that even if they are already doing some aspects of what is regarded as CSR, they may have difficulty in understanding the applicability of other aspects of CSR to their circumstances and how to handle it. Fully incorporating CSR into the core purpose and values; and then into the strategy and practices of a business, is a journey. Just because a business cannot do everything does not mean that it should do nothing! Successfully engaging many more SMEs needs to reflect SME realities; offer a staged approach and enable different SMEs to proceed in line with their priorities and circumstances.

Third observation. Given the large numbers of SMEs – 99% of all enterprises in the EU; and the huge disparity in experiences, ambitions, capacities and resources – then measures to support SMEs in adopting CSR need to be as close to the market and as close to the customer as possible. Equally, the very diversity of SMEs, means that a variety of channels at local, regional, national, EU, sectoral levels will be needed. Subsequent Round Table analysis and consequent recommendations for future action build on this key principle.

Fourth observation. The Round Table recognises that it can be even more dangerous to make generalisations about SMEs than about larger businesses when it comes to motivations, performance, success strategies etc and CSR.

2. Drivers, obstacles and critical success factors for SMEs to adopt & implement CSR

General remark

The Round Table identified a series of Drivers for SMEs to adopt CSR; Obstacles to them doing so; and Critical Success Factors for more SMEs successfully implementing CSR. In doing so, participants recognised that these drivers, obstacles and critical success factors are:

- At the level of individual SMEs and also at a societal level;
- Drivers/Obstacles/ Critical Success Factors for *some* SMEs are not necessarily equally valid or real for all
- Equally – what are drivers for some SMEs such as improved reputation with customers or making it easier to attract and retain staff, may be benefits from CSR, for other SMEs
- The relative weight a particular business attaches to individual items within each listing (Drivers / Obstacles / Critical Success Factors) will probably change depending on the size and age of the business
- Some of these Drivers / Obstacles/Critical Success Factors will be more relevant to owner-managers; some to everyone working in the business.

2.1 Drivers

As far as drivers are concerned, there are any number of different reasons why people may start and run their own business. These reasons will influence the purpose and the strategy of the business, and in turn, the market goals and how to stay in the market. From the perspective then of a small business, there will be a number of drivers encouraging business responsibility: internal aspects (such as people issues, health and safety, environmental pressures); branding (and things which may build / undermine reputation and brand such as environmental, social, community factors); and external pressures such as legislation. This Round Table analysis starts with the perspective of how to start and run a sustainably successful business (commercially, socially, environmentally). It was recognised, of course, that the wider climate for business and macro-economic conditions are important for this. The emphasis is on embedding responsible business practice in the core of the business

and in the *values* of the business – i.e. “*the way we do business round here.*” Drivers – and their relative importance – will, therefore, vary from business to business depending on such factors as the business's attitude to risk, its attitude to innovation (is it an “early adopter” or by contrast a “laggard” innovator?), the ambitions for the business (e.g. is it a “life-style” business or a high growth SME “gazelle?”).

2.1.1 Drivers for individual SMEs

Many SMEs are driven to integrate CSR because of the personal beliefs and values of the founders / owner-manager(s) and employees. This will be

most obvious in co-operatives and other social enterprises where the core purpose of the business may be a social goal; but it holds true for many other SMEs too. Additionally / alternatively, many SMEs are driven by some combination of minimising risks and maximising opportunities.

- Attracting, retaining and developing motivated and committed employees – especially because the speed of market and technology change means need flexible and engaged staff
- Winning and retaining consumers and business customers (supply chain pressures and opportunities) especially because economic stagnation means SMEs need to find new markets / revenue streams
- Being a good neighbour – maintaining a licence to operate from the local community
- Responding to pressures from banks and insurers
- Reputation – with internal and external stakeholders
- Changing perceptions of the role of business in society (not only a source of profit), through the media, education, and actions by stakeholders
- Cost and efficiencies savings e.g. reduced insurance and landfill costs
- Networking opportunities
- Product / market innovation, differentiation, and competitive edge; and the need for more sources of creativity and innovation in business
- Anticipating future legislation / getting practical experience of compliance in ways that help business.

2.1.2 Drivers for organisations promoting CSR in SMEs

The Round Table also considered what might be driving the wish of local, national and EU groups to promote more SMEs to commit to environmentally and socially responsible business practice. Here the drivers are seen to include recognition of the cumulative impact of SMEs; the fact that the majority of companies are SMEs; that smaller firms often are the business community of an area; and that it may be easier to change SME behaviours than the “super-tanker” multinationals. Some contributions also raised the possibilities of de-coupling economic growth from environmental degradation; and that responsible entrepreneurship makes business more attractive – and that, therefore, more people might want to start up and run their own businesses.

2.2 Obstacles

2.2.1 Obstacles for individual SMEs

Despite the often-powerful business arguments for CSR, it is often hard to do so. Amongst the most common obstacles are:

- Perceived and/or actual costs (e.g. for verification for big business customers’ codes of conduct);
- lack of awareness of business benefits;
- conflicting time and other resource pressures;
- more immediate pressures from the daily struggle to survive commercially (some SMEs living below the poverty line);
- lack of know-how and know-who (e.g. to relate CSR as a mainstream issue; to make the business case; and where to find technical support),
- being reluctant and too slow to seek external help.

It is also the case that “CSR” so far has been largely aimed at large businesses (in terms of business case, tools, measurement and verification processes) and that the exclusive language of “CSR” is off-putting. Many SMEs may not be (fully) aware of their environmental and social impacts. SMEs and especially micro-businesses usually do not keep good records which would help them to prove their CSR (and trying to get them to do so, could be counter-productive for efforts to promote more CSR amongst SMEs); and there are limited rewards so far, for responsible business practice.

2.2.2 Obstacles for organisations promoting CSR in SMEs

Attempts to encourage more CSR in SMEs – for example by CSR organisations or by organisations representing or seeking to help SMEs – also face a number of obstacles. Organisations that are credible with SMEs may lack detailed understanding of CSR. Organisations with detailed CSR knowledge may not have the credibility with or the capacity to reach SMEs. Historically at least, there has been a lack of readily available, concrete case-study examples. Asking SMEs to engage with the whole CSR agenda at once may be too daunting for many SMEs and risks devaluing existing SME efforts.

2.3 Critical success factors for encouraging more CSR amongst individual SMEs

The Round Table has identified a number of critical success factors for individual firms that wish to embed responsible business principles into their core. These are:

- Commitment of owner/ management to running their business on these principles
- Enthusiastic engagement of employees and other stakeholders
- Core business vision and values based on CSR principles
- Integration into management/operational practice. Several members of the Round Table also emphasize the need for CSR management schemes when they are developed, to be integrated with – and where possible, build on – existing, mainstream management systems that small and – more likely – medium-sized – businesses might already be using such as ISO, EFQM.
- Staged approach to build confidence among SMEs hungry for results, incorporating shorter-term benefits into vision of long-term sustainability
- Networking opportunities for SMEs to learn from their peers
- Availability of good practice examples for other SMEs to learn from; and – for those SMEs that want them – of understandable benchmark standards to aspire to (and corresponding management tools to help those businesses)

The Round Table looked at and discussed examples of different supply chain approaches encouraging more CSR among SMEs. Successful supply chain initiatives may include

- Providing advice and training to their suppliers – not just unilaterally imposing new requirements
- Showing a known willingness to use the sanction of switching suppliers on CSR grounds
- Identifying and sharing cost-savings/ income-generation from CSR with suppliers

3. Issues for further consideration

SMEs are already operating in a very complex environment. Inevitably, in less than twenty hours of Round Table discussion over three meetings spread out over 11 months with a changing

participants’ list, stakeholders were only able to scratch the surface of CSR and SMEs. A number of further topics were raised on which participants had fundamentally different views (points 3.1. & 3.5.) or which the RT could not explore further due to time limits and that may need further consideration (points 3.2-3.4). In points 3.2. to 3.4., issues are summarised in the hope that researchers and other fora may be stimulated to take them up. Indeed, it may be appropriate for further work to be done on some of these topics by the European Commission itself – or to be funded by them.

3.1 Public procurement/supply chain and CSR criteria in EU funding

There was some discussion about whether the EU Commission and other public authorities might learn from the experience of organisations like The Co-operative Bank in introducing CSR criteria into purchasing decisions. There are already many cases today of public authorities incorporating social and environmental criteria into calls for tender, explicitly allowed for in the latest EU directive. Participants at the Round Table had fundamentally different views on the issue. Some supported further analysis, looking particularly at how SMEs might benefit from calls for tender with social and environmental criteria. They were interested in how public authorities can take an incremental approach with SME suppliers, ensuring that they are not simply excluded from these calls for tender, but rather supported in order to improve their ability to compete for these calls. Others argued that the practical problems of introducing of social and environmental criteria into public procurement (particularly if those are built on what is accepted as voluntary practice) are too great. There were also concerns about the dangers of distortion of competition. Some participants agree that further analysis and reflection is needed on the impact of using social and environmental criteria in public procurement.

Similarly, there was no agreement on the question of whether the EU should ensure that its funds (Structural Funds, programmes and subsidies) go to support and develop CSR.

3.2 SMEs in new EU Member States

How to address the particular situation of SMEs in the new member states, where – in many cases – private enterprise is relatively new, prevailing environmental and other standards may be lower, and in some countries can be less of an existing tradition of CSR?

3.3 Communicating CSR and competitive advantage

CSR can produce more creativity & innovation. This, in turn, may lead to more competitive advantage for SMEs. In which case, getting a critical mass (cluster) of responsible SMEs in an area could become a source of competitive advantage of regions). If so, this could make CSR and SMEs, of interest to regional development agencies.

3.4 Mainstreaming CSR

There remains a need to convince small business support organisations & small business representative organisations that CSR should be part of their core operations; and that they need to learn from (un)successful attempts to do so. This, in turn, implies a need to build connectivity between knowledge-management systems of CSR intermediaries and of small business development agencies.

3.5 Standards, guidelines and tools

There is an SME aspect to the other three Round Tables of the MSF, so their recommendations should take this into account. More general recommendations from the other Round Tables will also be relevant to SMEs. For example, this Round Table did not give detailed consideration to the issue of tools and guidance for SMEs. Some suggested that adapted tools and standards for SMEs might need to be explored. Some argued that initiatives should be supported, for those SMEs that would find this approach helpful, particularly in the areas of

- (1) standards, guidelines, and codes of conduct;
- (2) practical guide on implementing CSR;
- (3) management tools; and
- (4) communication tools, including a simplified version of reporting and labelling schemes that allow SMEs to respond to consumer demand for socially responsible products by improving transparency and delivering the product information that customers need to know.

Others were strongly opposed to the idea of new standards and to proposals for reporting or labelling schemes. There is clearly much more work to be done in developing thinking about tools for SMEs, to achieve these goals in a way that is compatible with the accessible, non-bureaucratic style identified by the Round Table as being most attractive to the great majority of SMEs.

4. Recommendations identified and explored

Introduction

Formally, the Round Table role is to identify, discuss and explore possible recommendations and to make suggestions for these to the full MSF. It will be for the full Forum to decide, in the light of the reports from all four Round Tables and given the overall work of the MSF, which recommendations it wishes to endorse. The full Forum will have to balance the weight of recommendations for different aspects of the ESF's work. It will have to ensure that there is a logic and internal consistency and flow to its recommendations.

With this in mind, the SME Round Table believes that it has made good progress and notwithstanding the knowledge gaps already alluded to, is keen to make a number of suggestions for consideration in the full report.

The over-arching conclusion of the SME Round Table is that much more needs to be done to build knowledge about what SMEs are already doing themselves, including good practice in SMEs from which large as well as other SMEs can learn from; what activities already exist to help SMEs incorporate CSR into their core business activity; and then to identify and disseminate this useful practice to businesses, small business representative organisations, small business development organisations, regional development agencies about how what SMEs are doing and how each of these groups can best support SMEs to incorporate environmental, social and community responsibility into their core business operations.

4.1 To raise awareness and improve knowledge on CSR

4.1.1 Simplify messages for SMEs

SMEs are made up of people and it is people who have to be engaged. Sustainable successful enterprises are ones that fully involve and harness the skills and passions and knowledge of everyone in the business.

Therefore any future initiatives promoting CSR towards SMEs need to simplify messages regarding CSR related data, practice, tools...

4.1.2 Popularise CSR through sharing experience and campaigns

Organisations of and for SMEs (trade associations, business federations, ...) collaborating with specialist CSR organisations can play a unique role in further:

- Promoting (i.e. funding) exchange of experience between SMEs themselves; large and small businesses -especially through the supply chain and particularly giving emphasis to supply chains involving emerging markets; and between for-profit enterprises and social enterprises
- Organising particular campaigns among SMEs,
- Pooling knowledge and expertise as well as communicating to SMEs through channels already used by SMEs.

Environmental issues are arguably one of the most advanced parts of the CSR agenda – not least for SMEs – so there is much to learn from experience of promoting environmental issues to SMEs, for the successful promotion of CSR more generally to SMEs.

4.1.3 Base-line data and research

In order to develop the most effective interventions to help SMEs, organisations working with SMEs as well as civil society and public organisations need better base-line data e.g. on:

- Best practice examples of SMEs already integrating CSR – by business sector, type, geography etc,
- Quantity and quality of CSR in SMEs already,
- How this varies by size, sector, location and type of business,
- What is the long-term business case for CSR and sustainability,
- What are the most compelling arguments for SMEs in different circumstances,
- The most effective routes to market for the arguments (awareness-raising) and support (expertise-transfer),
- What is the impact of CSR initiatives in SMEs on business and society?

The Round Table participants also strongly advocate for more action research – namely, supporting a variety of approaches to help SMEs integrate CSR such as by small business development agencies, small business representative organisations, trade associations, universities and business schools, professional advisers and small business clubs – and distilling the learning from these different approaches.

Umbrella groups for CSR and business schools like the European Foundation for Management Development (EFMD) & European Academy for Business in Society (EABIS) are invited to encourage Universities, Business Schools, Higher Education and specialised centres for entrepreneurship, small business & Family Owned Businesses to include CSR in their research and teaching.

4.2 To develop capacities and competencies for mainstreaming CSR

4.2.1 Forging capacity in SMEs

The capacity of SMEs can be built by sharing experience between SMEs. For example through promoting and supporting the exchange of experience among

- SMEs themselves,
- large and small businesses - especially through the supply chain and with particular emphasis on supply chains involving emerging markets,
- for-profit enterprises and social enterprises.

Among the activities which the organisations listed in 4.2.3 could develop, the Round Table stresses the importance of peer group networking opportunities whereby individual champions can help colleagues from other SMEs better understand the “how to do” of leading CSR initiatives which ultimately can make SMEs more performing and attractive.

4.2.2 Initiatives need to be grounded in SME realities

Based on the experiences presented at the Round Table, participants make a strong appeal for current and future initiatives to be better grounded in SME reality and therefore to be:

- Easily accessible, with relevant and quality advice
- Tailored to SMEs
- Available through channels that are known and trusted by SMEs including sector specific trade associations
- Not bureaucratic
- Using language, examples and concepts to which SMEs can easily relate
- Flexible and adaptable to the pace of individual SMEs - some will find it easier to

adopt a step-by-step approach with CSR unpacked to component parts.

Above all, they need to be delivered as close to the market and the customer as possible.

The Round Table recognises that given the great variety of SMEs, “close to the customer” must inevitably mean different things to different SMEs. For some, it will be through:

- A geographical close organisation
- Sectoral media and organisations
- Professional bodies and professional “facilitators” like accountants
- A virtual connection – such as e-learning or public / commercial websites.

4.2.3 CSR to become part of intermediaries’ core activities

The level of SMEs willing to and capable of integrating CSR in their daily business is partly related to the capacity of intermediary organisations to make CSR part of the core activities and services which they develop for SMEs. Participants agree that the need for building the capacity of multiplier organisations applies to a wide range of actors, which might positively influence SMEs on CSR. The following is not meant to be an exhaustive list – but actors could certainly include:

- Small business representative organisations
- Small business banking and insurers
- Accountants, lawyers, consultants serving the SME market
- Small business development agencies
- SME-targeted web-based advice services
- Regional development agencies
- Local and regional public authorities
- Young entrepreneurs associations
- Schools (centres for entrepreneurship & for family-owned businesses)
- Trade/sectoral associations
- Employers organisations
- Trade unions
- Social partners (regional and/or sectoral collective agreements, training funds etc can make specific provisions for SMEs)

4.2.4 Successful supply chain initiatives

Exchange of experience between suppliers and purchasers is essential for SMEs to improve

understanding of global supply chain issues and increase transparency in supply chain responsibility, and in particular to increase awareness of social, human rights, and environmental impacts throughout the supply chain (including through stakeholder dialogue), and how purchasing practices affect suppliers and their communities. This must also involve SMEs in the South.

Rather than supply chain initiatives always meaning large companies to SMEs, participants also acknowledge the huge scope for SMEs in a supply chain to challenge larger firms to work in partnership and develop CSR markets.

4.3 To ensure an enabling environment for CSR

Considering that most SMEs would be unlikely able to afford the costs, participants highlight the need for external resources and support to enable SMEs to define and implement CSR approaches appropriate to their business circumstances – especially those involving external verification and certification –

Considering the relative newness of this subject and considering how CSR has successfully evolved among leading SMEs so far, participants encourage the development of practices, benchmarking techniques and management and communication tools which are relevant and attractive to SMEs.

Finally, given the huge scale of the task to engage 25 million SMEs in the enlarged EU, the Round Table stresses that in developing these ideas:

- All parties currently involved should look for additional partners and multipliers to maximise the positive impact of the efforts undertaken,
- The Forum should consider whether a place to collect useful practices should be established, to help SMEs integrate CSR.
- Collective understanding of what works in relation to SMEs and CSR should continuously be improved through on-going evaluation and dialogue.

Annex 1 – CASE STUDIES PRESENTED

SMALL BUSINESSES

TriSelec Lille and Val de Lys Entreprendre and SIMUP

TRISELEC from Lille, France is an urban waste-recycling business with 250 employees – so the upper end of “SME”. It is also distinct as a public-private partnership. Triselec presented a model of multi-media, distance learning for often low-skilled or ill-educated employees to improve their knowledge of health and safety in the work place. They are already making their training model available to other firms in France and Brazil – and one of the former also spoke. Although as a large SME with significant local authority ownership, the role-model aspects of Triselec for the mass of SMEs, may be limited, the example gave several lessons. These include the idea that responsible enterprises of any size can be investors in their people, offering opportunities for training and upskilling; the potential of “health and safety” as an “entry-point issue” on CSR for many businesses (a point identified by leading international CSR practitioners like the ECOS Group in Australia); and the possibilities of offering what is, in effect, a mobile human resources function which a number of SMEs could share in common – which may be one practical route for fostering CSR amongst SMEs. Also how their triple bottom line approach has had a positive effect on their bottom line: that they can generate profits from their activity without depending on the local authority to buy their services. Another point was the importance of their involvement in the EQUAL project.

COOP Italia and UIL

COOP ITALIA – which is a very large retailing enterprise and winner of the Corporate Conscience Award 2001, described their supply chain initiative to help over 350 SME suppliers to meet their CSR standards. Again, whilst COOP Italia itself as a large enterprise would not be a direct role model for SMEs; it does provide valuable insights into one potentially very important way of fostering CSR amongst SMEs – namely, through the supply chain. COOP Italia are providing training and support to meet their CSR standards. They have a management system on the Internet, which all stakeholders can access. Suppliers could download this for themselves. It is available in both English and Italian versions. “CSR is in our DNA, because we are cooperative and our members are consumers themselves. Five years ago, Italian suppliers did not understand CSR...with the SA8000 management system we have had the opportunity to raise their awareness of these issues and to improve conditions in factories.”

COCOMAT

COCOMAT, Greece – designs, makes and sells a range of goods created from natural products such as mattresses made out of seaweed. Many of the COCOMAT employees are socially excluded. They have made great efforts to engage disabled staff - whom COCOMAT refer to as special skilled (they have 26 disabled employees); emphasise the limited salary differentials (maximum x4 between highest and lowest paid); and their commitment to a sense of family spirit amongst the COCOMAT community. They aim to provide good training opportunities for all their staff to enable them to realise their potential and to encourage them to take on more responsibility. This enterprise is a good example of a business founded on very strong values with a particular emphasis on what they referred to as wisdom and sharing knowledge across the entire company - and determined to live those values – which is one strand of enterprises and one important route to fostering CSR amongst SMEs – even though – as in the case of COCOMAT – many such SMEs may not originally think of their approach as CSR: “we did not want to be in CSR but now we are happy we did.” The COCOMAT example illustrates that even SMEs can benchmark intensively and use processes like TQM (Total Quality Management) as a route to integrating CSR in their operations. They also emphasise the importance of continuously explaining what the purpose of the company is through constant communications with all employees where feedback and suggestions are actively sought and leadership. They also underlined the fact that the company was profitable and that they believed that there was a clear link between their company’s approach and its success.

Betapharm

Betapharm – medium-sized enterprise - Germany - which manufactures and sells generic pharmaceuticals. A 1997 halt in sales growth led the company to the realisation that in a generic drugs market, they could not differentiate on price or quality. A market of interchangeable products requires differentiation and value added. This was the trigger for the company to adopt CSR as an expression of the company's values and as part of long-term corporate strategy. One manifestation of this commitment was the establishment of the beta Institute as an independent Research and Development Institute for Social Medicine. Betapharm described their journey from a simple sponsorship approach to CSR to a fuller Corporate Citizenship where the company has taken on an advocacy role with public authorities. Betapharm believe that CSR enables stakeholders to identify better with the company and has been the most significant factor in the resumption in sales growth. “When you've got staff who believe in what the company is doing, they are much more successful in their business because they win people over and the company has a higher profile.”

Garage De Krikker

Garage De Krikker – a small co-operative enterprise – established 1981 - Antwerp, Belgium which has a Renault dealership to sell new and used cars / auto-parts; and does repairs. As a co-operative, De Krikker is part of a network of co-operatives and social enterprises and actively uses this network for new insights and good practice in sustainable development – and to help avoid losing its values and focus. Krikker's raison d'être is to pursue social aims rather than just commercial objectives which is reflected in their definition of 'profits' in terms of social, ecological and personal development objectives as well as financial. They believe that being committed to a sustainable economy puts them at a commercial disadvantage and they stated they were not making much of a financial profit. The Garage is run on the principle of “equivalence” between all people. For De Krikker this means, for example, everyone working in the garage is paid the same wage; and when turn-over increased, deciding to reduce working hours and take on another worker rather than pay themselves more. Workers are encouraged to learn new skills and have their own Personal Development Plans. De Krikker suggested that they are practising 39 of the 40 practical suggestions for an SME which wants to behave responsibly, circulated prior to the Round Table meeting (exception – video-conferencing instead of travelling to meetings!)

Denoordboom

Denoordboom – small Flemish joinery business established 1982 – with 12 fte (full-time equivalent) employees – and their spin-off business: Eurabo – a wholesaler of Forest Stewardship Council timber with 3 fte staff, started in 1997. Denoordboom have defined three CSR broad areas as manifestations of their commitment to trying to be a responsible business: the environment (as well as using FSC wood), they are promoting the concept of “passive house” which uses less energy etc); Clients (fair dealings, including fair and transparent pricing); and Staff: such as consultation, wages, flexible working time, and “being available.” Denoordboom is clear that “CSR is not a label...it does not help us with our sales we work from the heart.” Round table members were particularly interested in Denoordboom's experience of achieving FSC certification; and that because this is very hard to achieve, the business then worked for two years with FSC Belgium to create a system for group certification for SMEs which will start this Autumn. This was seen as a potential model for trade associations and other SME organisations to replicate more generally on CSR certifications.

PROMOTING RESPONSIBLE BUSINESS PRACTICE

The Round Table looked at examples of different approaches to encouraging more responsible business practice:

- Through the supply chain
- CSR organisations organising particular campaigns amongst SMEs
- Capacity building through external business support – typically by organisations of and for SMEs, collaborating with specialist CSR organisations to pool knowledge and expertise; and to communicate to SMEs through channels already used by SMEs.

SUPPLY CHAIN

The Round-Table looked at two very different cases:

- The Co-operative Bank (UK) and Caisse Nationale d’Epargne (France)
- Shields Environmental (UK)

Co-operative Bank, UK and Caisse Nationale de l’Epargne, France

The Co-operative Bank

The Co-operative Bank has a long-established CSR commitment for its own employment, marketing and services; and more recently has started to extend this commitment to its purchasing policies. The Bank has 2500 suppliers – although 40% of these account for 90% of the value of purchases. 60-70% are SMEs. The Bank has found that a demonstrable willingness to switch suppliers is an important factor; and also a willingness to share ensuing income-generation opportunities with suppliers. They have found it hard to find ‘CSR SMEs’ in some sectors. Where they have ‘CSR SMEs’, these businesses have used their CSR experience with the Co-operative Bank in other parts of their own operations eg adopting Green Energy. In some areas, the Bank has stimulated new markets e.g. Fair Trade Coffee for vending machines. The Bank recognises that SME suppliers alone cannot always deliver CSR solutions, e.g. in seeking to deliver a PVC-free credit card the bank and its suppliers alone cannot generate sufficient market demand to influence the design and production of certain component parts. Despite the fact that Co-operative Bank is a ‘small buyer,’ representing less than 1% of its suppliers’ turnover, 46% of Co-operative Bank suppliers say (versus 25% in 2001) say that the Bank’s policies have improved their awareness and use of sustainable products; and are driving this through their own supply chains. The Bank has found, however, that SMEs cannot always do this alone. This highlights the fact that a larger business does not have to be a major client to be able to have an impact on the spreading of CSR among SMEs.

Caisse Nationale d’Epargne

Caisse Nationale d’Epargne described itself as starting on the trail already blazed by The Co-operative Bank. They are now introducing sustainable development criteria into their purchasing policies. They are now testing a grid for assessing loans to SMEs; and are subsidising a social audit for their SME customers. Caisse Nationale d’Epargne are not though going to check SMEs’ “declarations of faith” on their CSR.

Shields Environmental and Vodafone

A very different case study was presented by Shields – one of the first businesses in the UK to achieve a certificated Environmental Management System – in 1995 (now ISO 14001) and one of the first businesses to report publicly on their environmental performance. Confronted with the need to generate new revenue streams, Shields used their own environmental commitment to spot a new market opportunity in forthcoming EU recycling legislation. Shields worked with mobile telephone manufacturers, retailers and networks to develop “Fonebak” to recycle mobile phones and reduce potentially hazardous landfill. Fonebak was launched in 2002 and involves a number of major networks, retailers and manufacturers. Benefits for the business have included new revenues; risk-management; enhanced corporate reputation. Over 100 new jobs have been created in an area of high unemployment; and a source of waste has been eliminated. This case study showed that SMEs in a supply chain might promote CSR to larger firms – rather than “Supply Chain” Initiatives always meaning large company to SMEs.

THROUGH CSR ORGANISATIONS

The **European SME Consortium on CSR** co-ordinated by CSR Europe and part-funded by Employment DG has involved sharing experience and resources between national partners in nine member states. National partners (CSR intermediary organisations) have worked with organisations of and for small firms to introduce CSR issues through these organisations to SMEs. The Consortium presented examples from Belgium, Spain and the UK. In Belgium, the Consortium is working with the largest Flemish SME organisation. In Spain, activities have included the first ever Trade Fair devoted to CSR (Valencia). In the UK, the Small Business Consortium is working through existing SME organisations, a bank and small business media.

THROUGH BUSINESS REPRESENTATIVE AND SUPPORT ORGANISATIONS

The Round Table looked at two different initiatives:

Austrian Chambers of Commerce

Austrian Chambers of Commerce has piloted a subsidised consultancy scheme to enable participating SMEs to implement environmental, health and safety, and quality into an integrated management system. The SMEs can obtain external certification if they wish to, but this is not essential. Firms participating in the programme ranged in size from 12 to 780 employees. Consultants and firms could access best practice at: www.eval.at. Results from the pilot include: increases in safety, risk-management, environmental and quality standards; savings; improvements in internal co-operation in participating firms; and support / interest from the firms involved.

EU Commission “Best” project on environmental management systems (EMSs) in SMEs

EU Commission “Best” project on environmental management systems (EMSs) in SMEs which aims to identify good practices in policy and support to promote EMSs in SMEs, including both formal and less formal (‘adapted’) approaches such as staged EMSs. One possible problem is that the Certifiers’ community may not understand SMEs and when they go into SMEs, they may take a big business approach. Often, SMEs do not have the necessary paperwork but they do have the systems – but not written down. Conversely, once a small business has an environmental / CSR champion, then they can make faster progress than large firms do, because change can be easier to affect in SMEs. A case-study was presented from a medium-sized Spanish business: Vallformosa - with about 100 employees, which has used a staged approach to introducing an environmental management system – based on the Acorn model developed in the UK (and now formalised in a new British Standard BS 8555). The initiative for this came from one of Vallformosa’s customers.

Annex 2 – LIST OF ROUND TABLE PARTICIPANTS

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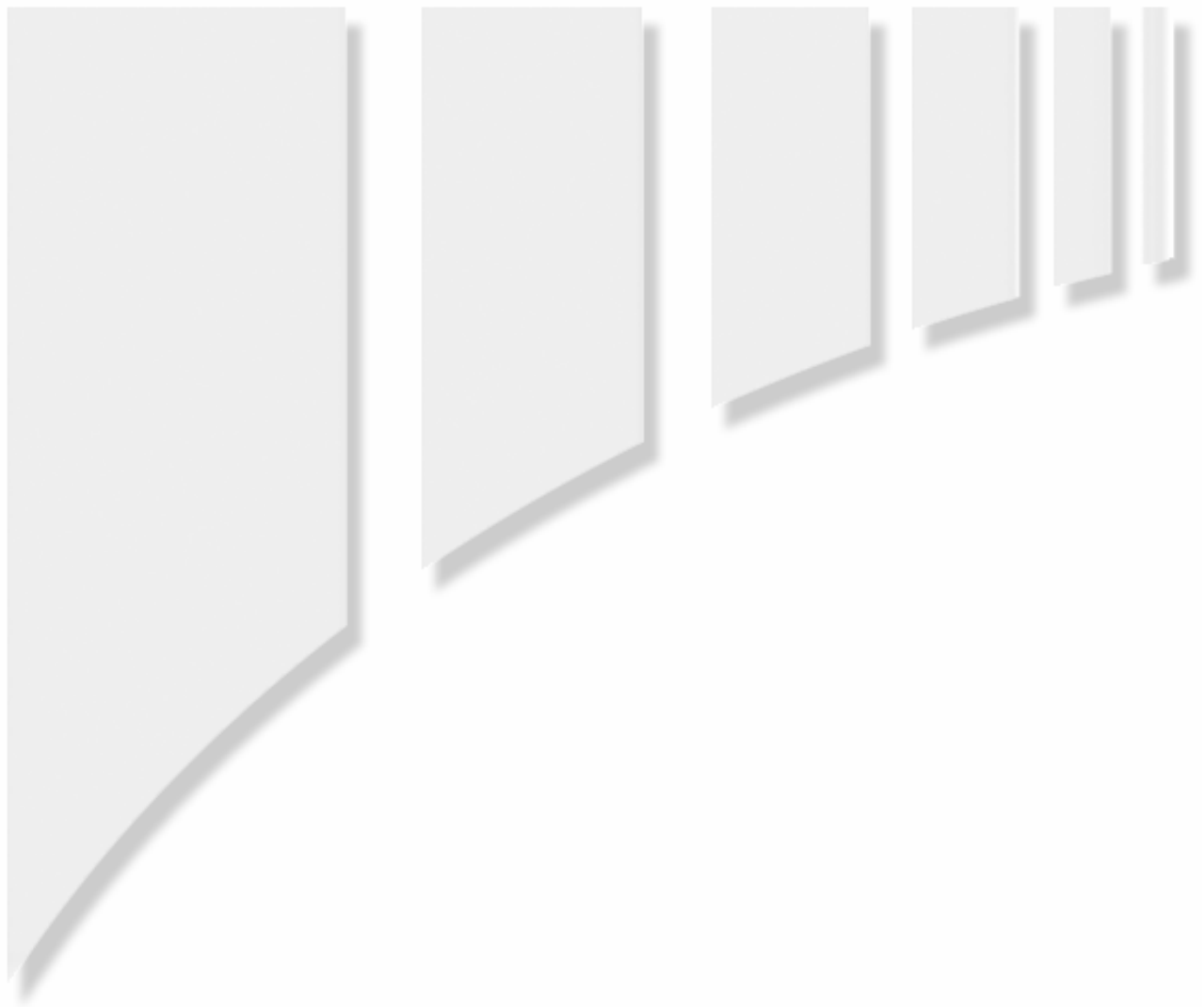
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Round Table

Development Aspects of CSR



Final Report

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1. INTRODUCTION & CONTEXT

The field of responsible business practice is one of the most dynamic and challenging subjects for companies operating in globalising markets. Companies are increasingly required to balance the social, economic and environmental components of their business, while building shareholder value. The participants in the Round Table on the development aspects of CSR recognized companies' roles in helping to reduce poverty and to progress towards sustainable development, both through job and wealth-creation as well as in other ways, for example supplier relationships, partnerships and environmental practices.

The Round Table has sought to examine, principally through case studies, the contribution that companies can make to growth and development of developing countries. Foreign Direct Investment (FDI) is a major force for change in developing countries, significantly outweighing Official Development Assistance (ODA), but can only reach its full potential to drive change if a number of factors are in place.

Among these factors, we find the quality of public governance in developing countries, and companies' internal practices. Developing country governments need to be more coherent, accountable and transparent. Host government acceptance of increased transparency primarily requires government-to-government dialogue with the assistance of multi-lateral organisations. Companies like other private players, can also make a contribution, and work together with governments on this. CSR practices which focus on potential interactions between the two sectors (governments' activities and business activities) have a great potential. The case of Extractive Industries Transparency Initiative (EITI) highlighted this element.

When it comes to CSR in developing countries, the case studies examined and debates around them have also focused on issues such as accountability and transparency in company operations and compliance with appropriate international standards and national legislation within both core business and as much as possible along supply chains. Respect for human rights, action against corruption and bribery, increased dialogue with government and private sector involvement in community projects that address priority issues such as environment and health, are activities in which business can play a constructive role.

There are a number of principles or texts, like the Universal Declaration of Human Rights and its two associated covenants; the OECD Guidelines for Multi-national Enterprises, the ILO Declaration on Fundamental Principles and Rights at Work (1998); the final Declaration of the New York Conference on the Rights of the Child (1990); the conclusions of the Conference on the Environment and Development and "Agenda 21" (Rio 1992); the conclusions of the World Summit for Social Development (Copenhagen, 1995) and the ILO's Tripartite Declaration of Principles on Multinational Enterprises and Social Policy. They are also mirrored in the Brundtland Report, the Millennium Development Goals (2000) the Doha Development Agenda (2001) and in the conclusions of the Johannesburg Summit on Sustainable Development (2002) that were mentioned by some in debates.

While many of these texts are primarily addressed to governments, some may affect several types of players, including companies. The Johannesburg declaration agreed by Heads of State at the World Summit states that companies have a duty to contribute to the equitable and sustainable evolution of communities. The action plan, adopted at the Johannesburg's Summit, also refers particularly to collective social responsibility. It underlines the positive role companies can play to contribute to the reinforcement of sustainable development, poverty eradication and the sustainable management of natural resources.¹ The participants in the Round Table on the development aspects of CSR met three times. Case studies described in the annexes were

¹ The **Johannesburg plan of implementation** refers to corporate social responsibility, stressing the need to strengthen the contribution of industrial development to poverty eradication and sustainable natural resources management. It calls for *"enhanced corporate social responsibility and accountability"* in order to develop sustainable patterns of production and consumption. In relation to sustainable development in a globalizing world, the plan of implementation also calls for urgent action at all levels to: *"actively promote corporate responsibility and accountability, based on the Rio principles, including through the full development and effective implementation of intergovernmental agreements and measures, international initiatives and public/private partnerships and appropriate national regulations, and support continuous improvement in corporate practices in all countries."*

presented and discussed. These case studies included individual companies and their CSR practices in developing countries and multi-stakeholder initiatives, around a number of themes like the supply chain, the contribution of companies to the prevention of AIDS or the transparency in the relationships with the host governments. In addition the Round Table benefited from input from representatives from UNEP and the ILO. The Round Table is grateful to all those who gave their time to this process.

2. Analysis of the key drivers, obstacles and success factors

Introductory Remarks

Companies that have adopted CSR strategies and the sustainable development approach are guided by management that is convinced of the importance of these values and their economic and financial impact. Some participants think that CSR can contribute to the sustainable profitability of the companies. In fact, the cost of not taking account of this aspect is considered sufficiently high so that awareness results in actions. Society's general expectations of environmentally sustainable and socially fair practices can be expressed in consumer preferences. This is visible in the various surveys of the public, development of the fair and ethical trade movement and in investors' preferences. All these motivations, like the public's image of companies and communication, have encouraged companies to undertake new actions.

Apart from the internal driver of the business case, in Europe, NGOs and trade union activities, e.g., the *Clean Clothes Campaign* and *WWF* campaigns, inter alia, have been an external driving force in some cases. Initiatives such as the *Fair Wear Foundation* have worked closely with companies, among others, on this theme. These initiatives focused on the development of their own standards and on the monitoring of the implementation of these standards and of the codes of good conduct the company in the textiles sector, e.g. SA 8000. The particular sensitivity of certain sectors to labour and environmental criteria should be noted.

The lack of governance, especially in the societal field, the lack of effective public services, basic labour inspection and lack of infrastructures, for example, need to be considered.

In addition to social and environmental standards and codes in their supply chains, there were examples of large companies working to respond to challenges in the area of health by implementing programmes (*AIDS prevention for Heineken and Exxonmobil*). One aspect, mentioned rather briefly in the Round Table, is the leadership and emulation effect of the practices of a large company on local business in an emerging or developing country, when the company acts in a capacity other than that of simply placing orders. This effect can be included in the category of societal effects of socially responsible practices.

Some factors identified as drivers or obstacles to CSR can become areas for CSR activities and therefore, success factors. This is the case of weak infrastructures or inadequate education sector for example, which can become areas where companies may decide to implement CSR actions.

2.1. Drivers

2.1.1 Internal drivers

Many companies have advanced from a philanthropic interpretation of business in society to a broader view of the role of the corporation in society based on reputation assurance, risk management and licence to operate.

- CSR: corporate values and commitments
The values maintained by the company, and often shared by management with employees, notably in charters and codes of good conduct, have been identified as a driver for deploying CSR strategies. They formed the key element in the practices in the textiles sector, particularly for *Adidas-Salomon*.

- Attracting and retaining qualified staff
Some of the values contained in the basic principles of the International Labour Organization² are found in many codes of good conduct geared to the quality of employment in subcontracting industries. However, these codes neither systematically refer to the entire set of principles nor to the conventions in which they are enshrined. Moreover, the general quality of employment is a factor in the attraction of the best local skills, contributes to social harmony and building of a positive image of the company

² Freedom to join labour organizations and to bargain collectively, absence of discrimination, absence of child labour and absence of forced labour.

both locally and in Northern countries.

- Anticipation of risks and costs

Anticipation of risks and costs associated with too great employee turnover, caused for example by the poor health of employees combined with a lack of existing public health system, is a reason for developing corporate responsibility strategies in the form of AIDS prevention (*Heineken and Exxonmobil*).

- Preservation of natural resources for companies' future growth

Preservation of natural resources can be an important driving force for corporate action, not just in industry, but also in services. This is especially true in tourism (see several initiatives in the sector questioning this regard).

- Consumers' markets

Private Investors for Africa clearly showed that concern for maintaining or creating a local consumer market acts as a lever for developing corporate responsibility strategies geared to sustainable development, with emphasis on the inter-generational dimension.

- Brand/reputation

Concern for preserving or maintaining a trademark image is behind many of the steps taken by companies. This is in some cases due to the anticipation or consequence of consumer demands, expressed in various forms (opinion surveys, NGO campaigns, *Clean Clothes Campaign*, etc.). In other cases, companies try to gain a competitive advantage for their brands by engaging in CSR.

Stakeholders agree that transparency is an important element of credibility. The discussion remains over "how" and "how much" transparency. The practice is therefore often accompanied by audits, internal inspections and the publication of CSR reports. Transparency and credibility in CSR practices are an important factor and should be mentioned in their own right, either as a driver or as a success factor.

- Keeping the "license to operate"

2.1.2 External drivers

- Regulation and liability

In developing countries, external driving forces also appear to play a determinant role in the corporate decision to initiate socially and environmentally responsible practices. A well-enforced legislation and existing liability regimes

can stimulate companies to go beyond the law. Where the legislation is not sufficiently developed or enforced, the challenge remains for companies to meet it or to achieve similar standards of responsibility and behaviour as in their home countries.

- Demands of consumers and the public

The growth in *fair trade* and increasing acceptance of its principles are positive indicators. Although relatively unknown some ten years ago, fair trade products are today part of the range of products regularly on offer for distribution, with variants from one country to another. Fair trade, as a movement, brings with it values and has developed practices that correspond to these values, which have in turn given rise to actions by traditional companies. This has been a forum for innovations and for improving public awareness.

Consumers' demands, nevertheless, often focus on topics in given sectors (compliance with basic ILO standards, although these are not expressed in these terms, in business subcontracting within the textiles industry). The consumers' demands are also inversely proportional to the distance separating the consumer from access to the product (This is more evident, for example, in the distribution of textiles or food products but less for companies that essentially produce inputs for other companies.).

- Trends (comparison effect) within sectors

Some of the sectors that were objects of criticism undertook actions based on fundamental standards (mining, textiles, etc.). Another indirect effect of consumer (or investor) demands is the emulation of the practices of one company by its peers in the same sector. Practices associated with concern for sustainability focus on the same issues: quality of employment (textiles sector), health and reinforcement of often weak and insufficient local capacities.

- Supply chain pressures and opportunities

Suppliers in developing countries are influenced by the requirements of their clients. They respond to customers' initiatives to better control their supply chain, for example through the introduction of supplier charters or through partnerships with suppliers (e.g. *H&M*).

- Investors' demands

Some investors also put emphasis on social and environmental performance. Rating agencies and the inclusion of new criteria in funds are external drivers for deploying CSR (extractive industries and OGP).

- Public policy

For some stakeholders, external drivers must include public policy, which covers approaches ranging from promotion of the internationally agreed principles (e.g. those principles of the OECD guidelines) to integration of these principles into external policies (e.g. Cotonou Agreement) to support for multi-stakeholder initiatives (e.g. *Clean Clothes Campaign* – development of common approach between multiple initiatives in the textile sector or *EITI*) to participation in public-private partnerships (*Private Investors for Africa*) to incentives such as public procurement and export credit clauses.

2.2. Obstacles

- Lack of public governance

As lack of public governance and transparency are obstacles to human rights and development, they are also obstacles to the activities of companies. In certain developing countries, lack of public governance and corruption have encouraged companies as in the case of EITI to engage in initiatives to foster the transparency of their practices. Companies have a role to play in facilitating good governance and transparency with regard to their own operations and to their relationships with government.

Companies that wish to act responsibly, particularly in developing countries, sometimes hesitate to do so because other less responsible companies may replace them and take over their business (*EITI*). UNICE think that this problem is linked to a lack of public governance and a resulting lack in implementation and enforcement of legislation in individual countries. Other stakeholders think that this problem is also linked to the absence of a level playing field.

- Complexity of supply chains

The complexity of the supply chains in the global economy context is a barrier to the implementation of inspections and audits, where the trend is towards consolidation. There are no easy solutions to this: on the side of the public authorities, the reinforcement of the capacity of all players to implement legislation and of public players to enforce it, and, on the side of all the players, the dissemination of practices and the building of capacities and knowledge with regard to socially and environmentally responsible practices on a broader scale, e.g. through public-private partnerships, might be ways. All companies face this management problem. However, the challenges are heavier in developing countries.

- Costs and lack of resources

The cost of the instruments of social responsibility – for example internal and external audits that draw up CSR reports and inspect production conditions in subcontracting industries in the Southern countries – constitute obstacles to the setting up of voluntary socially and environmentally responsible business practices in developing countries, especially in complex supply chains. The potential difficulty must be understood on a par with the problems encountered by small businesses in industrialized countries, although the responses are not at all of the same type. Companies have to manage risk and be innovative. As for those in southern countries, part of the response could be found in development co-operation programmes and in the setting up of policies through which local authorities can support local business.

There is a large debate on who should bear the cost of an audit, for instance some stakeholders think that this cost cannot simply be transferred to the subcontractors and suppliers. There is also a debate about who is the owner of the data of the audit.

- Lack of coherence on CSR within companies

There may be conflicting messages within companies, for example between its general principles on CSR and instructions to its purchasing departments. The need to ensure coherence within the corporate is a challenge for large companies that operate across many countries. One way of addressing this issue is by translating CSR policy into concrete terms across employee functions, for example including into pay/bonus structures.

- Language and cultural gaps

The difficulty for a player to achieve cultural communication in a context that is different from its original one can be an obstacle to the deployment of certain actions. For example, the interpretation of fundamental standards is far from being uniform for both social and environmental questions. The guide developed by the TUAC illustrates this: the translation of OECD guidelines into manuals in several languages and the holding of capacity-building workshops in development countries (COM-funded) deserve particular emphasis.

- Local skill capacities (education systems, including continuing education) and health

Weak local capacities, infrastructures (including in the health sector) and skills have been identified as obstacles to investment and operation by companies in developing countries.

Some companies could respond to this obstacle by contributing to the improvement of the quality of employment and education systems (including through continuing education) for their employees. Businesses may also want to attract the best skills and/or take advantage of labour whose high degree of satisfaction is an advantage for the company. By doing so, they would also compensate for poor local performance, although they may not necessarily have anything to do with the education system. The cases presented stress the important role that business can sometimes play in matters of health, particularly the prevention of serious diseases (AIDS and malaria for Heineken and Exxonmobil) that have an impact on the workers' personal situation or environment.

- Absence of adequate partners and the contradictory expectations of stakeholders

Companies do not always find an adequate partner. The local community and other stakeholders may have contradictory demands and expectations. Information to and on all the potential partners is important. The Ethos case indicates that Northern stakeholders (trade unions of the North) have sometimes a role to play in the provision of better information of local stakeholders.

2.3. Success Factors

- Involvement of local stakeholders
The active and adequate involvement of local stakeholders is a factor of success for sustainable development as has been shown in most of the cases presented at the Development Round Table. It is important to identify the right stakeholders. This process can be initiated and co-ordinated not only by companies themselves but also by the other parties involved. The involvement of stakeholders is based on understanding of the local context, continuous attention to that context and its evolution and on the definition of a clear role for all the players. Local dialogues need to take place on specific questions, between the right players and stakeholders and within a process.
- Providing an appropriate legal environment and constructing tools to reinforce compliance with fundamental standards
The success of CSR strategies in developing countries, from the standpoint of sustainable development, entails collaboration with the public authorities particularly to reinforce the implementation of fundamental standards:

business cannot replace the authorities in this mission. At best, it can support the authorities in their efforts. The incentives for responsible business behaviour in developing countries may need to be created. Some people believe that the EU can help to create these incentives by supporting the capacity of inspectorates and regulators to implement existing regulations, reconstruct good public services; the capacity of CSO (including workers' organizations) to hold companies to account and to be involved in partnerships and access to information on company performance. Companies, like other players, could contribute, even in conflict zones. However, UNICE doesn't share those points of view.

- Involvement in partnerships with the private sector and/or trade unions and NGOs
The success of CSR in Southern countries is based on partnerships between the public authorities and the private sector. This partnership is even more fruitful when it involves other players such as trade unions and NGOs (*Clean Clothes Campaign, Ethos, EITI, etc.*).

- Contributions to reinforcing the quality of public services, infrastructures and effective implementation of basic standards at national level

Gaps in infrastructures are obstacles to CSR actions. The high quality of local public services is an asset for sustainable development business strategies. Involving local governments, appropriate civil society and international organizations in activities by companies in areas such as education and health in local communities ensures that these activities are appropriate and reinforce governments' ability to provide services to its citizens (*Heineken/Private Investors for Africa/PharmAccessInternational*).

- Heightening awareness of all players, including consumers and investors
Growing awareness of all players is central to the sustainability of CSR strategies. Consumer awareness plays a particular role here. The growth of the fair trade movement is an illustration of this. The continuity of certain corporate actions is also based on this factor, which, correspondingly, shows the importance of transparent information to the public.
- Internal/external audits and action plans followed by verification
The publication of transparent information is based on internal and/or external audits. This

can produce particularly successful results when combined with action plans entailing systems of verification (*Adidas/Salomon* and *H&M*). Exchanges of good practices in an organized or informal way are a factor in improving these practices and their successfulness (*OGP*).

- Economic, ecological and social impact assessments

Cross-assessments of the economic, ecological and social impact of investment are a major asset for CSR in developing countries but are still too little used save for a few exceptions (*Palm Oil*).

- Sectoral alliances

Sector approaches may contribute to the promotion of socially and environmentally responsible corporate practices and sustainable development and can help to overcome the obstacle of a lack of a level playing field. Similarly, efforts to bring sectors closer together may facilitate the monitoring of production lines in a more global way (*Migros*). The role of dissemination and peer review is important: cases in the business sector have shown the importance of this kind of inter-sector exchanges and dissemination of best practices.

3. Areas for further consideration

Agreement has not been reached on a number of other complex areas. This was due to factors including lack of time, the range and diversity of subjects covered, and inability to reach consensus between stakeholders.

3.1. Areas mentioned but insufficiently discussed because of shortage of time or opportunities:

- Is it appropriate for companies to play a role in active and former conflict zones?
- How to evaluate the implementation of good governance by governments and its progress? What is an appropriate balance between roles of public authorities in developing countries and companies implementation of international standards (e.g. labour standards), commitment to institution building (education, healthcare), and support for CSR practices underpinning respect for these standards;
- Multiplier effect of the practices of a large company on local business in an emerging or developing country, when it acts in a capacity other than simply placing orders. This effect can be

included in the category of societal effects of socially responsible practices;

- Support policies that contribute to a process where investment can better play its role in development.

3.2. Areas where the perspectives of the stakeholders vary

Usefulness of and justification for definition of specific European CSR with principles and coverage;

How to improve transparency in the practices of all the players and stakeholders, including the local governments. This includes (but is not restricted to): financial transparency, transposition and implementation of relevant international and local norms and legislation, transparency about company practices;

The extent to which public authorities should seek to reward responsible business practice by developing the enabling environment for CSR. Some suggested that such measures might include the exploration of the possibility of including social and environmental criteria by EU funds that support private investment in developing countries, such as funds that contribute to the promotion of the private sector under the Cotonou Agreement, and criteria to ensure that publicly funded instruments such as Public procurement and export credits are consistent with public policies on CSR.

The stakeholders have very different views on CSR and public authorities. Employer organisations disagree with the establishment of these kinds of linkages. The other stakeholders think that the EU policies could develop CSR, e.g. through trade incentives, sustainable impact assessments.

Some stakeholders argue that the inclusion of environmental and social clauses in certain public supply contracts, consistent with the directive on public procurement, or in the award of credit under special conditions (particularly export credit), can encourage company CSR practices and, in certain cases, adherence to international CSR codes. However, there was concern among other RT participants as to the possible distorting effects on companies, particularly in developing countries and on local companies. It was also criticized that this meant moving away from the recognition of CSR as voluntary practice and misusing policies and instruments for aims they were not conceived for.

Some participants insisted on coherence between existing evaluation processes and the

evaluation processes of the OECD guidelines. Participants highlighted the usefulness of evaluating the effectiveness of OECD guidelines and to explore the level of efficiency of national policies supporting CSR.

Participants discussed without agreement the desirability or not for additional international environmental standards for companies and other organisations to follow when operating in developing countries, and the role of the EU in this. NGOs were strongly in favour of such standards being developed with the EU taking a lead. Business and employers organisations disagreed.

4. Conclusions and recommendations identified and explored

4.1. Raise awareness and improve knowledge on CSR

The Round Table focused as well on the CSR practices and tools as well on the international recognized principles standards as UN Declaration on Human Rights standards, ILO's principles and environmental standards.

Companies can contribute to disseminate internationally recognized principles and standards through the use of CSR tools and mechanisms and by helping spread good practice. The RT agreed to recognize that models of CSR inclusive practices, which involve stakeholders in the process, including alongside perspective and practices from the South- that are reflecting them, are very important in this respect. Companies could contribute to the dissemination of the best CSR practices and initiatives, as well top - down as well bottom - up, inside one sector or between sectors (OGP).

In various business cases, partnerships with trade unions and NGOs have been identified as success factors and more companies recognise this. Stakeholders are involved in the raising of awareness and the improvement of CSR, including through their involvement in partnerships and in the implementation of CSR tools and instruments reflecting the attention of the companies to the dissemination of international recognized principles and standards. Stakeholders can also actively promote the internationally recognized principles and standards and the role companies can play, through campaigns, towards consumers. Like companies, they too have a responsibility to ensure that partnerships are constructive.

Public authorities and especially the EU could help spread information about the business benefits of CSR and increase awareness about good practice, existing instruments and tools. Some suggested that public authorities could also evaluate all the existing CSR instruments and tools promoting basic standards i.e OECD guidelines, their strengths and their weaknesses. This evaluation must report on the usefulness of these instruments. The EU could also promote "collaborative and interdisciplinary research" in universities and business schools with a view to clarify respective role of different stakeholders (governments, companies, NGOs, trade unions, etc.) and boundaries. Some suggested that this research could be undertaken within the Sixth framework programme R&D. Other topics for research were suggested:

- the impact of business practices and CSR initiatives on sustainable development in developing countries ;
- the new generation of (effective) partnerships;
- successful approaches to CSR within the supply chain, including ways to support SMEs in developing countries and the reallocation of the cost of CSR measures, so as to avoid negative impact on local markets (e.g. through group certification systems);
- impact of using social and environmental criteria in public procurement
- Emerging subjects related to CSR: technologies' transfers, role of companies in former conflict zones, cultural dimension of CSR. Some were also interested in research into how these link with corporate governance.

There is a need to identify a place where companies, stakeholders and public authorities can find information on the implementation of codes of conduct and other CSR tools which involve stakeholders in the process.

4.2. Develop the capacities and competencies to help mainstream CSR

The reinforcement of the capacity building is based, in part, on the raising of awareness. The dissemination of initiatives can help mainstream CSR for a better understanding of the problems encountered during its implementation. It aims also at helping companies to integrate CSR internally at the different levels.

Where capacity building is made on a sector-base approach (within and between sectors), it

enables close cooperation and networking, reviews by peers, on supply chain management and challenges and internal or external verification i.e. by NGOs. Companies can also play a role in capacity building of suppliers by making CSR practices as inclusive as possible, regarding their subcontractors and the local framework. Capacity building could also be based on intermediaries including business development agencies and local business associations and federations.

The role of companies

In developing countries, companies can play a central role in the improving of the quality of investment, but all players have particular responsibilities. This goal may be reached through impact assessment in the case of major potential and current investment projects encompassing the economic, the environmental and the social dimensions.

The development of competencies of local companies (employees / managers) in the supply chain in developing countries and the development of competencies through training, to improve understanding of global supply chain issues and the impact of purchasing practices on suppliers and their communities and to facilitate exchanges of experience between purchasers and Southern suppliers were seen as important and a joint responsibility of all.

CSR practices in developing countries could gain from the exchange of practices between companies and co-operatives and fair trade movements on the development of sustainable economic practices. Training implemented by companies and stakeholders and exchanges of practices between purchasers and Southern suppliers could improve understanding of global supply chain issues, the impact of purchasing practices on suppliers and their communities and facilitate.

The role of stakeholders and public authorities

In a context of weak capacity as regards CSR like in developing countries, the capacity of local companies (employees and management) and NGOs/trade unions/local consumer groups in the supply chain need more attention. Local companies and stakeholders could become stronger in dialogues with large companies and governments.

The existing information on the labour conditions in developing countries could be better disseminated. Information from the ILO and

information on the existing tools aiming at improving labour conditions within the supply chain could be better used in the companies. The investor could play a positive role in the betterment of capacity.

Companies, NGOs, trade unions and public authorities could encourage and engage in discussion about the different national visions of CSR with a view to illustrate the cultural dimension of the issue and broaden its impact and relevance.

4.3. Ensuring and enabling environment for CSR (tools, incentives, etc.)

All the actors can strive to ensure a better enabling environment for CSR.

One topic that could contribute to this goal is the improvement of transparency. Although transparency is treated at another RT, the context of the developing countries implies specificities.

- on impact assessment and involvement of local communities ;
- on monitoring;
- on the use of the revenues generated by investment (e.g., taxes) by local national governments ;
- on the governance, the practices and the revenues of the government of the developing countries, including the human right aspects and the legal protection.

Strategic players and stakeholders can contribute to developing credible transparency practices concerning the development aspects. CSR is a learning process and transparency is part of it. The citizens of the developing countries concerned should have access to information about how the activities of companies and of all the players including the NGOs, do or will impact on their lives and communities; for example, through meaningful reporting locally (mentioned by *AngloAmerican*).

All the stakeholders should work towards the improvement of governance and effective implementation of basic standards and norms based on performance. However, these are primarily for governments to pursue.

Participants agreed:

- on the need to foster good public and private governance in developing countries;
- on the usefulness of public – private partnerships and larger cooperation for development
- to encourage governments of developing countries to adopt core conventions and implement and reinforce appropriate legislation;

Companies may participate in the reconstruction of governance alongside local actors, development agencies and international organizations, even in former conflict zones, on a voluntary base. However, their involvement could only be limited at best. They could promote responsible practices by companies in developing countries.

Under specific circumstances, the establishment of local dialogue forums for development could be useful. The organisation of dialogues on a sectoral basis could constitute an added-value. This dialogue will take account of the specificities of the developing countries concerned.

Partnerships are identified as a central element of an enabling environment for CSR. Partnerships could be public-private, public-public and private-private (for example to foster co-operation and partnerships between Northern and Southern companies). To improve CSR, the effectiveness of the partnerships could be analysed and used to inform future CSR activity. Public authorities, including the EU, could help improve the connection between private and public initiatives. They could also support better synergies between different public and private initiatives in developing countries.

Some suggested that business schools could develop tools i.e. indicative criteria and guidelines on best practices for the consultation of stakeholders. These guidelines could cover the identification of stakeholders concerned, the quality of the consultation, including the partnerships with the stakeholders.

Some suggested that there is a need to clarify and ensure consistency between EU policies, between EU Member State policies and between all these and international initiatives in the field of CSR.

Annex 1 : CASE STUDIES – DEVELOPMENT ASPECTS OF CSR

In context settings, representatives of **International Labour Organisation** and **United Nations Environment Programme** recalled that recognized international standards are the best starting point for companies which are focused in most of the CSR practices in the developing countries. These standards are included in the international treaties and conventions agreed by the governments. But it is also true that companies and corporations are expected to live up to their responsibilities by adhering to the internationally agreed standards and treaties. In addition the difficulties of transposing standards and individual codes of conduct in clear commitments are to be considered an important part of the discussion. Companies certainly have their own dynamic leading to an on-going elaboration of this CSR general frame of reference. There is certainly room for improvement in the adoption and implementation of codes of conduct and other tools that often translate internationally agreed standards into company codes of conducts.

The setting of 'global tools instruments', these being defined as instruments that provide guidance to international business reporting on their non-financial performance and practices for corporate responsibility³, i.e. OECD Guidelines for multinationals, the UN Global compact and the Global Reporting Initiative, represent important references in the area.

The action plan, adopted at the Johannesburg Summit also refer particularly to collective social responsibility, underlining today for companies to contribute to reinforcing sustainable development, to eradicating poverty and to the sustainable management of natural resources.⁴

The representative of UNEP highlighted the **critical aspects for effective voluntary industry codes**. He mentioned the commitment, the content of the codes, the collaboration, the monitoring and audits and the communication. But he added that there are clear strengths. The credibility depends on the effective tripartite dialogue and the multistakeholder involvement. The codes have to be comprehensive and must introduce a systemic approach, clear targets and performance standards. Finally, the codes must provide a common framework to measure, audit, report, verify, benchmark and advance accountability and transparency. They must contribute to the fostering of the local capacities, training and organizational learning.

The representative of UNEP highlighted that the most frequent weak spots of the codes of conduct are: the lack of implementation, the relativism, too high demands for SMEs, the introduction of a process without performances standards, regional cultural bias, window dressing or PR exercise and unintended consequences. Leading companies in CSR are committed in well being of human and natural environment, integration in supply chain, in consumer satisfaction and image (reputation). These companies are defining clear standards. They are involved in partnership based on solidarity chain, transfer of knowledge and follow-up and in the community. Experiences from recent case studies highlighted that there are economies of scale and that there are positive effect resulting from the work with local government.

³ 'The OCDE guidelines and other Corporate responsibility instruments: a comparison " Working paper

⁴ The **Johannesburg plan of implementation** refers to corporate social responsibility, stressing the need to strengthen the contribution of industrial development to poverty eradication and sustainable natural resource management. It calls for *"an enhanced corporate social responsibility and accountability"* in order to develop sustainable patterns of production and consumption. In relation to sustainable development in a globalizing world, the plan of implementation also calls for urgent action at all levels to: *"actively promote corporate responsibility and accountability, based on the Rio principles, including through the full development and effective implementation of intergovernmental agreements and measures, international initiatives and public/private partnerships and appropriate national regulations, and support continuous improvement in corporate practices in all countries."*

Clean Clothes Campaign

The CCC is a campaign of NGO's and unions concerning the *textile sector*. It aimed at informing and mobilising consumers, supporting workers' organisations, exerting pressures on companies and influencing public authorities through discussions with companies. The CCC aims to be a response to the effects of globalisation and growing competition between firms on the working conditions in the South.

The CCC has acquired experience in implementation, monitoring (internal) and verification of the (external) commitments of companies in the textiles sector. The CCC underlines four points relevant to public authorities:

- involvement of all stakeholders (to support the local stakeholders' dialogue)
- mandatory social reporting
- penalties if companies do not respect their commitments
- ethical clauses in public procurements

Fair trade

TRAIDCRAFT is the UK's leading Fair Trade organisation. Established in 1979, TRAIIDCRAFT's vision is to fight poverty through trade. TRAIIDCRAFT plc's sales are now worth more than £12 million a year, providing vital income for producers in over 30 countries. Apart from its trading function, TRAIIDCRAFT also provides overseas business development services, and engages in policy research and lobbying. In 1993, it initiated corporate social reporting.

Main aims of Fair trade are to:

- Work with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency
- Empower producers and workers as stakeholders in their own organisations
- Play a wider role in the global arena to achieve greater equity in international trade

A Fair Trade network generally consists of producer groups and traders. Fair Trade organisations focus mainly on producer groups that are:

- Marginalized but organised (and able to export)
- Democratic and transparent
- Fair to workers by providing decent working conditions and a fair wage
- Fair to workers by providing them freedom of association

On the other hand, traders in the Fair trade network:

- Buy from disadvantaged producers
- Provide business and financial support (including advance payment where necessary)
- Engage in long term co-operative and transparent trading relationships
- Pay a fair trade price

A good example of a Fair trade producer is Swanjan Crafts in Bangladesh. Swanjan is a manufacturing and exporting company of indigenous handicrafts (textiles and gifts) of Bangladesh. Swanjan crafts was established in 1999 with the objective of promoting high quality Bangladeshi handicrafts to the global marketplace. Swanjan provides jobs for 32 employees and works with 600 handicraft producers. The case of Swanjan highlights the impact of fair trade buying practices on supplier's local community. With the Fair trade system Swanjan can offer fair and adequate wages, take the social factor of the production into account and develop eco-friendly product.

Adidas / Salomon

The ADIDAS-SALOMON experience highlighted the impact of CSR practices in the textiles' sector and on the supply chains. Adidas-Salomon has established a **social and environmental team**. It publishes **guidelines on employment standards for suppliers**. Adidas also provides **training** in the supply chain and has set up a detailed **rating system**.

The **Fair Labor Association** (FLA) is conducting independent monitoring exercises inside the supply chain⁵.

Adidas bases its action on principles of co-determination and on regular consultative regional meetings. There is a strong interaction with stakeholders, especially with workers' representatives. Understanding the local background is, according to the representatives of the companies, a key to the successfulness of CSR practices. The development of a supply-chain policy is resource intensive. Initial challenges were a lack of information on the working conditions in the suppliers' factories and a complex supply chain. The most important lessons to be learnt from these cases are:

- difficult to **control complex supply chain**;
- corporate **values** are important drivers;
- there are **different approaches** to deal with supply chains – no one-size-fits-all;
- **codes of conduct** can be a driving force in the improvement of working and social conditions in the supply chain;
- the growing impact of **business partnerships** through CSR practices and rise in **voluntary initiatives to fill the governance gap**;
- the role of **internal/external monitoring** combined with verification of action plans
- shift from monitoring to more support-based role, pure monitoring not effective – capacity building and training deemed important;
- important to develop **long-term vision** of self-governance of suppliers;
- **important role for national governments** in developing countries (e.g. minimum wage setting).

H&M

Confronted with poor enforcement of legislation, weak trade unions and human rights abuses, H&M has now a **code of conduct** in production countries. Staff can make regular **inspection visits**. There is a system of internal audit and control. The code includes requirement concerning the working environment, a ban on child labour, fire safety, working hours, wages and freedom of association and led to much lower frequencies of child labour and an improved working environment. Important drivers for H&M to engage in such activity were **corporate values** and the **commitment of management** as well **as an expected competitive advantage**

Switcher

The Switcher clothing company has a **code of conduct** based on the international standards established by **Conventions 29 (freely chosen employment), 87, 98 (freedom of association), 100, 111 (discrimination) and 138 (Child Labour) of the International Labour Organisation**. The code of conduct includes also **environmental requirements**. Switcher requires its contractors, their sub-contractors, principal suppliers and licensees to provide these conditions and observe these standards. A copy of the code is **distributed** and **in case of illiteracy, Switcher reads and explains the contract to the employees**.

Switcher developed its **own management and internal monitoring system** to deal with supply chain issues. A system of independent external control is set up together with **Clean Clothes Campaign**. It

⁵ The FLA is a non-profit organization combining the efforts of industry, non-governmental organizations (NGOs), colleges and universities to promote adherence to international labor standards and improve working conditions worldwide. The FLA was established as an independent monitoring system that holds its participating companies accountable for the conditions under which their products are produced. To advance fair, decent and humane working conditions, the FLA enforces an industry-wide [Workplace Code of Conduct](#), which is based on the core labor standards of the [International Labour Organization \(ILO\)](#).

permits unannounced inspection visits and accredited monitors are permitted to interview workers on a confidential base.

The Switcher case stressed the importance of the **commitment of top management** for successful CSR performance. Switcher also highlighted an internal obstacle with regard to its CSR activities: **conflicts about competencies of different people responsible/departments**

PALM OIL and MIGROS

Switzerland's largest retail chain, Migros, in collaboration with WWF has committed to source all of its palm oil from plantations that have not been established at the expense of tropical forest. Palm oil is used in a wide range of consumer products. However, in the major producing countries, **tropical forest** are cut down in order for palm oil plantations to be put in their place. According to surveys, deforestation, which is one of the most visible effects of the palm oil industry, is a **growing environmental concern of consumers in the North** and organizations such as the **WWF**, have been careful to raise consumer awareness gradually as alternative sustainable production was developed. That's why Migros **contacted WWF for assistance in developing a list of minimum environmental and social criteria** for its palm oil products.

WWF aims at **improving sustainability** in a sector where large companies operate and have to **manage and anticipate risks, including possible damage to their image**. With the companies involved in the sector, the WWF has tried to develop **practical solutions** along the entire supply chain.

The initiative was preceded by **ecological and social impact assessments** and based on **good cultivation techniques** and an identification of the different elements in the supply chain. According to WWF, solutions for sustainable palm oil production exist, but are complex. Companies participating in this initiative now manage sustainable production along the entire production chain. The industry made **public commitments**. In August 2003, it organised a **round table on the sustainable production of palm oil together with the WWF** to enhance trust and improve working relationships.

In this case, **the role of the Swiss purchaser MIGROS**, was central. It decided to discontinue the purchasing of palm oil from certain sources and began collaboration with WWF Switzerland. Together they defined criteria for sustainable production and developed **actions for better soil management focused on fertility and biodiversity**. The action was **also social**. It focused on **local communities** and dialogue with them. All the stakeholders of the initiative are members of the certification scheme.

EITI

The UK government launched the Extractive Industries Transparency Initiative (EITI) at the **Johannesburg Summit**. **The extractive industry plays an important role in growth**. The EITI focuses on the problem of **corruption**. It has broader goals such as fostering **accountability**, a **favourable business environment** and **stability**. Its primary focuses **on governments** and attempts to achieve **greater transparency about revenues governments** receive from companies with a view to fostering greater accountability on the side of governments and a better employment of these revenues. The initiative is based on an **evaluation of options**, the promotion of disclosure. It was developed **within a multi-stakeholder group in collaboration with the World Bank and the IMF**. The EITI is basically a statement of principles. It focuses on **pilot countries**.

NGOs are pointing out that the oil and gas revenues are important in many very poor **conflict-torn countries**, where corruption and misappropriations are current such as in Nigeria. In Nigeria, NGOs launched a campaign **to raise the awareness of companies about the problems affecting countries where the companies operate**. NGOs support the EITI but think that there are no guarantees of success at this stage. They are asking the EITI to set up standards for transparency. According to NGOs, other measures would complement the initiative, e.g., the publication of the payment made by governments and government revenues.

Anglo – American / OGP

Anglo American supports the EITI. His representative explained that the sector is exposed to many financial and political risks and is concentrated in a limited number of countries where it has a considerable impact on their revenues. The mining sector has therefore recognised its **potential to contribute to sustainable development**. This was one of the reasons major investors supported the EITI. Another reason is that companies of the mining sectors are **long-term investors aiming at long-term access to resources**; companies of the mining sector did not wish to continue to carry the can for corrupt governments. **The initiative also aims to prevent corruption, ensure long-term access to resources and greater transparency in national and regional debates on the distribution of wealth.** Anglo American reports are based on the **Global Reporting Initiative (GRI)**.

The International Association of Oil and Gas Producers (**OGP**) aims **to improve communication between the upstream industry and international regulators**. It represents the industry in international forums, **works for the improvement of the health and safety, social and environmental practices and promotes awareness of CSR**. The Association is currently **actively involved in the EITI** and in the **World Bank extractive industries review**. With regard to EITI, OGP highlights that disclosure remains an issue where further thinking about how to manage it sensitively is necessary, for example, with regard to the problem of confidentiality of contracts, the use and possible misuse of disclosed data and the competitive disadvantages that can arise for companies that disclose vis-à-vis competitors that don't.

Exxon Mobile

The Chad-Cameroon investment project is conducted by Exxon (40%) with the participation of Petronas and Chevron Texaco. It is supported by the **World Bank** and the **European Investment Bank**. The major challenges faced by the company are the **political instability of the area**, cooperation between Chad and Cameroon, the **lack of capacities and weak infrastructures**. Exxon organised a **public consultation** exercise along the route of the pipeline and offered **compensation** on an individual basis. It also provided **grievance mechanisms**. The company **participated in the improvement of infrastructures**. The project created **job and business opportunities in the area**.

As part of ExxonMobil's multi-stakeholder approach, in Cameroon, the **Wildlife Conservation Society** is collaborating with Western African governments and was consulted on the **impact assessment project**. The discussions focused on environmental aspects. Thanks to the **dialogue**, some aspects of the initial project, which could have a negative affect on the local habitat, were reviewed. The NGO **Amasot** (Association du marketing social du Tchad) - a project initially supported by the German development co-operation agency and the World Bank - worked on the **social and health impact** by distributing condoms in the area and organised campaigns for the prevention of malaria.

With the aid of the **World Bank**, Exxon set up a **Chad revenue management plan to ensure the transparency of payments and the local allocation of revenues to poverty alleviation projects**. The plan is **monitored by the local communities** (NGOs, trade unions, civil society, etc) and focuses **on capacity-building**. The project created a **real economic stimulus** and has empowered **local administrations**.

Human rights NGOs present at the round table raised **concerns at the security impact** of this kind of project and the **lack of long-term employment prospects for local people**.

British Petroleum

BP presented a program focussing in installing **solar energy** in remoted communities located in the north, northeast and southeast of Brazil. The project had been quite unusual to BP, dealing with small volumes to reach the final end – users and dealing with financial issues / support for local communities. It required **working creatively with existing structures within BP and with other stakeholders such as NGOs, local communities and authorities**. The project had been a catalyst of activities within the Brazilian organisation of BP. It underlined the **direct impact that providing energy to rural communities can have on human and social development, especially on education and health**.

Heineken / PharmAccess

In West Africa, Heineken had developed a comprehensive *HIV/AIDS policy* in partnership with *NGOs, local communities and governments* offering employees and close relatives prevention and treatment against HIV / AIDS. Central objectives have been *sustainability, instead of quick profit, and responsible management*. The company faced problems: *reluctance of other companies* to follow the example; *embarrassment of the government* as public sector employer; giving the impression of unlimited financial resources; problems in *delimiting the target group*; unnecessary exposure to the company. But, as a positive lesson, Heineken points out that the company is profiting from a *more stable workforce* and is building up a real sustainable business model. *Partnership* with NGOs, business networks and public authorities is a key element. PharmAccess International developed partnerships with companies to set up appropriate health policies.

Private Investors for Africa

PIA is a forum of companies, employing over 1 million jobs directly and with a long history of engagement in Africa, dedicated *to improve the African business environment*. PIA offered a possibility for companies to have *informal discussions* on these issues and *share information on practical measures against e.g. HIV / AIDS*. PIA had sustained *contacts and co-operation with IMF, World Bank, NEPAD and the European Commission*. Furthermore PIA increased *co-operation between the companies involved in the region* where appropriate. Some of the issues that PIA focussed on where *tripartite / business dialogue, sustainable taxation models, and governance in Africa*.

Ethos Institute for Corporate Social Responsibility

Ethos was founded in 1998 by a group of business people. In the nineties, Ethos developed projects in Brazil to develop CSR practices in this country. It worked with regard to awareness raising and practical measures in order to facilitate companies implementing these measures. On the practical measures, Ethos developed i.a. *manuals on how to deal with poverty reduction / hunger, indicators for CSR, guidelines for financial, social reporting, and a best practice database*. The *partnership* with trade unions, government and local authorities is particularly important in the field of fighting child labour.

Annex 2: LIST OF PARTICIPANTS

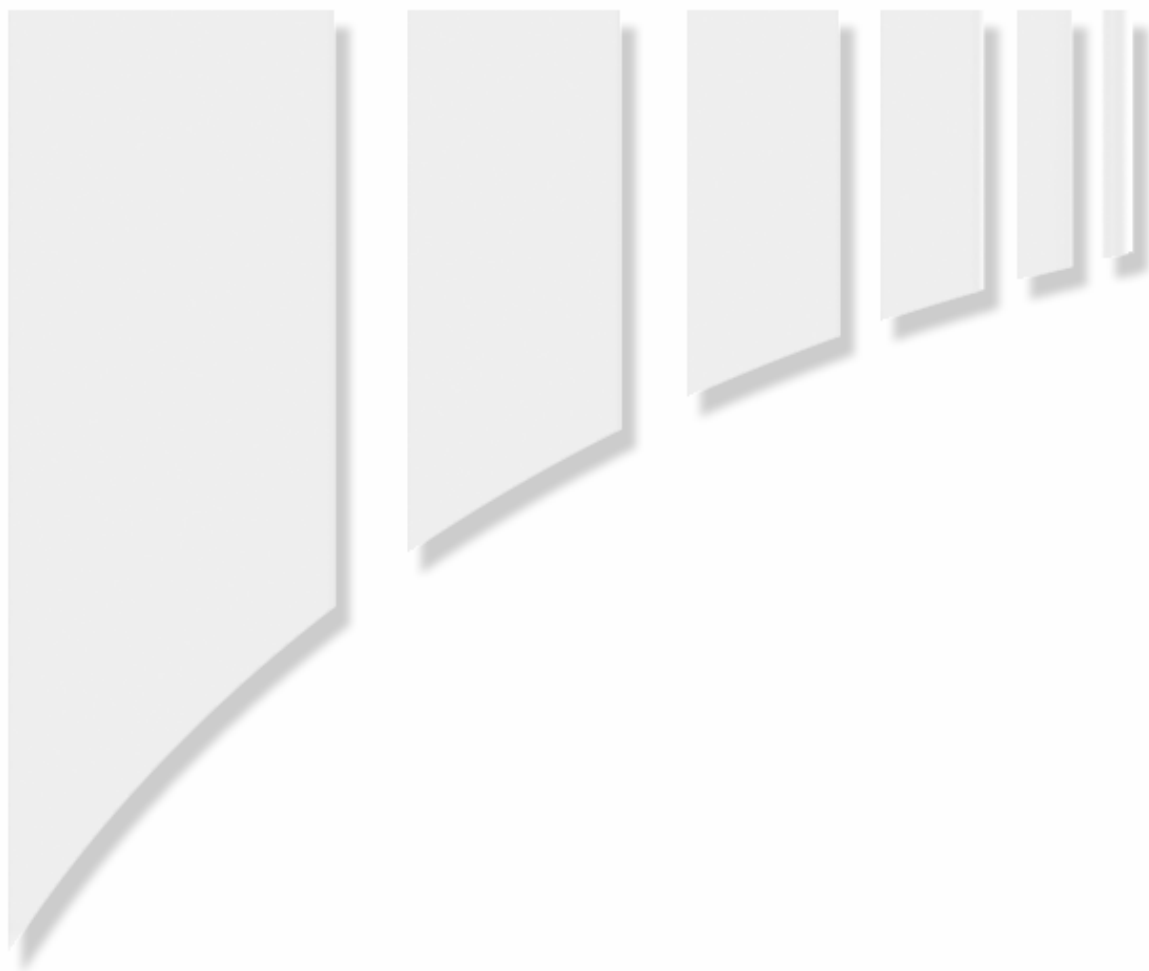
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Round Table

***Diversity, Convergence and
Transparency of CSR Practices and
Tools***



Final Report



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1. CONTEXT

In common with the other Round Tables, the overarching objectives of the European Multi-Stakeholder Forum on Corporate Social Responsibility informed our work to foster CSR and improve innovation, credibility and transparency of practices, through (a) increasing knowledge and (b) exploring the appropriateness of defining common guiding principles.

Two important themes were identified by the Forum plenary in December 2002, which the Round Table was asked to look at:

- The transparency and credibility of CSR practices and tools
- The diversity and convergence of CSR practices and tools

The CSR practices and tools¹ which the Round Table was asked to focus on, were examined through the presentation of case examples and descriptions of research at the first and second meetings of the Round Table, often presented jointly by people from more than one sector.

Labels	FSC and B&Q: label for timber and wood products from sustainably managed forests. Comité Intersyndical sur l'épargne salariale: four trade unions providing a quality label for financial products, certifying their financial, social and environmental quality (France).
Management Systems	There were no presentations which specifically addressed management systems, although management systems were discussed during sessions on the GRI.
Socially Responsible Investment	ORSE and AXA: Charter between SRI analysts and the companies they analyse (France). Eurosif, Avanzi SRI Research and CSR Europe: the market for SRI and sustainability indices in Europe. CBI: research into companies' view of CSR indices and research methods. Contributions to a panel discussion from: Ethibel, Siemens, UBS, Sodalitas and the Italian Banking Association.
Reporting	"Trust Us" survey of global trends in sustainability reporting, Sustainability. Accountability and CSR Europe: survey of the impact of CSR reporting. Global Reporting Initiative: with experience from BT and ICFTU. NRE Reporting Law (France). Lafarge and WWF working together on company reporting. Tour Operators Initiative: with experience from UNEP, Aurinkomatkat-Suntours and FILCAMS CGIL.
Codes of Conduct	INFANS: Carrefour and FIDH – supplier Code of Conduct on human rights.

¹ A 'practice' is an approach or a set of behaviours used regularly in practice by an organisation. A 'tool' is a formulated way of doing something, more discrete and easily identifiable.

The knowledge and expertise of presenters and participants form the basis of this report, which draws on the discussions which were catalysed by the case studies presented to the Round Table. The Rapporteur and Co-ordination Committee express their thanks to everyone who took part in preparing and presenting these cases, and in the Round Table discussions. This report has also benefited from the Co-ordination Committee’s guidance on structure and approach.

The context is one of a rapid growth in the number and variety of CSR practices and tools, accompanied by a rising although inconsistent take-up for many of them. This variety and inconsistent take-up is seen by some observers as characteristic of the early stages of a learning process, with many organisations at the beginning of a learning curve with regard to more systematic approaches towards transparency and corporate social responsibility.

A wide variety of approaches was examined through the case studies, including:

- Single-company and sector-wide;
- With and without independent verification;
- Single-issue and multi-dimensional;
- Single-country and international;
- With varying degrees of involvement from non-business stakeholders;
- Initiatives to explore convergence in approaches as well as those where this was not a consideration.

Although the majority of cases presented were examples of voluntary initiatives, one example of a mandatory practice was also presented. As well as formally presented cases, examples of other initiatives were referred to during the discussion.

The Round Table’s brief was to focus on tools and practices, but it is also worth noting that the importance of values, trust and organisational culture – the less tangible aspects of a CSR approach – was a thread running through much of the discussion.

2. Analysis of the key drivers, obstacles and success factors

The most important drivers, obstacles and critical success factors for CSR as a whole are presented in Part Two of the Final Forum Report. This summary report from the Round Table sets out the Round Table’s analysis of the main determining factors for the successful use of CSR practices and tools, assuming that organisations have already decided that there is a case for attending to its CSR performance. It should be remembered that CSR tools and practices may be developed by a company (alone or with others) for their own use, or adapted from existing tools or practices developed by others, or adopted unchanged from an existing tool or practice. For many of the tools and practices examined, those presenting described a process of continuing refinement and innovation.

2.1 Drivers for the use of CSR practices and tools

It has proved useful to distinguish between internal and external drivers, acknowledging the existence and importance of both, and the links and dynamic relationship between them. While internal drivers determine whether a company takes up a CSR approach, society’s changing expectations reinforce internal drivers and catalyse change.

An additional factor is the recognition by many parties that past trends, if continued into the future, may lead to a more difficult business environment and a poorer social and environmental context. This ‘big picture’ perspective leads to changing values within society at large and within companies.

2.1.1 Internal drivers

The general business case for CSR argues that better risk management, lower costs (e.g. through eco-efficiency measures), increased staff motivation, a happier workforce, better relations with stakeholders, better anticipation of future trends and closer attention to customers’ expectation, bring improved long-term profitability. Inasmuch as a company wishes to manage its risks efficiently and thus become more profitable, it can do this through using CSR tools and adopting CSR practices.

2.1.1.1 Embedding values

CSR practices and tools can be used by companies to embed values (whether internally or externally developed) into the organisation, by

- Developing a systematic approach accompanying commitment from senior managers;
- Providing an external framework to assess an organisation’s performance, which can enable staff and managers to provide more frank feedback and analysis of whether the organisation is living its values, and how these relate to universally agreed values such as those embodied in international agreements.
- Involving an independent third party in this process can demonstrate to staff how independence and openness are valued, and that the organisation is serious about assessing and changing its behaviour.

Tools and practices which are developed and implemented internally may command more genuine ownership among the workforce, and be more closely aligned with organisational culture, structure and procedures.

2.1.1.2 Positive differentiation

For particular products or services, positive differentiation can be achieved by carrying a label or meeting a standard awarded by a third party, when competing products or services do not also carry the label or meet the standard. This may be particularly important in markets where institutional purchasers (e.g. business to business, or business to public body) are including ethical, social or environmental criteria in their buying decisions. Being able to show that a particular tool or practice has been applied, may enable the seller to more easily demonstrate that they meet the customers’ criteria.

Credibility for particular characteristics of products and services can also be achieved by other communication efforts and tools, for example other marketing mechanisms, and although labels are not considered a panacea, they are highly valued by consumer organisations.

For organisations and brands, more general reputational factors may help to differentiate from competitors.

2.1.1.3 Better risk management

The use of certain CSR practices and tools (e.g. reporting, management frameworks, codes of conduct) provides a systematic way of identifying, anticipating and managing risk to the organisation. The use of an established practice or tool may help to ensure that the organisation does not have any ‘blind spots’. As many of the practices and tools institutionalise engagement with stakeholders, this is a further check to ensure that no areas of potential risk are missed. Although the use of CSR practices and tools, and involvement with stakeholders, can reduce the likelihood of being surprised by particular issues, some unpredictability will remain. Companies institutionalising their CSR practices may also wish to leave room to be open to new issues not covered by the existing practices and tools. Better risk management may, in turn, have a positive influence on business performance.

2.1.1.4 Reputational benefits

There may be reputational benefits to some companies in adopting a CSR approach. What are the additional reputational benefits of using particular CSR practices and tools? Some organisations feel that they can more easily realise the potential reputational benefits of improved CSR performance, if there is some element of independence or endorsement to the things the organisation says about itself. Credibility can come through internal follow-up, product labels awarded by independent bodies, certified management standards and assessments made by analysts and ratings agencies, and the presence of verification and internal or external audit for codes of conduct. Many stakeholder groups argue that the more independent the process used, the more credibility it will have with them, and therefore the more likely it is to deliver reputational benefits.

The flip side of this driver is the risk of a negative impact on reputation, if a company does not communicate or engage with stakeholders either proactively or reactively. If a company or a sector has not built up relationships with stakeholders and begun to exchange views and perspectives on particular issues, they may be more vulnerable to criticism if there is an incident or an unanticipated issue arises.

2.1.1.5 Enabling innovation

By encouraging people to take a new perspective, and by encouraging more interaction with stakeholders, many CSR

practices and tools help those teams charged with innovating within an organisation. Innovation may be catalysed by introducing new constraints or new information which encourages teams to imagine totally new solutions. CSR practices and tools can be used as a new factor in a situation, to stimulate new thinking.

2.1.1.6 Driving change

As a particular practice or tool is introduced in an organisation, it helps to create change, through encouraging staff to look at their functions in a new light. There are particular practices and tools which are specifically designed to help an organisation change. There are others which have this effect incidentally. By choosing to introduce a CSR practice or tool, an organisation sends a signal that it wishes to see change (or to reward recent changes) and to do so in a systematic and considered way. For example, monitoring performance on a particular issue enables management to assess progress and prioritise action, thus driving change.

2.1.1.7 Enabling learning

For similar reasons to those outlined under innovation and change, learning is catalysed by looking at the organisation and at individual behaviour through the new frameworks provided by CSR practices and tools. The discipline of using a tool means that staff cannot avoid certain areas (e.g. environmental impact, social impact) which might have been easily overlooked without the use of the tool or practice.

Additionally, an organisation may be able to draw on the learning and support offered by organisations promoting particular practices and tools, and from peer organisations which are already further down the road, if it ‘signs up to’ a particular tool or approach.

2.1.1.8 Attracting, motivating and retaining qualified staff

Motivated employees, with pride in their employer and in their contribution to society, are a benefit to a company. Adopting CSR practices and using CSR tools can help to motivate employees. This can be both through the increased participation in the company’s planning and decision-making which is inherent in many CSR practices and tools, and by being proud of the improved environmental and social impacts of the company’s business.

2.1.1.9 Improving stakeholder relations

Where stakeholders value the use of particular practices and tools, then stakeholder relations may be improved if the organisation uses them. Stakeholders may play an active role in initiating such engagement, which may be two-way or even multi-directional. This can lead to a better understanding of stakeholders’ intentions and priorities, enabling them to better anticipate stakeholder reactions. Those practices and tools which imply a degree of independent scrutiny help to allay suspicions of ‘greenwash’ or ‘pinkwash’ (that the claims being made are not justified by genuine achievements in environmental or social performance). With or without independent scrutiny, a systematic and monitored approach enables stakeholders and companies to understand each others’ intentions and priorities, and to respond at a strategic level, as well as at the level of specific issues or operational matters.

2.1.2 External drivers

2.1.2.1 Calls for increased information and accountability

In responding to calls for increased accountability, organisations may wish to draw on reporting tools or disclosure approaches which have already been tried out by other organisations, refined in light of experience, and developed with the input of stakeholders. At the same time, organisations may need to adapt the approaches and tools to their particular circumstances, as was demonstrated in some of the case study presentations.

Organisations may also find that following the approaches outlined in particular tools will mean that they are able to answer stakeholders’ questions more easily by referring them to, for example, a sustainability report rather than answering each inquiry individually. Not responding to external expectations about information on CSR activities may leave the company exposed to criticism. At the same time, the challenge remains, of satisfying the agendas and information needs of a wide variety of stakeholder organisations which may not share a common set of concerns.

2.1.2.2 Investors’ criteria

In common with customers and other stakeholders, organisations may find that their investors have criteria or questions about their

environmental or social performance which are easier to answer if the organisation can demonstrate that it is using recognised practices and tools or if it can point to a CSR report or equivalent which has been prepared using recognised guidelines. However, it was also clear from some case studies that mainstream investors, SRI funds and analysts have their own questionnaires, criteria and need for additional specific information. Even with common reporting protocols, investors are likely to request additional information.

2.1.2.3 The role of public authorities

Public authorities can provide drivers for CSR activities generally and for the adoption of particular practices or tools. As customers, regulators, policy makers, revenue-raisers, information providers and commissioners of research, public authorities respond to society’s changing expectations and can and do provide an enabling environment, incentives and support for CSR activities. For example, one presenter of a case study cited environmental criteria in government purchasing as a potentially important driver.

2.2 Obstacles to the use of CSR practices and tools

Whilst this analysis takes as its starting point the assumption that companies have decided to undertake some CSR activity, and are contemplating which tools or practices to adopt, it is nonetheless important to note that there are obstacles to knowing about CSR and choosing to take a CSR approach at all – and this lack of knowledge, know-how and awareness, or lack of clear benefits for a company of CSR, is a big obstacle for many companies. It was suggested by some that some of these obstacles are perceived rather than real.

2.2.1 Knowing which one to choose

Some tools and practices are not well known. In other cases, the tool or practice may be hard to distinguish from others with similar names or addressing similar needs. Some tools and practices are widely endorsed by a variety of organisations. Some are backed by regulation or require independent scrutiny of some kind. Some involve a relatively small effort to apply; some involve a great deal of investment or time. Some include a simple and successful way of communicating with customers, others involve providing dense technical information suitable for more specialist audience – in these cases, it is

particularly important to know who you want to communicate with and to choose appropriate ways of doing this. It can be a challenge to make a choice. The lack of commonly defined expectations, in many areas, can compound this challenge.

As well as knowing which practice or tool to choose, there is the specific challenge of which indicators to use to measure and assess performance, and the process to use to go about identifying indicators which are useful as internal management information, related to the organisations targets and useful as information for stakeholders.

2.2.2 Time and investment required to implement

As noted above, some practices and tools may require a level of investment (financial, staff time) which either is, or appears to be, a barrier for some organisations (particularly smaller ones). In these cases, the organisation may decide either to not make efforts to improve its performance in that area, or to do so in a way which is not formally recognised by outside bodies or does not have a name and recognised methodology. This option may reduce the organisation’s access to others’ experience and support and its ability to share costs with peers, but may be chosen because it is deemed to suit the organisations’ capacities.

2.2.3 Inflexibility

Some practices and tools maximise stakeholder credibility, respond to calls for accountability, and minimise blind spots, by requiring organisations which adopt them to examine a fixed set of issues in a fixed way. This may mean that some organisations find them unsuitable for their own situation. This is particularly the case when the organisation is different from the organisations which were envisaged or involved when the tool was designed or the practice developed. It may also be an obstacle when the company has divisions or operations in different countries, where local circumstances and the expectations of local stakeholders may be very different from the location where the tool or practice originated.

2.2.4 Concern about the degree and nature of the external engagement involved

Some organisations may have concerns about the degree of external engagement involved in the use of a particular practice or tool.

The concern may be for reasons of capacity (capacity to do the engagement and capacity to deal with the responses) or concern about the degree of critical feedback which they anticipate receiving. When companies experience a lack of feedback from stakeholders about their efforts, or negative feedback, then this can be an obstacle to continuing with the activity.

There were also questions about the usefulness of some external engagement, the difficulty in identifying legitimate and representative stakeholders, and the criteria for engaging or not engaging with particular stakeholders.

2.2.5 Concern about the degree of external scrutiny involved

Similarly, organisations may fear having their performance in some areas scrutinised. This may be because the organisation recognises that it is only beginning to get to grips with the issues in question, or because they recognise that their performance may not meet clear and high stakeholder expectations, or because they feel that their ability to change their performance in some areas is limited by circumstances which they cannot control. They may also find it hard to respond to the diverse and sometime contradictory expectations of different stakeholders.

There is also a perception and concern among companies that where a company is more transparent than its peers, it may be more exposed to criticism. This obstacle can be reduced, when there are willing partners who are able to work with the company and provide feedback at an early stage, helping to reduce the likelihood of a negative reaction and providing additional credibility for its efforts.

Where the external scrutiny is in the form of professional independent verification or assurance, then this can have cost implications for the company.

2.2.6 Specialisation and level of detail

Some CSR practices and tools may involve understanding performance on issues where the organisation lacks specialist knowledge. The option of building its own capacity, or buying in expertise, may seem like too big a barrier.

2.2.7 Degree of influence over the issues

Some CSR practices and tools encourage an organisation to examine its impacts in areas where the organisation may feel it has insufficient influence. Where the organisation feels it cannot have any significant influence over the impacts (because they are not a powerful player in the supply chain, or because there are multiple and complex causes behind an impact), the organisation may feel that there is little to be gained from examining its performance on that issue.

2.2.8 Lack of evidence of the benefits

Given the barriers outlined above, some (especially smaller) organisations may make the judgement that there is too little to be gained from adopting a particular practice or using a particular tool, in the light of unconvincing or sparse evidence of the benefits. This may particularly be the case where the practice or tool under consideration is costly to introduce, or complicated and demanding to implement.

2.3 Critical success factors in the use of CSR practices and tools

In line with the desire not to repeat points about the critical success factors for CSR in general, this section looks at the critical success factors in using CSR practices and tools effectively.

2.3.1 Commitment of senior management

The active commitment of the organisation's most senior managers, including through following up the effectiveness of any initiatives and demonstrating organisation-wide commitment to internal and external audiences, is an important determining factor, and can help ensure that the CSR approach is linked to organisational purpose or strategy, and help ensure that it is linked to and integrated with mainstream policies, processes and procedures.

2.3.2 Linking it to the core organisational purpose or strategy

Tools and practices can be ‘bolted on’ or they can be linked more closely to the organisation’s core purpose (for companies, its core business) and its strategy. This is partly related to choosing the tool or practice well. It is also related to understanding how the purpose and strategy may be impacted on by the use of the tool or adoption of the practice, and maximising the positive impacts. Linking CSR initiatives to the core business helps to build stakeholder trust.

2.3.3 Linking it to mainstream processes, policies and procedures

In parallel with understanding the relationship between core purpose and particular CSR practices and tools, effectiveness is also improved by ensuring that relevant ‘mainstream’ processes, policies and procedures in the organisation take account of the CSR tool or practice, and at least are not contradictory to them. At its most effective, a CSR practice or tool is fully integrated into everyday behaviour and management processes.

2.3.4 Using the tool or practice as a framework or springboard for on-going dialogue and engagement with stakeholders

The benefits of using a tool, or adopting a practice, can be maximised by doing so alongside on-going engagement with relevant stakeholders. By choosing to engage with stakeholders, companies may find it easier to

- Identify the areas of CSR which are most significant;
- Make a more informed choice of a tool or practice;
- Better understand the practical implications for the company;
- Implement the practice or using the tool;
- Obtain feedback about whether the practice or tool has made a difference to the company’s performance in the desired area, and assess its effectiveness – both by providing a stakeholder perspective and by discussing the significance of information provided by the company about its performance;
- Build a trusting relationship between the company and its stakeholders.

Engaging with stakeholders is likely to be easier when the relevant stakeholders are well organised, easy to identify, willing to engage

with companies in this way, and have the capacity and resources to do so. Some stakeholder organisations will be able to respond consistently in all the geographical areas in which a company operates, although many will not be organised in this way. For some stakeholder organisations, a preferred way of working will be to produce general guidelines, rather than getting involved at a level of detail with a single company or sector. Companies may find that stakeholders initiate dialogue and engagement, which the company may then join.

Companies are more likely to realise the potential reputational and stakeholder relations benefits of using a particular practice or tool, if they have engaged with relevant stakeholders when doing so.

2.3.5 Choosing the tool or practice well

The company needs to consider carefully whether the particular approach, tool or practice will suit its needs:

- Will it respond to the drivers?
- Will it overcome the obstacles?
- Does it suit the organisation’s size and nature?
- Will it help the organisation to improve its performance environmentally, socially or in its own criteria for success?
- Will it help the organisation learn and innovate?
- Will it help the organisation be open and engage with its stakeholders?
- Will it help the organisation to communicate effectively with different audiences, e.g. consumers, investors, employees?
- Has it been developed with the involvement of a broad range of relevant stakeholders?
- Is there a support structure which will help the organisation through the learning curve and provide reputational benefits or economies of scale?
- Will it be credible with stakeholders?

2.3.6 Involving employees and other stakeholders

Those who are going to be affected by the use of the tool or adoption of the practice need to know that this is going to happen. Ideally, they will be involved as stakeholders in the discussions mentioned above. Additionally, they will need to have a set of knowledge, skills and capacities which equip them to play their role. The company will need to investigate to what extent

it needs to take action to equip managers and staff to ensure that they:

- understand the context and drivers for the adoption of the practice or use of the tool;
- understand the issues which it covers (e.g. the particular environmental or social issues);
- understand what is expected of them, for example in terms of particular behaviour or performance targets;
- learn the new skills and knowledge which they need to have, to use the tool or implement the practice successfully;
- Are able to give their feedback periodically over the cycle of planning, implementation and review.

Particular attention may be paid to the role of employees and their representatives, and dialogue with them. As stakeholders located within the company, employees are in a good position to provide insights into current practice on a range of CSR issues, and insights into how to successfully improve performance. Changes to company practice and policy, as part of any new CSR initiative, are likely to be more successfully implemented with the commitment and ‘buy-in’ of the employees, and this is likely to be more easily obtained if they are involved in the process of developing the changes.

2.3.7 Openness to learning, improvement and innovation

Having adopted a practice or begun to use a tool, the organisation needs to remain alert to the things it can learn from its own people and from those outside the organisation, about how to implement it more effectively and about whether alternative approaches (at operational, organisational or sectoral level) might meet their objectives better. As well as refining its approach to achieving particular CSR aims, the company may also be open to reviewing and revising those aims and commitments in light of experience and new information.

2.3.8 Involving skilled people and competent networks

It is likely that the new practice or tool will stretch the organisation beyond its existing skills and knowledge. By making use of motivated and interested staff in the application of tools and practices, companies can achieve better performance while creating a motivated workforce. In other cases, companies may make use of existing networks and federations to support them in applying CSR practices and tools. Another option is to use external experts

(whether consultants, stakeholder organisations, or experts located within public bodies) to undertake particular tasks and to build capacity within the organisation (and within its stakeholder organisations). There are some particular areas of expertise (e.g. supply chain audits, or third party certification) where a company might see a case for the skilled people to remain located outside the organisation, to maintain their independence. Other companies find this too onerous or costly, or do not see benefits in doing so. This may be particularly the case for smaller companies.

2.3.9 The presence of willing partners or an existing initiative

For some examples which we heard about, the organisations involved first sought out partners: peer organisations in the same economic sector, or stakeholder organisations, to work with them. This helped maximise the benefits (e.g. learning, reputation, improved performance) and minimise the risks (e.g. learning curve) and sometimes the costs of adopting a practice or using a tool. Stakeholder organisations may be glad of an opportunity to influence companies’ performance in this way, and see the potential for wider change to occur following a successful pilot project, for example. Public authorities may be promoting initiatives or providing incentives for action in particular areas, helping to maximise the business benefits of taking a CSR approach.

There are factors which make the presence of willing partners more likely. Stakeholder organisations’ internal capacity to engage is one factor. Their assessment of whether engaging will be a good use of their resources is another.

NGOs and trade unions are likely to make an assessment of whether, by engaging with a company or a sector, they are likely to further their environmental or social aims. Stakeholder organisations will be more willing to engage where the practice or tools is one which they consider credible, or if they already have a positive impression of a company and trust its intentions. During the discussions, stakeholder organisations mentioned some factors which influence this judgement:

- credibility of information, including the question of third party assurance;
- familiarity with and confidence in the tool or practice;
- the presence of a participatory approach to engaging with stakeholders;
- the scope of the practice or tool – the extent to which it covers a range of issues, different

parts of the company and its supply chain, and the life-cycle of its products;

- Relationship of the tool or practice to international norms and agreements.

2.3.10 Tracking progress and effectiveness

The practice or tool should be taken seriously, and its effectiveness (in meeting the objectives which led to it being adopted, including business benefits and beneficial impacts on society, the environment and the wider world of business) should be reviewed from time to time. This can be done in the open way indicated above, with the involvement of internal and external stakeholders.

This might include approaches such as:

- involving stakeholders in the process of identifying targets, KPIs or success criteria;
- the production of periodic reports about the effectiveness of an organisation’s approach to CSR and the achievements it has made by adopting particular practices and tools;
- Seeking feedback from internal and external stakeholders about the approach and its effectiveness.

The credibility of this tracking of progress and effectiveness will be enhanced for some stakeholders by the use of external verification. Companies themselves may be content to rely on internal checks and processes to provide confidence in the information on performance.

Where such progress and effectiveness is shared within and outside the organisation, this can be a dynamic driver for a further improvement in performance, which may be through the adoption of other practices and tools, or simply from increased efforts to implement the existing ones more effectively.

2.3.11 Engaging with the spirit as well as the letter of the tool

As well as complying with the letter of the tool or practice (ticking the boxes), an organisation can understand and internalise the intentions behind the practice or tool, and thus respond to changing or particular circumstances by innovating in their use of the tool, or way of implementing the practice.

3. Issues for further consideration

Unsurprisingly, given the wide range of organisations represented at the Round Table, and the breadth of the subject under consideration, there remain some areas where agreement has not been reached, or which we did not have time to explore in depth. The most important areas are described here.

3.1 Discussion about transparency

It was widely recognised that there is considerable learning and experimentation taking place around transparency practices and tools, and that a ‘one-size-fits-all’ prescriptive approach on the format and detail of reporting would not be appropriate at this stage. Some predicted that convergence in transparency tools and practices will (continue to) occur as companies get more experienced in CSR approaches, and multi-stakeholder activities begin to identify stakeholder expectations. This might happen sector-by-sector, or on particular issues, or in particular areas. However, there was a wide range of views on the appropriateness of some obligations on companies to disclose or declare on CSR issues.

NGOs and trade unions would like to see some obligations on, at least, larger companies to report on what they are doing to address their environmental and social impact. There was also strong support among these groups for other information to be made transparent, including for example information about names and locations of suppliers, or payments made in taxes. These organisations suggested ways of obliging some reporting and disclosure, which they argued would leave companies free to choose what to report and how, whilst providing a prompt for companies to consider CSR and what CSR approaches they might adopt. Some of these suggestions were supported by some companies.

Business and employers organisations generally argued that there should not be any additional disclosure or reporting obligations on companies. There was concern that obligations to report would stifle innovation and reduce flexibility. It was suggested that companies should be left to respond to market demand for information, and if there is no demand, they should not be obliged to report. Instead, it was suggested that the focus should be on supporting current and nascent initiatives, and retaining the current voluntary approach.

As well as discussion about whether there should be some mandatory transparency, there was discussion about what types of information stakeholders might find useful, and which tools are useful models. There was not time to conclude this discussion, but suggestions supported by some stakeholders are recorded here:

- The GRI and other multi-stakeholder initiatives help ensure that stakeholders’ needs are identified;
- That materiality is an important consideration, especially to the investment community, and that stakeholders’ views can be useful in identifying material issues.
- That there is a challenge in meeting the needs and expectations of a wide range of stakeholders, and that investors may have interests which are different to those of other stakeholders.
- That transparency is about more than quantifiable indicators, and that ‘process’ indicators are helpful too, particularly in the area of social impacts.
- That non-comparable information (e.g. host government agreements, or disclosure on lobbying) is of interest to stakeholders too.
- That consumer organisations are keen to be able to obtain information from companies, in order to make comparative assessments which enable consumers to make choices which drive and respond to CSR.

There was a range of views on the importance of independent third parties in the process of producing accurate and credible information which then is made available to stakeholders by the company. Business organisations argued that internal auditing and verification procedures can be relied upon, and that the credibility of this approach should not be downplayed. Trade unions and NGOs attached much more importance to the involvement of third parties, seeing this as central to the credibility of transparency.

3.2 Discussion about what makes an effective CSR tool or practice

Some Round Table members supported the idea of providing guidance to companies on which tools and practices are considered valid and worthwhile and which are not. Another suggestion was to define the characteristics of a valid and worthwhile tool or practice. This might take the form of defining general stakeholder expectations on credibility, and / or assessments, based on evidence, of the relative efficiency and effectiveness of different instruments and

approaches. There was some feeling that the Round Table should not give the impression that all tools and practices are equally valid, and that it is worthwhile to identify and distinguish ‘true’ CSR from ‘greenwash’.

There was discussion about who would assess and identify the tools and practices, and what criteria and evidence they might use. Others argued that it is not appropriate or possible, given the level of practical experience, to make value judgements about different CSR approaches.

Some argued that identifying favoured practices or tools would be inappropriate, and that it is better to allow such understandings to emerge through learning by doing and bottom up approaches, as companies get criticised for certain approaches. In this way, market selection would mean that, over time, less effective or credible approaches are not chosen.

This discussion was not concluded due to time constraints.

3.3 The involvement of workers and trade unions

It was agreed that the three pillars of sustainable development are of equal importance, although they may be manifested in different ways in CSR practice. Although it was generally agreed that it is desirable to involve relevant stakeholders in CSR, and especially employees, there was an unresolved range of views about the degree of emphasis which this should be given. Trade unions and many other stakeholders consider that a company can only claim to be taking a CSR approach if it respects and promotes workers rights and decent working conditions throughout its supply chain. Social dialogue (in all its forms) and CSR must be mutually reinforcing, they argued.

They also took the view that the involvement of workers and their representatives in CSR is also critical for determining the outcome in terms of results, transparency and credibility. This means that CSR companies:

- develop positive employment relationships is an essential part of CSR;
- treat employees responsibly including informing and consulting them about company decisions that affect their interests; trade unions have a vital role to play in this, as they are the legitimate representatives of employees in the workplace;

- recognise trade unions; and that partnership between employers and unions in the workplace is a strong foundation for CSR;
- commit themselves to providing training and life-long learning for all their employees
- involve workers and their representatives in CSR strategies, for example through works councils' structures.

Employer and business organisations recalled that CSR was not to be confused with social dialogue, as CSR is a voluntary practice whereby companies integrate environmental and social concerns into their business operations over and above legal requirements and contractual obligations. It is also a concept referring to interaction with many relevant stakeholders. Employees, as an integral part of companies, are important internal stakeholders and players for realising CSR policies. They pointed out that the involvement of employees and/or their representatives will be done in accordance with European/ national law or practices. They emphasised their view that it is however important not to confuse this particular information and consultation process with the wider dialogue on CSR which can involve a broader variety of stakeholders and is voluntary.

3.4 Discussion around convergence

It was generally agreed that in some sectors and for some tools, convergence is occurring on a voluntary basis, and in a way which, through multi-stakeholder discussion, is achieving a balance between comparability, consistency and flexibility which is acceptable to the parties to those discussions. In these cases, it appears, convergence and diversity are not mutually exclusive, with a happy medium being found. It was suggested that this bottom-up and ‘market-led’ emergence of convergence will continue to emerge where companies and stakeholders have sufficient experience, commitment and involvement to enable this. This might be on a sectoral basis, or an issue basis, or a national basis.

Building on these examples and other experiences, some Round Table members from a range of stakeholder sectors believe that it is possible to design systems of approval or regulation at EU level, which, they argued, might combine the level-playing field or strong incentive of EU endorsement, with a diversity of implementation or response levels chosen by companies.

Some suggested that voluntary, emergent convergence should be encouraged and hastened by the active encouragement of, and facilitation by, the EU. This could be a process in which less effective and credible tools and practices become less used over time, and those which meet companies’ and stakeholders’ needs better are used more.

Trade unions and NGOs were particularly concerned that emergent convergence might lead to what they consider to be the lowest common denominator, and argued that any convergence should build on international norms and agreements. They also argued that it would be useful for the EC to identify the international norms and agreements which are considered appropriate as a basis for CSR activities in Europe.

Business and employer organisations argued, however, than any form of obligation on companies to consider CSR is not acceptable to them, as CSR is defined as voluntary practices. In their view, artificially speeding up convergence would not be welcome, as it would contradict CSR’s essence and the understanding that there is no one-size-fits-all approach. They were also concerned that it would reduce flexibility and innovation – ‘freezing’ the emerging tools and practices too early - leading to poor solutions. Such a freeze would, employer and business organisations argued, reduce companies’ ability to choose or develop a tool which suits their own circumstances and adds value to their business. This would not be welcomed by companies, according to business organisations.

There was considerable discussion about this, and differences of views remained.

3.5 The role which public authorities could play

There were also discussions about the role of the public authorities, showing the very different views held by different stakeholders.

It was suggested by NGOs and trade unions that public authorities could play a number of roles in driving CSR and related activities, through actions in the areas of procurement policies, export credit schemes, trade policies and eligibility for subsidies and taxes. Some suggested identifying instruments which might be available to the EU or EC as well. NGOs and trade unions also suggested that the EU could promote CSR in discussions over trade agreements and other international processes.

Business and employer organisations saw the role of governments in promoting CSR practices and tools as being essentially one of awareness raising. They stressed the view that linking public policy or funding sources with CSR could have damaging consequences for SMEs, could distort competition and would involve disregarding the voluntary nature of CSR.

Some stated that CSR is not an argument against regulation, nor is it a stepping stone to regulation. It was also stated by some that it is not a substitute for legislation nor for social dialogue and social partnership. There remains some distance between different stakeholder groups on the merits of voluntary and mandatory approaches to improving the sustainability of business.

4. Conclusions and recommendations identified and explored

The discussions at the Round Table, about possible recommendations, are exploratory and are summarised below. It is for the Forum as a whole to decide on recommendations. This section attempts to summarise the perspectives provided by Round Table members, and identify areas of agreement.

4.1 Base-line understanding

There are a number of points which form the base-line of the Round Table’s understanding of, and conclusions about, CSR practices and tools.

- That CSR is voluntary activity which integrates environmental and social considerations, over and above national, European and international laws and recognised European and international agreements or principles. CSR is about going beyond these, not replacing or avoiding them. Chapter one of the final forum report is expected to cover these laws, agreements and principles in more detail.
- The commitment of management in driving CSR forward is therefore essential.
- That CSR is about the core business activities of a company – how profitable business activities are developed and sustained.
- That CSR approaches are based on the understanding that, although companies are there to make profits, environmental and social sustainability also play a role. Further, there is an understanding that, for companies to continue to be profitable in the long term, an approach which integrates economic, environmental and social

considerations, and is based on dialogue with stakeholders, is likely to be most effective.

- That CSR is more than a number of linked topics – it is one tool amongst many for achieving economic, social and environmental progress (sustainable development), and for integrating these concerns into business practice.
- That the dialogue with relevant stakeholders adds value to the development of companies’ CSR practices and tools. As employees are an integral part of a company, it is important to pay particular attention to the role of employees and dialogue with them.
- That CSR is complementary to other approaches of ensuring high environmental and social performance: there are limits to CSR, and it alone cannot be expected to ensure environmental and social improvement and that it should not be used to shift public responsibilities to companies, however it is able to take things forward which are not possible in the legislative arena.
- That CSR is an ongoing learning process for organisations and stakeholders. The development of tools and practices is work in progress. Organisations need to consider their approach carefully and choose tools which suit their needs and respond well to stakeholders’ expectations. They need to refine and develop their approach over time, responding to changing circumstances and expectations. Scope for flexibility, innovation and refinement are important for successful CSR.
- That convergence is occurring on a voluntary basis through bottom-up and multi-stakeholder approaches and that this can achieve a good balance between comparability, consistency and flexibility.
- That when organisations take a CSR approach, they need to be aware of the need to communicate about these activities, and to do so in a transparent and meaningful way. There are different ways in which this can be achieved, of which reporting is one. An organisation’s response to the transparency challenge will depend on its activities, capacity and the needs of its stakeholders, which may be difficult to reconcile.
- That the environmental, social and economic impacts of a company’s activities may be important up and down its supply chain, as well as in its own operations.

4.2. Areas for possible recommendations²

There was a range of views about how ambitious the eventual recommendations should be, and the degree to which they should make clear the ‘added value’ which action at a European level, or by the European Commission, would bring.

Some Round Table members also stressed the need for appropriate actors and time-scales to be identified for any recommendations, and for progress in implementing them to be tracked and communicated. It was also suggested that the EMSF process should be evaluated, and this should be done in an efficient way.

4.2.1 Raising awareness and improving knowledge

There was general agreement that there is a need to raise awareness about CSR and its business case.

Some Round Table members stressed the importance of distinguishing between approaches to CSR and transparency which are effective, efficient and credible, and those which are less so, in general and in particular circumstances. Business and employers organisations stressed the general need to share, disseminate and promote information about innovative and effective CSR practices and tools among companies.

The point was made that it might be useful to reflect further on players and target groups, in relation to raising awareness.

4.2.1.1 Further developing a better common understanding of the business case

The business case for CSR, and for transparency, was thought to be an area where further development of a better common understanding would be beneficial. This might include the potential beneficial internal impact of understanding an organisation’s performance on CSR issues, and the potential beneficial impact – within the organisation and outside it – of being open about this performance. It was

² As part of the preparation for the Round Table, the Rapporteur had prepared a paper of suggested draft recommendations, which were used to structure the discussions.

also thought to be important to understand the limits of the business case for CSR.

It was also suggested by some that public authorities need to understand the general case for CSR (e.g. its social and environmental benefits) as well as the business case, and the limits to the business case for CSR. This would help them understand better the role CSR is likely to play in the context of the pursuit of sustainable development and the Lisbon goals.

Understanding the business case for the use of particular practices and tools could help companies in making their choices.

4.2.1.2 Collecting and sharing information about practices and tools

There was general agreement that one good idea would be to collect, share, disseminate and promote information about meaningful, innovative and effective CSR practices and tools, in order to achieve concrete progress. It was thought that all players could play a role in this, including identifying what, from their perspective, are meaningful, effective and innovative practices and tools.

It was suggested by some, that as many organisations are already collecting and sharing information, the added value from the European Multi-stakeholder Forum would be to evaluate the practices and tools, and distinguish between best practice and other practice. It was suggested, for example, that guidance on stakeholder mapping and identification could be produced.

There was a range of views about whether there should be an exercise to evaluate practices and tools, in order to promote those which are deemed to be of more value, and if so, how this might be done. Business and employers organisations argued that such a process would emerge over time in a ‘market-led’ way. NGOs and trade unions argued that it would be possible and desirable to evaluate tools and practices against criteria for effectiveness, rigour and credibility.

4.2.1.3 Researching the effectiveness of CSR practices and tools

There was general support for continuing research into CSR practices and tools, their take-up, effectiveness, impact and efficiency. This was thought to be a task for those who carry out and finance research. It was also suggested that

this research would benefit from being carried out collaboratively, drawing on the perspectives of various stakeholder sectors, and drawing on the expertise of academics and others from many disciplines. Other potential techniques include action research.

There was some discussion about what ‘effectiveness’ should cover, and some suggested that this should cover the effectiveness of a practice or tool in meeting the goals a company had set for it, and the effectiveness of such practices or tools in meeting the expectations of stakeholders and wider society.

It was recognised that some research projects are about to begin, at European level (for example in the frame of the European 6th Framework Programme on Research) and that these might be one way of taking this need forward.

4.2.1.4 Collecting and sharing information about the level and effectiveness of CSR activity

There was some support for the idea of researching, collecting, sharing, disseminating and promoting existing information about the level of CSR activity, and the impact and effectiveness of this activity. There was also support for tracking any changes in this over time.

Some suggested that this is something which players from all sectors could contribute to, and that multi-stakeholder involvement would be important for enabling effectiveness to be assessed.

Some suggested that an EU observatory should have the task of gathering and assessing the level and effectiveness of activity. Employers and business organisations did not agree with this, but suggested the establishment of a resource centre as a central place to gather information about CSR practices and tools. Such a resource centre or observatory could provide information on national and European CSR activities.

4.2.2 Developing capacities and competencies to mainstream CSR, in order to improve business performance and impact on society

4.2.2.1 Integrating CSR practices and tools into mainstream management approaches

The Round Table explored the benefits of integrating CSR practices and tools into mainstream management systems and information management systems. Some suggested that such integration would facilitate the collection, analysis and disclosure of appropriate and material information about an organisation’s CSR performance. Others suggested that existing mainstream tools which incorporate CSR concepts could be promoted.

There was also some support for the view that management and information management aspects of CSR could be undertaken in a way which enables and encourages input and involvement from external stakeholders, employees’ representatives, and employees at appropriate points.

Employers and business organisations emphasised the usefulness of supporting the learning processes which enable organisations to share experience and reflect on the implementation of CSR approaches.

4.2.2.2 Developing capacities and competencies in particular groups

There was general support for the suggestion that capacities and competencies which enable CSR should be developed further in particular groups. It was also suggested that specific attention also be paid to developing understanding of the issues and challenges around transparency, and its implementation. For some groups (e.g. auditors, the financial services sector, customer services teams, trading standards regulators, managers and consultants) some suggested that CSR and transparency should form part of their core professional competence.

Particular groups were suggested, with particular needs or characteristics.

- Managers and those with a specialist function within businesses need to

understand their scope for supporting environmental and social performance, stakeholder relations and transparency.

- Employees need to understand the relevant issues for their company, and its approach to CSR.
- Trade unions need to understand the wider issues which they may be asked to discuss as part of their involvement in CSR.
- Business organisations need to understand how CSR can help their members, and to have the capacity to help co-ordinate or lead CSR initiatives on behalf of their members, if appropriate.
- Those who advise business need to understand the business case for CSR and transparency, and be able to help their clients explore and implement CSR initiatives which are appropriate for them.
- Countries with a fragile or weak legal structure, and where civil society is weak, may need particular attention, if companies are expecting to improve economic, social and environmental performance in these places through stakeholder engagement.
- Organisations which analyse and audit the impact of supply chains such as auditors and related specialists, who need to have a certain set of skills and knowledge. It was suggested that this could be done by sector, or by issue.
- The financial services sector needs to understand SRI approaches, the SRI products available, and the potential of CSR performance to affect business performance.
- Those organisations which provide information to consumers and customers need to understand how to provide consumers with credible, balanced and reliable information which enables those consumers to choose products and services which meet their (consumers’) criteria. These organisations need to understand how to obtain such information, how to assess it, and how to communicate it.
- NGOs and trade unions may need to develop their understanding of how the issues about which they are already expert and concerned, link with CSR. For some organisations, there may be a need to develop the capacity to respond to companies’ invitations to engage, or to proactively seek out opportunities to further their cause by engaging.
- Public authorities need to understand and disseminate best practice on their own role, for example as consumers and funders. It was also suggested that they might enable

the capacity and competency development in the other groups mentioned.

- Suppliers, particularly SMEs and those in developing countries, need to be supported in understanding, selecting and applying relevant tools and practices, and in providing information about their social and environmental performance.
- Consumers themselves should also be encouraged to understand more about these issues, and the role they might play in driving and responding to CSR. This might be achieved by action by public authorities, consumer organisations, and companies.

It should be noted that this list does not attempt to be exhaustive, and that there are other groups of people whose capacities and competencies could usefully be developed.

The question of the potential role which the European Commission could play, in ensuring that these competencies and capacities are developed, was raised by some. Some suggested that DG Education and Culture should also be involved in the discussion about capacity building and competencies for CSR.

There was some discussion of who the other players are, who should take action. It was suggested that the primary responsibility to develop or improve the appropriate capacities and competencies lies with each core stakeholder organisation, for the people in their arena. There was discussion about the potential for stakeholder organisations to help each other in this task, through alliances and joint initiatives.

There was some discussion about whether core stakeholder organisations should receive outside help or support in this area, or whether they should be expected to resource and implement it from within. NGOs and trade unions highlighted that some stakeholder sectors have less capacity and will therefore need outside help in building their capacity. Employer and business organisations stressed that each constituency is responsible for developing its own capacity.

There was some discussion about how capacity and competencies might be developed. Collaborative learning was thought to be important.

4.2.2.3 How such capacity building might be delivered

There was general support for the suggestion that universities and higher education institutions are key actors in helping to develop these capacities and competencies, through their contributions to research, curricula and courses, innovation and technology transfer. As major employers, they can also gain experience as organisations undertake their own CSR activities.

There was also general support for the suggestion that training and education which is specific to business and to managers – like MBAs, business schools and Continuing Professional Development requirements in relevant professions – should include CSR in their core curriculum requirements. Similarly, it was suggested that vocational training for managers and supervisors should include CSR topics.

4.2.3 Ensuring an enabling environment for CSR

There was general support for the idea that there should be an enabling environment for CSR, and that public authorities amongst other stakeholders, can play a role in ensuring this. There was also a general view that there should be greater levels of CSR activity and effective transparency. Views on what the roles of some stakeholders are, including public authorities, varied considerably.

Business and employers organisations stressed the view that as CSR is carried out voluntarily by companies, the fundamental characteristic of an enabling environment is that it encourages companies to create innovative CSR measures by providing for flexibility, competition and bottom-up market-led developments.

Others suggested that in the long-term, CSR can flourish in an environment where corporate governance and practices are aligned with stakeholders’ expectations on environmental protection and social progress, as well as economic performance.

NGOs and trade unions stressed the importance of incentives which encourage high environmental and social performance, and aligning expectations and duties of companies in this same direction.

There remained a wide range of views on how far public authorities should go in bringing such an enabling environment about.

It was suggested by some Round Table members that it is important to enable, in particular, ‘good’ CSR practices and tools. Some suggested that outlining and agreeing some underlying principles about CSR and transparency would help to ensure this.

Some thought that there should be a general framework which encouraged consistency within and between countries, on the incentives for CSR approaches.

Some thought that convergence on CSR tools and practices will occur over time, with multi-stakeholder debate and agreement within different business sectors. Others thought that this could be proactively facilitated, perhaps on an EU level. Others suggested that it should happen in a bottom-up, market-led way, with companies changing their practices and tools in line with experience and stakeholders’ expectations.

4.2.3.1 Promoting greater transparency which meets companies’ and stakeholders’ needs

There was general recognition of the importance of communication and transparency, and of the fact that the question for companies was not so much whether to be transparent, but how. Transparency can play a role in internal change and in stakeholder relations. It has been identified as an important catalyst for other drivers. It was also generally agreed that transparency covers a wide range of options, with reporting being one among many. The challenge is to deliver transparency in a meaningful way, and there are different tools and responses which organisations may use, depending on their circumstances.

It was recognised that there are many different ways to report, currently, and that some convergence is occurring on a voluntary basis, as well as there being some parts of the EU where certain reporting obligations exist.

Some suggested that identifying what makes for effective and credible reporting would be worthwhile. Some suggested possible characteristics of a good methodology for reporting and transparency:

- That there should be top-level commitment to transparency
- That relevant stakeholders, internal and external, should be involved

- That the boundaries of the system being examined should be well-chosen (e.g. whether or not to include suppliers, or impacts after disposal).
- That international standards should be built on
- That information should be measured accurately
- That appropriate communication channels should be used
- That the reasons for selecting particular indicators be explained
- That the impact of the transparency and communications process should be measured.

Concern was expressed by NGOs and trade unions that if these characteristics are identified, this should not be used by companies as a ‘tick box’ exercise. There was strong support among NGOs and trade unions and some others that companies reporting on social issues should draw on credible international standards, such as the ILO Conventions and OECD guidelines, when developing their approach to reporting and transparency. Trade unions stressed the importance of ‘process indicators’ as well as performance indicators, particularly for social aspects of CSR, and for transparency about non-comparable information, which promote accountability.

Business and employers organisations suggested that companies should be free to develop their own indicator sets, relating to their national and other circumstances, but that they may wish to base these on existing sets which have been developed through open and collaborative processes, such as the GRI. At any rate, sets like the GRI can be used to develop a company’s own indicators.

NGOs and trade unions stressed the view that it is good practice for CSR reporting to be based on stakeholder participation and engagement, as without asking stakeholders it will not be possible to understand a company’s impact, for some issues. Employer and business organisations stressed the importance of clear management prerogatives. Many companies do involve strategic stakeholders at various stages in their reporting and transparency approaches.

There was a range of very different views on whether some form of mandatory declaration or reporting should be recommended or not.

It was suggested that effective and meaningful auditing and verification practices need further

development, and that this could help promote transparency.

It was suggested that information for consumers needs to be carefully communicated, in order to make it easy to understand, without being misleading or simplistic. Consumer organisations would like to be in a position to obtain information from companies, to enable this to happen. It was suggested by some that increased cooperation between companies and consumer organisations could help.

It was suggested that transparency is a valid approach for all types of organisations, not just companies.

4.2.3.2 Incentivising and promoting the use of effective and credible CSR practices and tools

There was support for exploring how to improve existing initiatives. Employers and business organisations highlighted the importance of supporting learning processes.

There was some discussion about whether there should be a recommendation which explicitly addresses increasing the number of companies which use CSR practices and tools.

It was suggested by NGOs and trade unions, that the European Commission should support the development of an EU ‘CSR trademark’, which companies could apply for if they chose. Such benchmarks could be established by multi-stakeholder debate. Employers’ organisations did not support this suggestion.

4.2.3.3 The role of public policy in promoting CSR

NGOs and trade unions would like to see the European Multi-stakeholder Forum make a recommendation which covers specific action which public authorities can take, at national, EU or other levels, to incentivise better environmental and social performance.

Business and employers organisations see the role of public authorities as being primarily one of awareness raising and where appropriate contributing to capacity building.

There was general support for the idea of understanding the role of public policy in promoting CSR, and a wide range of views on how desirable the various possibilities are.

Annex 1- LIST OF CASE STUDIES

INFANS – Carrefour and IFDH

This case study described **Carrefour's** commitment to respect fundamental human rights throughout its world operations and its partnership with **FIDH** (Fédération Internationale des Droits de l'Homme) in setting up *INFANS*, an independent association which has helped Carrefour to establish a Code of Conduct for its direct suppliers, covering human rights issues in the workplace. As well as developing the Code, *INFANS* has also developed a monitoring and verification methodology, involving local partners. The participation of FIDH in *INFANS* helped to identify the priorities for action, understand human rights risks in local operational contexts, and invite local NGOs to help monitor compliance with international human rights through e.g. unexpected factory visits. At the time of the presentation, 15% of Carrefour's imports have been covered by the detailed audits described. Carrefour's ambition is that the whole of their sector will move to this way of doing things. One success factor was the explicit recognition by Carrefour of fundamental human rights. This voluntary experience has led both Carrefour and the FIDH to agree on the need to adopt an international binding instrument, with an independent monitoring body, in the field of corporate social responsibility.

B&Q and FSC

This case study presented a partnership between **B&Q**, a UK home improvement retailer, and the **Forest Stewardship Council** (FSC), an international non-profit organisation founded in 1993 to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests. B&Q started its environmental programme in the early 90s, trying to reduce and improve the environmental impact of its operations. At that time, B&Q was challenged about where its timber was from, and the way source forests were managed. B&Q found in the FSC international labelling scheme for forest products a useful tool to address these challenges, as it provides a credible guarantee that the product comes from a well-managed forest (all forest products carrying the logo are independently certified). Now over 80% of wooden products sold by B&Q are FSC labelled. B&Q now see FSC labelling as a quality assurance method, rather than as primarily a customer information tool. Also presented was a description of FSC, its history, structure and methods, criteria certification processes. It was also highlighted that sound public policies and a well functioning legal environment were necessary for labels such as the FSC to work well. Public authorities are to a large extent responsible for the management of forests.

ORSE / AXA

ORSE - the Observatoire de la Responsabilité Sociétale des Entreprises - presented a French initiative challenging rating agencies and fund managers to be more coherent and consistent in the relation to the criteria and methods which they use to measure the social and environmental performance of companies. ORSE has developed a *Charter of Reciprocal Commitment for Sustainability Analysis Organisations and Companies*, which aims to improve and clarify the relationship between companies and rating agencies. A representative from the **AXA group** briefly explained how they experience the questionnaires they receive from the rating agencies and their participation in the Charter.

Comité intersyndical sur 'épargne salariale'

A trade union representative from **CFDT** presented the initiative of four French trade unions (CFDT, CGC, CFTC, CGT) to establish in January 2002 a '*Comité intersyndical de l'épargne salariale*', which aims to guide fund managers of salary savings schemes towards secure and socially responsible funds. The Committee has launched a quality label for financial products in France which certifies their financial, social and environmental quality. In 2002, seven products have been labelled.

Sustainability's 'Trust Us' survey of global trends in sustainability reporting.

UK-based consultancy, **Sustainability**, presented the key findings of their latest annual survey of trends in sustainability reporting. Questions thrown up by the survey include whether quality of reporting is directly linked to the quantity of information produced, and what makes for efficient reporting. The key is to identify which information is material, and the question then arises of who decides the materiality of certain issues and information. The survey also found that the use of GRI reporting guidelines helps companies to score well against Sustainability's criteria, although companies can score highly without it. Sustainability expects companies to be insightful about the challenges and dilemmas they face, and to address both environmental and social aspects, not choose between them. The point was made that the quality and presence of verification of the information was considered to be patchy. Companies need to include some interpretation of the significance of indicators, as well as presenting the data. The point was made that sustainability reports have a limited readership, but an important one.

Accountability and CSR Europe’s survey of the impact of CSR reporting.

Key findings of this report were starkly summarised as: reports are not widely read, when they are read they may not be believed, they are not used by readers to make decisions, and they do not necessarily lead to improved performance. The drivers for reporting are changing, having started as a response to external pressure, many companies are not reporting in a more strategic and values-based way. Companies in the survey also mentioned the importance of using reporting to drive internal change, and to build relationships with stakeholders. It was hard to distinguish the impact of reporting, as methodologies to measure change are not very sophisticated. However, reporting companies had their own perceptions, and these were of a positive response from SRI analysts, opinion formers and consumers. Respondents to the survey also stressed the importance of reporting for the internal and external visibility of the company’s commitment and initiatives.

Global Reporting Initiative – an overview from the GRI, with stakeholder perspectives from BT and the ICFTU.

It was stressed that reporting on environmental and social issues, using a framework like the GRI, enables a company to take control of its impacts in these areas, rather than being surprised by it or ignorant of it. The GRI is a reporting framework which aims to be applicable for all organisations, but just businesses and not just large organisations. It is based on international multi-stakeholder agreement and has been tested out in companies over a period of years. It has been through a number of iterations, and expects to continue to evolve through learning. GRI aims to enable comparability, reduce the costs of reporting and reduce confusion. BT’s experience of using GRI guidelines was also described. The core GRI indicators have been supplemented by ‘hot topics’, and BT’s ten key performance indicators (KPIs) were developed with involvement from stakeholders: five of them are GRI indicators. BT sees reporting as facilitating improved performance, based on an acknowledged business and values case for CSR. ICFTU also provided a perspective, as a stakeholder in GRI. ICFTU sees the social side of GRI as less well developed than the environmental side, and this is now improving. ICFTU is comfortable to be involved in a multi-stakeholder approach to reporting, as it believes that business alone does not have the political legitimacy to define its responsibility to society. Ideally, ICFTU would like to see initiatives like the GRI drawing on established legitimate standards such as ILO agreements.

The French NRE Law – historical perspective and issues in implementation provided by ORSE.

The law is based on the assumption that if you are not measuring something, you cannot manage it. The driver for the law is pressure from investors about company’s CSR management, and the need for consistency with other laws on pensions and savings.

The law is being reviewed by the new Government. It is recognised that it has been hard to find generally applicable reporting requirements. An additional concern has been the cost of reporting, both internal management time and the cost of external consultants. Criticisms of the law include the number and choice of indicators, and the debate about the boundaries of the organisation or production system being reported on. Additional issues include the question of external certification or auditing, and the comparison between what companies report, and what their activities are.

Lafarge and WWF on their experience of working together on Lafarge’s sustainability reporting.

The driver for this relationship was a desire for long-term success and competitive advantage (Lafarge) and a desire to drive standards higher (WWF). On reporting, the drivers for Lafarge were the need to respond to rating agencies and SRI funds, the pressure from the WBCSD to report, and the desire to be ahead of competitors. The reporting process has had a strong internal impact, through involving Heads of Department in identifying issues and selecting targets and indicators. The indicators are also strongly linked with the performance management system. It is seen as a very powerful process within the company. Learning points from Lafarge’s experience include pondering the indicators for a paradigm shift, and the realisation that stakeholders can sometimes be right. Lafarge’s experience led it to believe that standardised reporting and comparability are not achievable. WWF’s view is that there are principles for sustainability reporting which should be common to all reporters and that honesty and openness in the relationship has been a key success factor. For example, the two organisations disagree fundamentally about a particular quarry proposal, and this controversy has been included in the report. WWF also disagrees with Lafarge’s view about the difficulty and desirability of standardised reporting.

The Tour Operators sectoral approach to reporting, within the GRI framework, with inputs from UNEP, Aurinkomatkat-Suntours (business perspective) and FILCAMS CGIL (trade union perspective).

Forty seven tour operators are involved in this initiative, which commits them to act in various ways, for example to have environmental management systems, to co-operate with destinations to improve performance and to report on sustainability performance. At the first AGM, there was a desire from member companies to verify the implementation of these commitments. The entire set of indicators is publicly available, and participating companies select indicators from this set, to report against. The existence of the GRI process was a driver for the TOI, providing a common global reference point, credibility and visibility. It has also been an advantage for suppliers, as some of them serve other sectors (as well as serving tour operators), and so should reduce the likelihood of being asked for different information by other customers. A driver for working together with competitors in a sectoral initiative has been the very low margins in the sector. By pooling resources and expertise, companies have been able to develop the initiative despite the low margins and relative lack of power in the supply chain.

The market for SRI and sustainability indices in Europe – results of a collaborative research programme between Eurosif, Avanzi SRI Research and CSR Europe.

Analysts and researchers use CSR and sustainability reports as a source of information, but do not confine their research to them. There is a trend to harmonise research methods, which should make it easier for companies to respond, and to understand the judgements made. Once SRI indices exist, they tend to drive higher CSR performance, as companies vie to score more highly than their competitors. The weaknesses are that there is confusion of the criteria used to compile different indices, and the transparency and credibility of the research and analysis is not high. And whilst companies pay attention to their SRI rating, it is not clear that the financial community does. The SRI market is judged to be reaching maturity after a period of rapid growth, and is predicted to remain at around 2% of managed funds. This limits its ability to drive CSR performance. However, the concerns and issues picked up in specialist SRI funds can become mainstreamed in conventional investment approaches, and thus have a wider impact. Around half of mainstream investors surveyed agreed that SRI concerns are likely to become mainstream in the next few years.

Results of a survey of CBI members (UK businesses) on their view of CSR indices and research methods.

The CBI's members welcome indices as useful benchmarks of performance, but welcome the ability to choose not to participate. Companies do not like to be pressured into taking part, and expressed a desire to receive guidance from the CBI as to which indices are better than others to participate in. Companies prefer those indices which enable them to improve performance and strengthen their brand. They also prefer those which lead to constructive dialogue with investors. Where companies run the risk of being criticised for participating but performing less well than peers, they are likely to avoid participating altogether.

There was also a panel discussion on SRI, with input from different perspectives. Contributors were from Ethibel, Siemens, UBS, Sodalitas, and the Italian Banking Association.

Annex 2 – LIST OF PARTICIPANTS

First meeting of the Round Table "Diversity, convergence and transparency of CSR practices and tools", 7 April 2003, Brussels

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RAPPORTEUR: Ms. Penny Walker, Independent Consultant

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Mr. Jacques Bass, Secrétaire confédéral CFTD, Membre du Comité intersyndical sur l'épargne salariale.

Second meeting of the Round Table "Diversity, convergence and transparency of CSR practices and tools", 22-23 September 2003, Brussels

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