Handbook on Corporate Social Responsibility (CSR) for Employers' Organizations

April 2014

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FOREWORD

Corporate Social Responsibility (CSR) is one of the most coveted concepts of economic and social life of today's World and Turkey. Moreover, CSR increasingly expands its sphere of influence and implies a process in which more enterprises want to become part of it in each passing day.

Therefore, Employer Organizations, which are obliged to serve enterprises, are unconditionally required to have an in-depth knowledge regarding CSR and provide consultancy services to enterprises.

The present publication has been prepared within the scope of "Corporate Social Responsibility for All Project", which is leaded by our Confederation, by the International Organizations of Employers (IOE), of which TİSK is a member and which is a partner in the mentioned Project.

The Handbook will also be disseminated by the partnering National Umbrella Employer Organizations in Croatia, Montenegro, Macedonia and Romania in the respective languages.

The Handbook, which contains the basic and most up to date information regarding the Corporate Social Responsibility as a rising trend around the world, is primarily presented for the use of TİSK's member employer organizations, enterprises and all organizations representing the private sector. We would like to present our gratitude to The International Organizations of Employers (IOE) for their considerable expertise support to the preparation of this Handbook and The European Commission for the financial assistance.

Sincerely,
Turkish Confederation of Employer Associations

Introduction

This handbook has been prepared by the IOE within the scope of the EU-funded Project CSR for All (Ref: EuropeAid/132438/C/ACT/Multi – Corporate Social Responsibility For All - CSR FOR ALL PROJECT) which aims to raise the awareness and build the capacity of employers'' organisations in Southeast Europe. Key activities of the project are:

- Review of the current situation in partner countries (Croatia, Macedonia, Montenegro, Romania, Turkey) through national review studies in all five countries and the organisation of round table discussion at national level.
- Awareness raising and capacity building by establishing national taskforces (National-TF) in partner employers' organisations.
- Training National-TFs and the sub-organisations of the five partner employers' organisations, by organising seminars for enterprises in the five partner countries and conducting national conferences as well as by developing a Handbook to guide enterprises in CSR.
- Visibility and dissemination activities by developing a communication and dissemination strategy.
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This handbook is intended to serve as an introduction to CSR issues relevant to the employers' organisations involved in the "CSR for All" project as well as their company members. This brochure contains internet links to access further information on the individual themes in the annex. In addition, the IOE provides individual assistance with special issues linked to CSR to its member federations and their corporate members.

This guidance is provided as general advice only and is not to be construed as legal advice in any way.

I. What is Corporate Social Responsibility (CSR)?

Corporate Social Responsibility (CSR) is demonstrated by a company when it voluntarily integrates behaviours and principles into its business operations that meet, or even exceed, stakeholders' expectations with regard to society and the environment. Because companies have been engaging constructively with communities for as long as there have been companies, CSR is not new. However, CSR activities continue to develop as society evolves. There are many ways to describe these kinds of initiatives, for instance, social responsibility, private voluntary initiatives, etc. For the purpose of these notes the term CSR will be used.

In its 2011 communication, the EU Commission defined CSR as "*the responsibility of enterprises for their impacts on society. Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:*

- *maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;*
- *identifying, preventing and mitigating their possible adverse impacts.*

The complexity of that process will depend on factors such as the size of the enterprise and the nature of its operations. For most small and medium-sized enterprises, especially micro-enterprises, the CSR process is likely to remain informal and intuitive."

Businesses assume their commitment to conduct themselves responsibly under diverse conditions: the responsibility of a multinational enterprise operating around the globe is completely different to that of a local bakery, for example. The CSR challenges faced by an IT firm differ from those of a business in the oil industry. The type and structure of a company's commitment to society therefore depends on its size, as well as the sectors and markets in which it operates.

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Why is CSR relevant for business?

With ever increasing globalisation, CSR has become an important and prevalent theme around the world. It is commanding more space in the media; consumer organisations are increasingly demanding information on production conditions and routes to market; non-governmental organisations (NGOs) and trade unions are approaching companies with demands regarding commitment to society; suppliers are increasingly being met with CSR engagement demands from their corporate customers; and politicians have discovered CSR as an area for policy-making. CSR is also important with regard to the reputation of a company, including its ability to secure and maintain its place in the supply chain. Apart from ethical reasons, there is therefore also a business case for companies to be aware of CSR developments and trends.

What are the different roles of governments and companies?

As interest in CSR grows, it is necessary to draw a clear distinction between the role of companies and that of governments. Social actors are increasingly looking to companies to fill what they perceive as "gaps" or failures of State action - particularly in the enforcement of legal frameworks. This is leading to a conflict in expectations between what governments should do and what companies can contribute.

This conflict has wide implications for all players. Firstly, it distorts CSR and undermines the status of the law. Secondly, it can lead to unrealistic and unrealisable expectations from within society. Thirdly, it can open companies to criticism for not delivering to the level of these expectations. Finally, it can divert companies from their vital role in providing the primary means for wealth creation within a society through profitable activity.

The UN Special Rapporteur for Business and Human Rights, John Ruggie with his 'protect, respect and remedy' framework, which was adopted by the UN Human Rights Council in 2008, provided a concept which distinguishes clearly between the responsibilities of the various players and helps to clarify the complex interface between the duties of the state and the responsibilities of companies. The concept is based on three pillars:

- Protect: it is the duty of the state to protect against human rights infringements.
- Respect: it is the responsibility of enterprises to respect human rights as specified in the relevant national legislation and to establish the necessary management structures to this end.

- Remedy: legislative and non-legislative complaint mechanisms need to be developed and strengthened in order to improve redress for human rights infringements committed by enterprises.

Although the "protect, respect and remedy" framework focuses on human rights, the concept behind it is valid for the different responsibilities of companies and governments in general and to the role companies play in CSR. Companies can enhance state action, but they do not and cannot replace it.

Companies are responsible for their impact on societies - positively as well as negatively. Through CSR activities, companies can make an important contribution to sustainable development. Companies' commitments can complement the efforts of government towards the development of society, as well as towards environmental and social progress. However, they cannot be a substitute for the State. The implementation and enforcement of fundamental environmental and social standards cannot be delegated to companies. It is the role of governments to establish and enforce law and to create and maintain stable and predictable political and legal systems alongside a climate conducive to economic and social progress. It is the government's responsibility to invest in the education and social well-being of its citizens and to undertake the balancing of competing expectations vested in them by the society that elected them. Governments have legitimacy in this respect which cannot be simply shifted to companies.

What are the responsibilities of companies in supply chains?

In view of increasing globalisation, the issue of responsible supply chain management has become more and more important, especially with regard to the CSR debate. The responsibility of multinationals for engaging with their supply chain is partly determined in

the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises:

- The UN Guiding Principles on Business and Human Rights state in Principle 13 that the responsibility to respect human rights requires that business enterprises seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts. Relationships beyond the first tier may also therefore be directly linked.

- Similarly, the OECD Guidelines for Multinational Enterprises require enterprises to seek to prevent or mitigate an adverse impact, even where they have not contributed to that impact, when that impact is directly linked to their operations, products or services by a business relationship. The Guidelines stress, however, that this is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship. In addition to addressing adverse impacts in relation to matters covered by the Guidelines, enterprises should encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines.

The vast majority of companies are conscious of their responsibility to encourage their suppliers to observe human rights and to support them in their efforts to meet environmental and social standards. Many companies are very active in their supply chain management and have developed sophisticated approaches to raising workplace conditions and promoting their core values and principles beyond their own business. There are numerous initiatives, alliances and measures which help companies to live up to their responsibility in their supply chain. In this area, some companies participate in overarching initiatives such as the Business Social Compliance Initiative (BSCI) or the ILO and IFC's Better Work Programme, since these joint approaches allow them to address challenges linked to implementation and/or improvement of social standards in supplier countries more effectively and more efficiently. This can be better realised if the supplier companies themselves understand CSR and act accordingly.

Better Work and BSCI

Better Work is a partnership programme between the International Labour Organization (ILO) and the International Finance Corporation (IFC) that aims to improve both compliance with labour standards and competitiveness in global supply chains.

Better Work involves both the development of global tools and the implementation of country-level services, with a focus on scalable and sustainable solutions that build cooperation between governments, employers' and workers' organisations and international buyers.

Key global-level activities of the Better Work programme include:

- A practical workplace assessment tool that measures compliance with core international labour standards and national labour law, benchmarking against industry averages and showing progress over time.
- Advisory services that provide guidance on remediation efforts addressing both non-compliance issues and management systems.
- Tailored training resources including a 12-month modular training programme, single-issue seminars, induction training kits and first-level supervisor training.
- Innovative techniques to raise worker awareness, such as soap operas and comic books.
- Model policies and procedures, as well as good practice guides on a variety of common enterprise needs.
- STAR, an information management system that consolidates compliance and remediation data from each enterprise, and facilitates sharing that information quickly and easily with international buyers.
- Monitoring and evaluation to continually improve programme services, impact assessment that measures how Better Work affects workers' lives, and evaluation of the business case for compliance with labour standards.

At the national level: Better Work strives to create local, sustainable institutions that promote compliance with labour standards and industry competitiveness. In large markets, where the industrial base can support such actions, the aim is for Better Work country programmes to

become independent and self-financing over time. Country programmes typically combine:

- Independent enterprise assessments and advisory and training services to support practical improvements through workplace cooperation.
- Stakeholder engagement promoted by a national Project Advisory Committee, through which government and employers' and workers' organisations contribute to project design and provide feedback on Better Work activities.
- Public reporting that presents aggregate non-compliance data from all participating factories in a Better Work country programme, and allows comparison across countries according to specific indicators

More information under http://betterwork.org/global/

The **Business Social Compliance Initiative** (BSCI) was launched in 2003 as an initiative of the Foreign Trade Association (FTA). It was established as a response to the increasing business demand for transparent and improved working conditions in the global supply chain. BSCI unites over 1000 companies around one common code of conduct and supports them in their efforts towards building an ethical supply chain by providing them with a step-by-step development-oriented system, applicable to all sectors and all sourcing countries.

The BSCI system is built on three pillars: monitoring, empowering and engaging.

- Monitoring provides a picture of the companies' compliance level against the BSCI Code of Conduct. Audits are necessary to implement the BSCI requirements and measure improvements.
- BSCI aims to empower participants through workshops and training programmes and increasingly focuses on capacity building to raise awareness of suppliers, provide issue-specific knowledge, thus ensuring sustainable change in factories and farms.
- BSCI engages with a wide range of stakeholders in order to find sustainable solutions to often complex challenges. Non-compliance to labour rights is often linked to political, economical or cultural issues that affect not only individual workplaces but also entire sectors and countries. BSCI develops active dialogue and cooperation with governments, trade unions, NGOs, business associations, buyers and suppliers.

More information under http://www.bsci-intl.org/

However, there are some particular **challenges for companies when engaging with their supply chain**:

- Global supply chains are not like a string of pearls, but rather a big heap of spaghetti. They are diverse and complex, with bigger companies having several tens of thousands of suppliers in many tiers, which are also continually changing. Moreover, companies are often a supplier and customer-company at the same time.

- The real possibilities for companies to influence the supply chain are very varied and especially depend upon the number of suppliers, structure and complexity of the supply chain as well as on the market situation of the company. In many cases, suppliers may have a strong market position and its customers are not in a position to dictate supply conditions unilaterally or even to influence them. Sometimes, even smaller companies in the supply chain have a monopoly position, which allows them to resist any influence from customers. Sometimes the supplier is bigger than the buyer.

The UN Guiding Principles on Business and Human Rights state in the commentary of Principle 19, that "*where a business enterprise contributes or may contribute to an adverse human rights impact, it should take the necessary steps to cease or prevent its contribution and use its leverage to mitigate any remaining impact to the greatest extent possible. Leverage is considered to exist where the enterprise has the ability to effect change in the wrongful practices of an entity that causes a harm.*" The commentary to Guiding Principle 19 sets out the issues that need to be considered in responding appropriately to this situation.

These can be represented, in general terms, in the following decision matrix:

	Have leverage	Lack leverage
Crucial business relationship	• Mitigate the risk of the abuse continuing/recurring	• Seek to increase leverage • If successful, seek to mitigate the risk of the abuse continuing/recurring • If unsuccessful, consider ending the relationship; or demonstrate efforts made to mitigate abuse, recognising possible consequences of remaining in the relationship
Non-crucial business relationship	• Try to mitigate the risk of the abuse continuing/recurring • If unsuccessful, take steps to end the relationship	• Assess reasonable options for increasing leverage to mitigate the risk of the abuse continuing/recurring • If impossible or unsuccessful, consider ending the relationship

(The Corporate Responsibility to respect. An interpretive Guide, OHCHR 2012)

The OECD Guidelines ask companies similarly to use their leverage to mitigate any remaining impacts to the greatest extent possible. Leverage is considered to exist where the enterprise has the ability to effect change in the wrongful practices of the entity that causes the harm. At the same time, the OECD Guidelines recognise that there are practical limitations on the ability of enterprises to effect change in the behaviour of their suppliers. These are related to product characteristics, the number of suppliers, the structure and complexity of the supply chain, the market position of the enterprise vis-à-vis their suppliers or other entities in the supply chain. The commentary of the OECD Guidelines stresses that appropriate responses with regard to the business relationship may include continuation of

the relationship with a supplier throughout the course of risk mitigation efforts; temporary suspension of the relationship while pursuing ongoing risk mitigation; or, as a last resort, disengagement with the supplier either after failed attempts at mitigation, or where the enterprise deems mitigation not feasible, or because of the severity of the adverse impact. The enterprise should also take into account potential social and economic adverse impacts related to the decision to disengage.

The responsibility of enterprises in the supply chain must be seen in the context of the full text of the UN Guiding Principles, which stress that states must protect against human rights abuse. The suppliers, as well as the large international companies that contract with them, are actors in their national economies, subject to the laws and regulations (as well as the consultative mechanisms) where they do business. Thus, it is the duty of governments to protect the human rights of their citizens. Companies cannot become substitutes for governments' responsibility in this regard

Additionally, the suppliers are not passive entities, but they are themselves required under the UN Guiding Principles to respect human rights. As mentioned above, the OECD Guidelines also clearly stress, that they are not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship.

Finally, the vast majority of companies are not in global supply chains, but produce for the domestic market. It is therefore important to keep in mind that even the best supply chain initiatives can only reach a minority of workers.

II. What are the main CSR-relevant tools and frameworks?

There are a number of reference texts and tools that are available for businesses and provide a framework for responsible action. These are

- United Nations Global Compact
- United Nations Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises (OECD Guidelines)
- ISO 26000 Guidance Standard on Social Responsibility (ISO 26000)

- ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration)

These instruments and texts are not legally binding. However, they provide important guidance for companies. Moreover, there is growing stakeholder expectation that companies adhere to the principles of these instruments and frameworks.

In the 2011 CSR Communication, the EU Commission invites:

- All large European enterprises to make a commitment by 2014 to take account of at least one of the following sets of principles and guidelines when developing their approach to CSR: the **UN Global Compact**, the **OECD Guidelines** for Multinational Enterprises, or the **ISO 26000 Guidance Standard on Social Responsibility**.
- All Europe-based multinational enterprises to make a commitment by 2014 to respect the **ILO Trpartite Declaration** of Principles Concerning Multinational Enterprises and Social Policy.
- All European enterprises to meet the corporate responsibility to respect human rights, as defined in the UN Guiding Principles.

According to an EU study published in March 2013 about references made by large EU companies to internationally recognised CSR Guidelines and Principles:

- 68% of the sample companies make reference to CSR, 40% refer to at least one internationally recognised CSR instrument.
- 33% meet the European Commission's call to refer to at least one of the following: UN Global Compact, OECD Guidelines for Multinational Enterprises, or ISO 26000.
- 2% meet the European Commission's call to refer to the ILO MNE Declaration.
- 3% refer to the UN Guiding Principles on Business and Human Rights.

However, it is important to keep in mind that companies that do not explicitly build their activities on such reference texts, especially small and medium-sized enterprises, often implicitly implement the principles of these frameworks through their CSR engagements and activities.

What is the UN Global Compact?

The Global Compact is an initiative of former UN Secretary-General Kofi Annan. Launched in January 1999, the Global Compact is a call to business worldwide to help build the social and environmental framework to support and ensure the continuation of open and free markets whilst ensuring that people everywhere have a chance to share the benefits of the new global economy.

The Global Compact encompasses ten principles which are from the area of human rights (drawn from the Universal Declaration of Human Rights), labour (drawn from the ILO Declaration on Fundamental Principles and Rights at Work), the environment (drawn from the Rio Principles on Environment and Development) and corruption (drawn from the UN Convention against Corruption).

The ten principles of the UN Global Compact:

Human rights

1. Businesses should support and respect the protection of internationally proclaimed

human rights within their sphere of influence, and

2. Make sure that they are not complicit in human rights abuses.

Labour relations

3. Businesses should uphold the freedom of association and the effective recognition of

the right to collective bargaining, and encourage:

4. elimination of all forms of forced and compulsory labour,

5. effective elimination of child labour, and

6. elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges,

8. Undertake initiatives to promote greater environmental responsibility, and

9. Encourage development and diffusion of environmentally friendly technologies.

Combating corruption

10. Businesses should work against all forms of corruption, including extortion and bribery

The Global Compact (the Compact) is neither a code of conduct nor a prescriptive instrument linked with external monitoring or auditing of company efforts by either the UN or any other group or body. As former Secretary-General Annan made clear at the launch of the Compact, the UN has neither the mandate nor the capacity to monitor or audit company performance. The Compact creates a forum for learning and sharing experiences in the promotion of the ten principles. Through the Compact, companies demonstrate to their employees and communities how they are being responsible corporate citizens.

The Global Compact is not a legal instrument; it is aspirational. By becoming a signatory, a company states that it is prepared to work towards the achievement of its objectives. This is not expected to happen overnight, but companies are expected to maintain the momentum of improvement. Business participants in the Compact commit to making its ten principles part of their business strategies and day-to-day operations. Companies also commit to issuing an annual Communication on Progress (COP), a public disclosure to stakeholders (e.g. investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles, and in supporting broader UN development goals. If a member fails to communicate its progress by the deadline, it will be listed as "non-communicating" on the UN Global Compact website. If a further year passes without the submission of a COP, the company will be expelled. The Compact reserves the right to publish the names of companies that have been expelled for failure to comply with this requirement.

As it is a "learning model", the Global Compact encourages the exchange of information on initiatives undertaken in the course of the promotion of the principles. All participating companies have the opportunity, either alone or in partnerships with others, to advance the goals of the Compact together through dialogue, learning and projects, both at the global level and through Local Networks at national or regional levels.

The Global Compact therefore encourages the development of networks at regional, national and sectoral levels. These networks replicate some or all of the global activities of dialogue, learning and projects. They take a variety of shapes, involve different actors and stress different themes. Rooted in local contexts, Local Networks are increasingly sustaining outreach efforts and solution finding. In many countries, for instance Turkey, the local networks are coordinated by the employers' federations.

Since the initiative was established, more than 10,000 participants worldwide have joined. Though it is primarily a call to business, the Global Compact has also involved non-business participants, namely trade unions and a number of human rights and environmental non-governmental organisations (NGOs), (refer to the Global Compact website at: www.unglobalcompact.org). Non-business participants bring their expertise and experience to the Compact, enhance its learning focus and thereby enhance the development of good practices. In looking to promote these principles, employers may wish to work with these other actors. The decision and extent of involvement with non-business participants rest entirely with the employer concerned.

The Global Compact Office is located in New York. More information under http://www.unglobalcompact.org/

What are the UN Guiding Principles on Business and Human Rights?

The UN Guiding Principles on Business and Human Rights were unanimously endorsed by the UN Human Rights Council in June 2011. The principles do not impose new legal obligations on business, or change the nature of existing human rights instruments. They rather aim to articulate what these established instruments mean, for both States and companies, and to address the gap between law and practice.

The UN Guiding Principles are based on and operationalise the "protect-respect-remedy" framework, which the UN Human Rights Council had endorsed in 2008:

- The <u>State duty to protect</u> against human rights abuses by third parties, including business, through appropriate policies, regulation and dispute resolutions.

- The <u>corporate responsibility to respect</u> human rights, that is, to act with due diligence to avoid infringing the rights of others.

- <u>Access to effective remedy</u> for victims of human rights abuse, including through court or in-house processes.

What does the "Corporate Responsibility to Respect" mean for business?

The responsibility to respect means avoiding infringing the rights of others and successfully addressing adverse impacts of business activities if and when such impacts occur. Its scope is determined by a business's actual and potential impact, both of its own activities and those of its relationships, e.g. with other business partners, such as suppliers, as well as governments and customers. It is a baseline responsibility and applies to all internationally recognised human rights.

The UN Guiding Principles contain recommendations to governments and businesses. The recommendations to businesses include:

- Business enterprises should respect human rights. This means that they should avoid infringing the human rights of others and address adverse human rights impacts in which they are involved. (Principle 11)

- The responsibility of business enterprises to respect human rights refers to internationally recognised human rights – understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. (Principle 12)

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- The responsibility to respect human rights requires that business enterprises:
(a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;
(b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts. (Principle 13)

- The responsibility of business enterprises to respect human rights applies to all enterprises regardless of their size, sector, operational context, ownership and structure. Nevertheless, the scale and complexity of the means through which enterprises meet that responsibility may vary according to these factors and with the severity of the enterprise's adverse human rights impacts. (Principle 14)

- In order to meet their responsibility to respect human rights, business enterprises should have policies and processes in place appropriate to their size and circumstances, including:

  (a) A policy commitment to meet their responsibility to respect human rights;
  (b) A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
  (c) Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute. (Principle 15)

- In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response. (Principle 20)

- In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by, or on behalf of, affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them. (Principle 21)

- Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for, or cooperate in, their remediation through legitimate processes (Principle 22)

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- In all contexts, business enterprises should:
  (a) Comply with all applicable laws and respect internationally recognised human rights, wherever they operate;
  (b) Seek ways to honour the principles of internationally recognised human rights when faced with conflicting requirements;
  (c) Treat the risk of causing or contributing to gross human rights abuses as a legal compliance issue wherever they operate. (Principle 23)

What does Due Diligence mean?

Guiding Principle 17 addresses the approach of using due diligence as a "tool" to help a company identify, prevent, mitigate and account for any adverse human rights impacts. This should include assessing actual or potential human rights impacts, integrating and acting upon the findings, tracking responses and communicating any actions. The company needs to not only look at its own operations, but also impacts created by any business relationships.

Due diligence, as a concept, is already known to business, especially as it relates to matters such as mergers and acquisitions. Experience can therefore be drawn upon, but with human rights due diligence, it is the risks to people that need to be examined, not the risks to the business itself. It is important to note however, that human rights risks can very easily become business risks. It is only by conducting an analysis of actual or potential human rights impacts that a company can correct or remediate its behaviour, without this exercise a company can never know what risks it poses to others and of course to itself. Due diligence can help answer the question "*how does a business know that it is doing no harm?"*

Given the dynamics of business, due diligence on human rights should be part of existing due diligence exercises, such as those surrounding mergers and acquisitions, but it needs to be regularly repeated, used when new initiatives, products or services are in development, or when entering a new market or business relationship (supply contract, joint venture etc) or be part of other assessments, e.g. environment.

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The corporate responsibility to respect applies to all human rights. Some will seem self-evident, but the due diligence tool may itself reveal previously unknown realities that may require a re-evaluation of both the risks and the priorities for the company. Since the risks concern people, meaningful consultation with potentially affected groups and others needs to be part of any due diligence assessment process.

Identifying the potentially affected parties before commencing is important to ensure that they are appropriately included. There is no "one-size-fits-all" for this process; the bigger the business footprint, the bigger the necessary response.

The outcomes of any due diligence findings need to be captured and appropriate responsive action initiated. This requires tracking to ensure the steps taken are effective, as well as adjusting processes internally to ensure infringement does not recur. This requires the allocation of responsibilities and resources, both human and financial. Oversight and consultation with affected groups also needs to be part of any response.

In June 2011 the UN Human Rights Council decided to set up a Working Group on Business and Human Rights to promote the effective and comprehensive dissemination and implementation of the UN Guiding Principles. The Working Group pursues three work streams through which it will deliver its mandate:

- Global dissemination
- Promoting implementation
- Embedding in global governance frameworks

The mandate of the UN Working Group ends in June 2014 and will have to be renewed by the UN Human Rights Council.

What is ISO 26000?

ISO 26000 is a voluntary guidance standard elaborated by the International Organization for Standardization (ISO) on the social responsibility (SR) of organisations. It addresses not only companies, but also all kinds of organisations, regardless of their activity, size and location, as well as governments, regardless of the stage of their country's development.

ISO 26000 is not a Management System Standard and the text of the standard clearly states that "*it is not intended or appropriate for certification purposes or regulatory or contractual use. Any offer to certify, or claims to be certified, to ISO 26000 would be a misrepresentation of the intent and purpose and a misuse of this International Standard. As this International Standard does not contain requirements, any such certification would not be a demonstration of conformity with this International Standard.*" It is therefore intended to give guidance on organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement, and development. It aims to provide guidance on integrating social responsibility into an organisation.

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ISO 26000 was launched in November 2010 and it has been the subject of a five-month systematic review process, which started on 15 October 2013.

Content of ISO 26000

- ➢ Terms and definitions
- ➢ Principles of social responsibility
- ➢ Guidance on social responsibility core subjects
- Organisational governance
- Human rights
  - Due diligence
  - Human rights risk situations
  - Avoidance of complicity
  - Resolving grievances

- Discrimination and vulnerable groups
- Civil and political rights
- Economic, social and cultural rights
- Fundamental principles and rights at work
- Labour practices
  - Employment and employment relationships
  - Conditions of work and social protection
  - Social dialogue
  - Health and safety at work
  - Human development and training in the workplace
- The environment
  - Prevention of pollution
  - Sustainable resource use
  - Climate change mitigation and adaptation
  - Protection of the environment, biodiversity and restoration of natural habitats
- Fair operating practices
  - Anti-corruption
  - Responsible political involvement
  - Fair competition
  - Promoting social responsibility in the value chain
  - Respect for property rights
- Consumer issues
  - Fair marketing, factual and unbiased information and fair contractual practices
  - Protecting consumers' health and safety
  - Sustainable consumption
  - Consumer service, support, and complaint and dispute resolution
  - Consumer data protection and privacy
  - Access to essential services
  - Education and awareness
- Community involvement and development
  - Community involvement
  - Education and culture
  - Employment creation and skills development

- Technology development and access
- Wealth and income creation
- Health
- Social investment
➢ Guidance on integrating social responsibility throughout an organisation
➢ Examples of voluntary initiatives and tools for social responsibility

The fact that it was developed through a global consensus process has given ISO 26000 a high profile and attracted significant attention. It is frequently listed together with the ILO Tripartite Declaration, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact as one of the main international instruments to guide business on social responsibility. Companies should be aware of ISO 26000 in order to respond to any potential requests from consumers, NGOs or customers.

Since the launch of ISO 26000 the discussion has been dominated by the issue of certification. Indeed in some countries national certifiable standards based on ISO 26000 have been developed. Moreover, there have also been efforts to develop ISO 26000 at international level.

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What is the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy?

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration) was negotiated between governments, workers' and employers' representatives and, as such, is the only truly international tripartite consensus on what would be desirable behaviour of enterprises with regard areas covered by labour and social policy. It was intended at its formulation that the content of the ILO MNE Declaration would be reproduced as a chapter in a UN Code on employment and industrial relations. This did not materialise as the UN initiative ultimately collapsed. Work continued in the ILO and, in November 1977, the Declaration was adopted by the ILO Governing Body. The ILO MNE Declaration was updated in 2000 to incorporate the 1998 ILO Declaration on Fundamental Principles and Rights at Work. In contrast with the OECD Guidelines for Multinationals, the ILO MNE Declaration targets companies and governments

in all Member States and is therefore also supported by governments and social partners in developing countries.

The ILO MNE Declaration provides guidance to governments, employers' and workers' organisations, multinational enterprises and national enterprises, in the areas of employment, training, conditions of work and living conditions and industrial relations. Thus, unlike the OECD Guidelines, it only deals with social policy themes.

The Declaration sets out principles in the following areas:

- Employment, including:
    - increasing employment possibilities and standards
    - promoting equality of opportunity and equal treatment in employment
- Training, including:
    - appropriate training for employees in the host country / opportunities for local workers to
    - extend their experience in suitable areas, e.g. labour relations, within the group as a whole
- Working and living conditions, including:
    - no pay, benefits or working conditions which are less favourable than those enjoyed by comparable workers in the host country
    - adequate wages for workers and their families to meet their basic needs
    - effective abolition of child labour
    - instruction about particular dangers and the corresponding safety measures when new products and/or processes are introduced
- Labour relations, including:
    - freedom for workers and employers to organise and associate
    - right for workers to make complaints without suffering disadvantages.

The ILO MNE Declaration is not mandatory, nor is it a code of conduct for business. Rather, it is a checklist or reference for companies in the area of social responsibility. The Declaration also contains no enforcement or complaints mechanism – a key difference from the OECD Guidelines.. However, if there is a disagreement over the application of the Declaration, the parties can request the ILO to give an interpretation of the meaning of the disputed provision.

Moreover, there is an ILO Helpdesk which gives guidance and advice on international labour standards, as well as the MNE Declaration:

ILO Helpdesk for Business on International Labour Standards

The ILO Helpdesk provides a free and confidential service that can help companies align their operations with international labour standards.

Contact: assistance@ilo.org or +41 22 799 62 64

Compared to the OECD Guidelines, the ILO MNE Declaration has a lower profile. However, efforts to raise the Declaration's profile are in process and it has also to be recognised that the provisions of the Declaration are (partially) included in the OECD Guidelines and ISO 26000. Moreover, the 2011 CSR Communication of the EU Commission invites "All European-based multinational enterprises to make a commitment by 2014 to respect the ILO Trpartite Declaration of Principles Concerning Multinational Enterprises and Social Policy." Thus, awareness of the Declaration may increase in due course.

What are the OECD Guidelines for Multinational Enterprises?

The OECD Guidelines for Multinational Enterprises are recommendations from the OECD governments and adhering countries to their multinational enterprises (MNEs) on responsible business conduct abroad. They address business behaviour in ten areas: general policies, disclosure of information, human rights, employment and relations between social partners, environment, combating bribery and extortion, consumer interests, science and technology, competition and taxation.

What is the essence of the OECDGuidelines?

Multinational enterprises should avoid adverse impacts of their own business activities. Which means

- do not cause an adverse impact on matters covered by the Guidelines or
- do not substantially contribute to any such adverse impact
- seek to avert infringement by partners ("This is not intended to shift responsibility")
- encourage suppliers to apply the provisions.

Despite observance of the OECD guidelines by MNEs being voluntary, enterprises are expected to fulfil the recommendations. Moreover, OECD governments have committed to promoting implementation. To this end, the governments have agreed to establish National Contact Points (NCPs) to promote, implement and monitor business behaviour as recommended in the Guidelines. Trade unions and NGOs can invoke the assistance of the NCP, as a mediation and conciliation platform, in the event of disagreements over the implementation of the Guidelines. They increasingly use this mechanism. It is important to note that not all NCPs have the same structure. Moreover, some of the NCPs deal with complaints that relate to the Global Compact.

The Guidelines apply to all units of a multinational enterprise, i.e. to the parent company as well as to its independent business units. The different business units are expected to work together and provide mutual support in order to facilitate compliance with the Guidelines. The Guidelines are not exclusively addressed to large enterprises: they expressly also relate to small and medium-sized enterprises that are active on a multinational scale.

The Guidelines are clear that the first duty of enterprises is to comply with the applicable law of the countries where they operate. The Guidelines neither take precedence over national laws and provisions, nor seek to confront an enterprise with contradictory requirements. In countries where national laws and provisions conflict with the principles and standards of the Guidelines, enterprises should look for ways and means to comply with these principles and standards to the fullest extent possible without contravening the applicable law of the country.

Normally, the implementation of the Guidelines by MNEs will not give rise to disagreements. But in the event that interested parties have questions and complaints on whether an MNE has correctly implemented the Guidelines, they can bring them to the attention of the NCP. The NCP will examine these issues and involve the relevant partners, following the specific procedure provided in the Procedural Guidance. It will assist parties, as a mediation and conciliation platform, to find a solution and reach an amicable settlement. The **conciliatory function** of the NCP takes centre stage. The aim is to reach agreement between the parties involved with support from the NCP. The NCP procedure is mainly used by trade unions and NGOs, but other enterprises or individuals can notify the NCP of cases of possible non-compliance with the Guidelines.

The NCP procedure consists of three phases:

1. The raising of an issue and the decision to accept a case,
2. The assistance process itself, and
3. The conclusion of the procedure.

Adhering countries encourage their MNEs to apply the Guidelines everywhere they do business, while taking into account the specific characteristics of the host country. Multinational enterprises from non-adhering countries are in principle not affected by the Guidelines. However, the Guidelines invite the OECD to start a dialogue with these countries in order to ensure that their enterprises engage in responsible business. OECD business organisations are invited to contribute to disseminating the Guidelines widely in non-OECD countries.

What are Codes of Conduct and International Framework Agreements?

Corporate Codes of Conduct

Corporate codes, or codes of conduct, are rules which companies set for themselves in order to embed their environmental and social principles and values systematically in the company operations. Many codes of conduct also relate to the company's supply chain. By contrast with international framework agreements (IFAs) (see below), codes of conduct are usually formulated by individual companies on their own.

Although they differ widely, codes of conduct might include elements such as:

- orientation on the ILO's core labour standards (effective prevention of exploitative child labour; elimination of forced labour; freedom of association and the right to negotiate collective agreements; non-discrimination in employment and occupation based on nationality, skin colour, religion, ethnic background, political persuasion or sex)
- link with the principles of the UN Global Compact
- affirmation of T
- The Universal Declaration of Human Rights
- environmental commitments
- appropriate working hours
- health and safety standards
- socially responsible business
- supply chains

Codes of conduct can be very helpful to companies for systematically incorporating compliance with environmental and social standards in their business policy. But they must be geared to the individual situation of a company.

When a code of conduct is being devised, a number of aspects need to be taken into account (see below). For instance, codes of conduct do not have the same significance in countries with different legal systems and traditions.

A **sectoral code** for social and environmental issues is a framework of principles that representatives of a business sector, and sometimes also a sectoral trade union, have agreed. This framework usually targets compliance with minimum social standards and fundamental environmental protection measures. When these standards and measures are being decided, sector-specific criteria and requirements are taken into account. With a sectoral code, the companies concerned voluntarily assume the obligation to comply with the agreed principles for socially and environmentally acceptable business.

International Framework Agreements (IFAs)

Companies active internationally are increasingly confronted by requests from trade unions to agree on an international framework agreement (IFA) that is valid worldwide. IFAs are concluded between a multinational enterprise and an international sectoral trade union such as IndustriAll and UNI (Union Network International). The purpose of an IFA is to conclude a formal agreement between an international sectoral trade union and an internationally active business. However, this creates a situation where, on the one side there is a trade union organisation that is active worldwide with a broad-based membership in many countries, and on the other side an individual business and not a counterpart sectoral employers' organisation. As a rule, IFAs are based on core ILO labour values. In addition, they address themes such as the payment of appropriate wages, the creation of working conditions that respect human dignity, and health and safety at work. Agreements are usually only applicable in the company itself, but they also encompass supplier businesses in individual cases.

For trade unions, IFAs are a way of promoting recognition of their organisation and worker rights at global level, especially in regions and countries where national legislation is inadequate or not enforced. Through IFAs, trade unions gain new possibilities to exert influence at the company level.

Industriall World Conference on Global Framework Agreements, and trade union networks, 17 and 18 October 2012 Frankfurt/Main

IndustriALL Assistant General Secretary Kemal Ozkan: "*We must strategically choose target companies for building networks and genuine global union solidarity. Then the global union should be able to create the infrastructure with the full involvement of affiliates as the real owners of the network.*"

For companies, a possible benefit of IFAs is improvement of dialogue with trade unions, which can be an advantage especially in countries where there are no local trade union discussion partners. Furthermore, an IFA can help to strengthen corporate identity and cohesion in a geographically disparate company. The IFA can enhance a company's stock

market value when investors are paying particular attention to the social and environmental impacts of companies' activities. With IFAs, companies accept new binding rules, and proposed draft agreements often comprise serious legal implications which can only be identified and avoided via thorough prior examination before being signed.

Trade unions regard IFAs as the new instrument for industrial relations at the international level which is completely binding on companies. For that reason, public relations considerations should under no circumstances be the main reason for concluding an IFA, since they involve long-term commitments with legal obligations.

International Labour Standards

International Labour Standards (ILS) are legal instruments, drawn up by the ILO constituents (governments, employers and workers) during the International Labour Conference, that set out **international rules on social and working conditions.** They are either **Conventions**, which are legally binding after ratification by ILO Member States, or **Recommendations**, which serve as non-binding guidelines.

Eight Conventions have been identified as "fundamental", covering the following subjects that are considered as **basic principles and rights at work**: freedom of association and collective bargaining; the elimination of forced or compulsory labour; the abolition of child labour; and the elimination of discrimination in employment and occupation. The principles of these Conventions are also covered in the ILO's Declaration on Fundamental Principles and Rights at Work (1998).

The areas covered by other ILS include:

- Occupational Safety and Health
- Wages / Working Time
- Employment Policy, Promotion & Security
- Specific Categories of Workers
- Training and Skills Development
- Labour Administration & Inspection
- Maternity Protection & Social Security

- ▪ Indigenous & Tribal People
- ▪ Migrant Workers

ILS are addressed to ILO Member States, not to companies. Once a Convention is ratified, governments have to implement and enforce it through national legislation. A company, however, may refer to either ILS or the 1998 Declaration of Fundamental Principles and Right at Work. In some instances, the company may not only refer to these instruments but commit itself to "give effect" to or "act in compliance with" the principles enshrined in them. ILS become part of company policies and business practices not only when applying national legislation adopted in conformity with ILO Conventions and Recommendations, but also and increasingly, through *codes of conduct* and *IFAs*.

Considering the strong link between ILS and the various company initiatives mentioned above, it is of the utmost importance for companies signing up to IFAs, or committing to a certain code of conduct, to be aware of the exact content of the stated principles, especially since the legal impact of such commitments is not clear prior to thorough analysis.

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What points need to be considered with regard to CSR codes and international framework agreements?

Each situation is different. The following points may be therefore more or less relevant depending on the situation:

- The decision to adopt a code of conduct or framework agreement must be taken by a company's top management. If the decision is positive, all relevant departments must

be involved from start to finish, because sensitive issues linked to labour law, human resources and wage policy are often touched upon.

- Before an agreement is concluded, the balance of costs and benefits needs to be weighed carefully. It should be borne in mind that IFAs take up additional resources, e.g. as a result of monitoring requirements, reporting obligations and meetings at international level with trade union representatives. In addition, IFAs can lead to cross-border trade union action such as solidarity strikes.

- It is very important that companies coordinate with their foreign subsidiaries before they conclude IFAs, so that the situation and the legal consequences can be taken into consideration locally.

- It must be ensured that the obligations resulting from the agreement / code of conduct can be implemented on the ground and that the expectations raised by such agreement can actually be met.

- In the case of a codes of conduct, its aim should be clear: is it a declaration of: the company's core values and principles? or a code of conduct with specific provisions for workers, which the latter might also have to be signatories to.

- In the case of IFAs, the possible implications for relations with local trade unions need to be analysed. What happens if local trade unions are not members of the international trade union confederation concluding the agreement? What happens if the workforce wants to join a national trade union confederation which is not associated with the international sectoral trade union?

- What is the legal status of the framework agreement / code of conduct under the various sets of national legislation? What status does the agreement / code of conduct have in the event of a legal conflict?

- In the case of the self-imposed obligation to pay "fair wages" and operate "appropriate working hours", it should be made clear what exactly is understood by "fair" and "appropriate". How do local agreements on these issues look? Are there

statutory requirements? If not, by whom and how should the working conditions be determined?

- What are the consultation and information obligations at international level? The consequences of these obligations should be clarified.

- Can the obligation to allow collective bargaining be implemented under differing local circumstances? What are the statutory framework conditions and corporate practices in different countries?

- What happens when an agreement expires? Can the company take it upon itself not to renew it?

- What obligations arise for supplier companies as a result of an agreement? How can these be implemented?

- ILO Conventions are addressed to states. What does it mean for a company if it is obliged to comply with them? What happens if national laws run counter to individual ILO Conventions? Can the company be held liable for this situation?

A first avenue for finding out which States have alleged problems implementing ILO Conventions can be found in the reports of the ILO Committee on Freedom of Association and the ILO Committee on the Application of Standards. In this regard, it should be pointed out that inclusion in the report of the ILO Committee on Application of Standards does not automatically imply a contravention. In addition, credit insurers active internationally (e.g. Atradius and Euler Hermes) provide detailed information and advice on political risks. It can therefore be helpful for companies to ask their credit insurers about the situation in any given destination country. Moreover, embassies might be in a position to provide information about the situation in a specific country.

III. Stakeholder Engagement and Reporting: What needs to be taken into account?

Stakeholder Engagement

Stakeholder engagement is a key CSR element. ISO 26000 stipulates that "*an [organisation] should determine who has an interest in its decisions and activities, so that it can understand its impacts and how to address them.*" Moreover, the UN Guiding Principles demand in Principle 18 that companies engage in "*… meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation*".

ISO 26000 guidance on stakeholder engagement includes:

- The development of a fair and proper process based on engaging the most relevant stakeholders.

- The interest (or interests) of organisations or individuals identified as stakeholders should be genuine.

- The identification process should seek to ascertain whether they have been or are likely to be impacted by any decision and activity. Where possible and practical, engagement should be with the most representative organisations reflecting these interests.

- Effective stakeholder engagement is based on good faith and goes beyond public relations.

- When engaging stakeholders, an organisation should not give preference to an organised group because it is more "friendly" or supports the organisation's objectives more than another group.

- An organisation should not neglect to engage stakeholders merely because they are silent.

- An organisation should not create or support particular groups to give the impression that it has a dialogue partner when the so-called partner is not in fact independent. Genuine stakeholder dialogue involves independent parties and transparent disclosure of any financial or similar support.

- An organisation should be conscious of the effect of its decisions and activities on the interests and needs of its stakeholders. It should have due regard for its stakeholders as well as their varying capacities and needs to contact and engage with the organisation.

- Stakeholder engagement is more likely to be meaningful when the following elements are present: a clear purpose for the engagement is understood; the stakeholders' interests have been identified; the relationship that these interests establish between the organisation and the stakeholder is direct or important; the interests of stakeholders are relevant and significant to sustainable development; and the stakeholders have the necessary information and understanding to make their decisions.

Reporting

Companies are increasingly called upon to report transparently and openly on their social and environmental behaviour. Pressure on companies from politicians, consumer organisations and NGOs to report on CSR is growing. Denmark, France and the UK are among the European countries which have introduced legislation on reporting. At EU level a regulation on disclosure of non-financial information has been the topic in the agenda of the European Parliament.

EU regulation on disclosure of non-financial information

In the EU CSR strategy from October 2011 "A renewed EU strategy 2011-14 for Corporate Social Responsibility", the EU Commission announced to "*present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors*". On 16 April 2013, the EU Commission launched the Proposal for a directive on non-financial reporting. On 26 February 2014, a political agreement was reached between the European Parliament and the Council on the provisions of such a directive.

The provisions on non-financial reporting will be incorporated into the EU "Accounting Directive" (2013/34/EU), which was adopted on 26 June 2013. The details of the directive are the following:

- The new provisions will be applicable <u>to "public interest entities" with more than 500 employees</u>. Public interest entities are companies, such as listed undertakings, banks, insurance companies. The EU member states are allowed to open the scope to undertakings that "are of significant public relevance because of the nature of their business, their size or the number of their employees" (opening clause). Therefore, <u>small and medium-sized companies are exempted</u> from the new reporting obligation. Some 6,000 public interest entities in the EU fall under the scope of the Directive.
- The Directive will require EU companies to draw up, <u>on a yearly basis</u>, a statement in their annual report or in a separate sustainability report relating to
    - environmental, social and employee-related matters,
    - respect for human rights,
    - anti-corruption and bribery matters.
- The non-financial statement will have to include a <u>description of the company policy</u>, <u>results of these policies</u> and <u>principal risks related to these matters</u>.
- Furthermore, companies have to report on
    - <u>implemented due diligence processes</u> in relation to the various topics covered (e.g. environmental, social and employee matters)
    - its <u>business relationships</u>, "where relevant and proportionate … which are likely to cause adverse impacts"
    - <u>non-financial key performance indicators</u>.
- Where a company does not pursue policies in relation to these matters, it will have to explain why. However, there is a safe harbour clause to give companies the possibility not to divulge commercially sensitive information under certain circumstances.
- Auditors may only check that the non-financial information has been provided – no consistency check or opinion. However, Member States are allowed to introduce a consistency check.
- As regards diversity on companies' administrative, management and supervisory bodies, large listed companies will be required to provide information as part of the corporate governance statement on their diversity policy, such as, for instance, on:
    - o Age,

> - o Gender,
>   - o Educational and professional background
> - Disclosures will set out the objectives of the policy, how it has been implemented, and the results.
> - Companies which do not have a diversity policy will have to explain why.
> - Auditors check that the non-financial information has been provided.
> - The EU Commission will prepare non-binding guidelines, including general and sectorial non-financial KPIs within two years after the adoption of the Directive.
> - Members States will have two years to implement the Directive into national law. They shall implement a transposition period of one year. Thus, the legal obligation for large European companies to report on non-financial information will come into force in 2017.

The UN Guiding Principles on Business and Human Rights request that "*business enterprises should be prepared to communicate this (how they address their human rights impacts) externally, particularly when concerns are raised by or on behalf of affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them. In all instances, communications should:*

A. *Be of a form and frequency that reflect an enterprise's human rights impacts and that are accessible to its intended audiences;*
B. *Provide information that is sufficient to evaluate the adequacy of an enterprise's response to the particular human rights impact involved;*
C. *In turn not pose risks to affected stakeholders, personnel or to legitimate requirements of commercial confidentiality.*"

Besides through regulation, companies are encouraged to produce sustainability reports for a variety of reasons including that transparency with regard to CSR can build trust among customers, employees and the local community, and help to strengthen the credibility of companies. This is important, because:

- Trust binds existing customers and helps to win new ones in B2C (business to consumer) and B2B (business to business) transactions.

- Trust increases the positive acceptance of the company by the local community and creates a good basis on which conflicts can be resolved constructively and successfully.

- Trust helps companies to attract the best brains and to keep employees.

- Furthermore, transparency has an internal effect and can help to identify business risks and optimise processes. In the financial markets, a company's social and environmental performances play an increasing role in establishing flotation and stock value.

The benefits to the business of CSR and CSR reporting differ from one company to the next, and must be assessed on a case-by-case basis. Depending on company size, sector and the individual requirements of the different target groups, companies also deploy transparency regarding their social responsibility in different ways. The question of transparency in relation to CSR is as complex as the issue of CSR itself.

Communicating transparently

There are various ways for a company to communicate CSR internally and externally. Depending on the company and the relevant target groups, the need to make particular communication efforts also differs:

- Small and medium-sized enterprises (SMEs), which have few employees and are firmly rooted in the local community, often need to make no formal communication efforts in order to pass on information about their social responsibility. Employees, customers and the local community know the entrepreneur personally and know about his company's commitment and behaviour. Information is passed informally through direct contacts.
- In Business to Business and on the financial market (Social responsible investment), transparency is generated by answering targeted questions. Customer firms and SRI funds send their suppliers questionnaires about their social responsibility and behaviour. There is no generally recognised and standardised survey and assessment procedure in place. Mainstream investors are also increasingly interested in companies' emission

data. In addition, companies are increasingly asked about their corporate behaviour by researchers, NGOs, consumer associations as well as individual citizens.

- In Business to Customer, companies make considerable efforts through supplementary voluntary information on packaging, the label or in direct communication with consumers in order to provide them with information about the product and the production process. Via websites, social media, contact forms, email or hotlines, consumers and companies are in close contact with each other, and companies also demonstrate transparency with regard to their social and environmental behaviour. In this context, it is legitimate for companies to also be transparent in the area of CSR to build their profile and image, and to appeal to their customers on the basis of social responsibility.

- Companies organise workshops in order to come into contact with stakeholders, to account for their activities and to discuss social as well as environmental issues. Via information to the press, companies report on new developments, initiatives and projects. Via internal communication channels, companies regularly keep their employees informed. In addition, ever more companies draft a CSR or sustainability report in which they set out their social and environmental behaviour. Lastly, they themselves present their experiences on CSR websites, in good practice compilations and through speaking engagements. In the framework of the UN Global Compact, companies draw up progress reports on their implementation of the principles of the UN Global Compact.

There are numerous initiatives with regard to transparency and reporting such as the Global Reporting Initiative.

The **Global Reporting Initiative (GRI)**, originally started by CERES (Coalition for Environmentally Responsible Economies) and UNEP (United Nations Environment Programme), is an independent multi-stakeholder initiative which has developed guidelines for sustainability reporting. The GRI guidelines set out reporting principles as well as specific content for the sustainability report. They structure sustainability reporting in terms of economic, ecological and social performance. GRI reporting is based on the following principles:

Principles for Defining Report Content

- The organisation should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

- The report should present the organisation's performance in the wider context of sustainability.

- The report should cover aspects that:
  - ➤ Reflect the organisation's significant economic, environmental and social impacts; or
  - ➤ Substantively influence the assessments and decisions of stakeholders

- The report should include coverage of material aspects and their boundaries sufficiently to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organisation's performance in the reporting period.

Principles for Defining Report Quality

- The report should reflect positive and negative aspects of the organisation's performance to enable a reasoned assessment of overall performance.

- The organisation should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyse changes in the organisation's performance over time, and that could support analysis relative to other organisations.
- The reported information should be sufficiently accurate and detailed for stakeholders to assess the organisation's performance.
- The organisation should report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

- The organisation should make information available in a manner that is understandable and accessible to stakeholders using the report.

- The organisation should gather, record, compile, analyse and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information.

Categories and Aspects of the GRI Guidelines

Category:	Economic	
Aspects:	- Economic Performance - Market Presence - Indirect Economic Impacts - Procurement Practices	
Category:	Environmental	
Aspects:	- Materials - Energy - Water - Biodiversity - Emissions - Effluents and Waste - Products and Services	- Compliance - Transport - Overall - Supplier Environmental Assessment - Environmental Grievance Mechanisms
Category:	Social	
Sub- Category	*Labour Practices and Decent Work*	*Human Rights*
Aspects:	- Employment - Labour/Management Relations - Occupational Health and Safety - Training and Education - Diversity and Equal Opportunity - Equal Remuneration for	- Investment - Non-discrimination - Freedom of Association and Collective Bargaining - Child Labour - Forced or Compulsory Labour - Security Practices - Indigenous Rights

Sub- Category	Society	Product Responsibility
	Women and Men • Supplier Assessment for Labour Practices • Labour Practices Grievance Mechanisms	• Assessment • Supplier Human Rights Assessment • Human Rights Grievance Mechanisms
Aspects:	• Local Communities • Anti-corruption • Public Policy • Anti-competitive Behaviour • Compliance • Supplier Assessment for Impacts on Society • Grievance Mechanisms for Impacts on Society	• Customer Health and Safety • Product and Service Labeling • Marketing Communications • Customer Privacy • Compliance

Besides any possible EU or national legislation, the production of a sustainability report is a fundamental decision, and one which requires companies to consider all the implications. Aspects that deserve attention include:

- Sustainability reporting cannot be deferred or halted without a range of problems. Once it has started, a company will find it difficult to discontinue this activity without loss of image. Preparation of a sustainability report is not a one-off event, but the beginning of an ongoing obligation.

- Those who produce sustainability reports must also have something to report. What happens if the company's social commitment is declining? What happens if the environmental impacts get worse? Are there perhaps problem areas on which the company does not really want to report to the public?

- With sustainability reports, companies lay themselves open to attack. This is true not only in relation to the circumstance of deteriorating data or facts, but also in terms of the quality of the report. Companies are being attacked more and more often because their sustainability reports are not deemed to be sufficiently meaningful.

ANNEX

Resource Guide

Instruments, Initiatives and Institutions

CSR relevant Instruments and Guidelines

ISO 26000

1. **Social responsibility - Discovering ISO 26000**, ISO, 2010, 8 pages ►
   http://www.iso.org/iso/discovering_iso_26000.pdf

2. **IOE Fact Sheet on ISO 26000**, IOE 2012, 2 pages ► http://www.ioe-emp.org/fileadmin/ioe_documents/publications/Other%20International%20Organisations/ISO/EN/_2012-09-19__Fact_Sheet_for_Business_CSR_Guidance_-_ISO_26000__final_.pdf

3. **ISO 26000 Communication protocol**, ISO 26000 PPO SAG, 2012, 2 pages ►
   http://www.iso.org/iso/n15_rev_1_ppo_sag_-_communication_protocol.pdf

4. **Handbook for Implementers of ISO 26000, Global Guidance Standard on Social Responsibility**, Ecologia, 2011, 35 pages ►
   http://www.ecologia.org/isosr/ISO26000Handbook.pdf

5. **ISO 26000 Guidance on social responsibility: Practical Guide for Small and Medium-sized Enterprises**, The Royal Norwegian Society for Development, 2011, 31 pages ► http://responsabilitate-sociala.org/wp-content/uploads/2011/08/ISO_26000_Practical_Guide_SITE.pdf

"This Project is funded by the European Union"

6. **NORMAPME User Guide for European SMEs on ISO 26000 Guidance on Social Responsibility**, NORMAPME, 2011, 13 pages ► http://www.26k-estimation.com/User_guide_ISO26000_version_EN_final_22072011.pdf

7. **GRI and ISO 26000: How to use the GRI Guidelines in conjunction with ISO 26000**, GRI, 2010, 28 pages ► https://www.globalreporting.org/resourcelibrary/How-To-Use-the-GRI-Guidelines-In-Conjunction-With-ISO26000.pdf

Further Information:

8. **ISO**: http://www.iso.org/iso/home/standards/iso26000.htm
9. **IOE**: http://www.ioe-emp.org/other-international-organizations/iso/

OECD Guidelines for Multinational Enterprises

1. **OECD Guidelines for Multinational Enterprises** ► http://mneguidelines.oecd.org/text/

2. **The 2011 OECD Guidelines for Multinational Enterprises. An Introduction for Business**. BDA and VNO-NCW, 2011, 22 pages ► http://www.biac.org/pubs/mne_guidelines/VNONCW-BDA_Brochure_OECD_MNE%20Guidelines.pdf

3. **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas**. Second edition, November 2012. 122 pages. ► http://www.oecd.org/daf/inv/mne/GuidanceEdition2.pdf

Further Information:

➢ **OECD**: http://www.oecd.org/corporate/mne/
➢ **BIAC**: http://www.biac.org/mne_guidelines.htm

Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration)

1. **Tripartite declaration of principles concerning multinational enterprises and social policy** (MNE Declaration) ► http://www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm

2. **Tripartite declaration of principles concerning multinational enterprises and social policy. An Employers' Guide**, IOE, 2004, 28 pages ► http://www.ioe-emp.org/fileadmin/ioe_documents/publications/Policy%20Areas/csr/EN/%282004-03%29%20MNE%20Declaration%20Employers%20Guide.pdf

3. **Short overview of the Principles of the MNE Declaration**, ILO, 2006, 1 page ► http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_094387.pdf

Further Information:

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