



UN-ECE Workshop on Corporate Social Responsibility
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CSR:

WHAT IT IS, WHAT ISSUES IT INCORPORATES?

WHAT COSTS/BENEFITS OF IMPLEMENTATION?



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Contents

ISO 26000

1. CSR: key concepts and principles
2. Core issues and practices
3. Instruments of CSR
 - A. Responsible management
 - B. Responsible behaviour towards consumers
 - C. Socially responsible investment
 - D. Philanthropy
4. Foundations of CSR



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In the '70s: Social marketing

Company's decisions are taking into account the **long-term** interests not only of the **internal** but also of the **external, indirect stakeholders**

(Kotler, Armstrong, Saunders, Wong, 2001 mod.)

Two key and close related concepts: stakeholding and inclusive society

- **Stakeholding** is a concept deriving from the staking of claims for land as Europeans dislodged native Americans and settled across America
- **Engaging stakeholders** through consultation and dialogue, is one way forward an **inclusive society**

Who are stakeholders?

Stakeholder definition

A stakeholder is any group or individual who can affect or is affected by an organisation's impact or behaviour

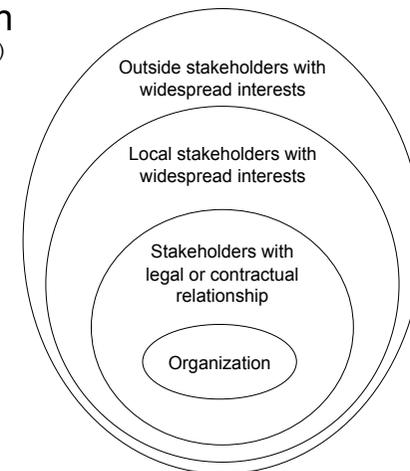
The company's stakeholder categories

(from Lesourd & Schilizzi, 2001 mod.)

Company's organizational structure and physical location			
	Internal	External	
Involvement in the business activity	Direct	Shareholders, investors, managers, employees	Customers, lenders, tax agencies
	Indirect	Consultants, suppliers, sub-contractors	(local) community, NGOs, media, professional organisations, general public

Another proposal for stakeholder classification

(from Hinna, 1976 mod.)



Indirect external stakeholders:
an example

(Source: S.Baffoni)



Social marketing → Corporate Social Responsibility (CSR)

European Commission definition of CSR:

“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”

From CSR
to “Social and Environmental Responsibility”
or “Social Responsibility”

“A corporation is group of persons acting as an individual, whether for business or elsewhere” (Mcintosh *et al.*, 1998)

→

Private organizations also from the civil society (NGOs)

Public institutions

This means that SR applies to organizations such as StoraEnso, the State-owned forest enterprise Romansilva, the Forestry Faculty of Belgrade University and Greenpeace.

“The essential characteristic of SR is the willingness of an organization to incorporate social and environmental considerations in its decision-making and be accountable for the impacts of its decisions and activities on society and the environment.

This implies both transparent and ethical behaviour that contributes to sustainable development, takes into account the interests of stakeholders, is in compliance with applicable law and consistent with international norms of behaviour, and is integrated throughout the organization and practised in its relationships”

(ISO 26000)

→ 7 Principles of SR (ISO 2600)

- Accountability
 - Transparency
 - Ethical behaviour
 - Respect for stakeholder interests
 - Respect for the rule of law
 - Respect for international norms of behaviour
 - Respect for human rights
- Law compliance**



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Core subjects and issues of social responsibility (ISO 26000)

1 + 6 Core subjects:

- *Organizational governance*
- Human rights
- Labour Practices
- The environment
- Fair operating practices
- Consumer issues
- Community involvement and development

Issues related to core subjects

Core subject: Organizational governance

Core subject: Human rights

- Issue 1: Due diligence
- Issue 2: Human rights risk situations
- Issue 3: Avoidance of complicity
- Issue 4: Resolving grievances
- Issue 5: Discrimination and vulnerable groups
- Issue 6: Civil and political rights
- Issue 7: Economic, social and cultural rights
- Issue 8: Fundamental rights at work

Core subject: Labour Practices

- Issue 1: Employment and employment relationships
- Issue 2: Conditions of work and social protection
- Issue 3: Social dialogue
- Issue 4: Health and safety at work
- Issue 5: Human development and training in the workplace

Issues related to core subjects

Core subject: The environment

Issue 1: Prevention of pollution

Issue 2: Sustainable resource use

Issue 3: Climate change mitigation and adaptation

Issue 4: Protection and restoration of the natural environment

Core subject: Fair operating practices

Issue 1: Anti-corruption

Issue 2: Responsible political involvement

Issue 3: Fair competition

Issue 4: Promoting social responsibility in the sphere of influence

Issue 5: Respect for property rights

Issues related to core subjects

Core subject: Fair operating practices

Issue 1: Anti-corruption



Issue 2: Responsible political involvement

Issue 3: Fair competition

Issue 4: Promoting social responsibility in the sphere of influence

Issue 5: Respect for property rights

Among the business sectors, which are the two sectors where the biggest bribes are likely to be paid?

But consider the indirect effects on the environment



Total sample	835
Public works/construction	46%
Arms and defence	38%
Oil and gas	21%
Banking and finance	15%
Real estate/property	11%
Pharmaceuticals/medical care	10%
Power generation/transmission	10%
Telecoms	9%
IT	6%
Forestry	5%
Mining	5%
Transportation/storage	5%
Heavy manufacturing	4%
Agriculture	3%
Fishery	3%
Civilian aerospace	2%
Light manufacturing	1%

<http://www.transparency.org>

Issues related to core subjects

Core subject: Fair operating practices

Issue 1: Anti-corruption

Issue 2: Responsible political involvement

Issue 3: Fair competition

Issue 4: Promoting social responsibility in the sphere of influence

Issue 5: Respect for property rights

Core subject: Consumer issues

Issue 1: Fair marketing, information and contractual practices

Issue 2: Protecting consumers' health and safety

Issue 3: Sustainable consumption



Issue 4: Consumer service, support, and dispute resolution

Issue 5: Consumer data protection and privacy

Issue 6: Access to essential services

Issue 7: Education and awareness

Issues related to core subjects

Core subject: Community involvement and development

Issue 1: Community involvement

Issue 2: Education and culture

Issue 3: Employment creation and skills development ←

Issue 4: Technology development

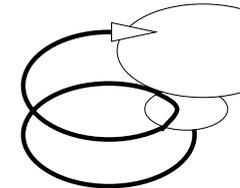
Issue 5: Wealth and income creation

Issue 6: Health

Issue 7: Social investment

From theory to the practices for integrating social responsibility (ISO 26000 mod.)

- Recognizing SR
- Stakeholder identification and engagement
- The relationship of an organization's characteristics to SR
- Practices for integrating SR throughout an organization
- Communication on SR
- Enhancing credibility regarding SR
- Reviewing and improving an organization's actions and practices related to SR



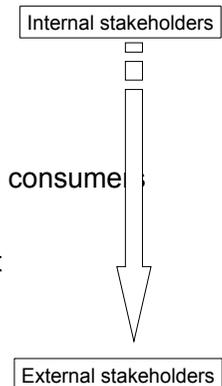
Deming cycle
(PDCA:
Plan, Do, Check, Act)



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CSR voluntary instruments and initiatives (EC, DG E&SA, 2004 mod)

- A. Responsible management
 1. Code of conducts
 2. Management standards
 3. Accounting & auditing
- B. Responsible behaviour towards consumers
 1. Reporting
 2. (Eco) labelling
- C. Socially responsible investment
 1. Ethical indexes
 2. Ethical finance
- D. Philanthropy



A. Responsible management

1. Codes of conducts/ethical codes
2. Management standards
3. Accounting & auditing

A1. Codes of conduct

2 definitions:

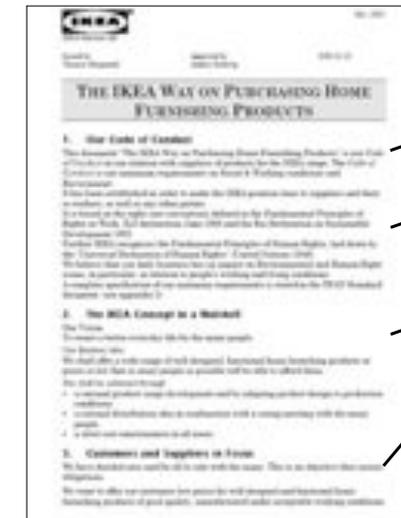
- a formal statement of the values and business practices of an organisation and sometimes its suppliers.
- a statement of minimum standards together with a pledge by the company to observe them and to require its contractors, subcontractors, suppliers and licensees to observe them.

Types of Codes of conduct

- Company codes (adopted unilaterally); “mission” statement; “vision” statement
- Professional codes, adopted by a group of professionals
- “Model codes” developed by trade unions, NGOs and other organizations
- “Trade association” or “sector-specific codes” adopted by a group of companies in a particular industry
- Multi-stakeholders international and national codes
- Intergovernmental codes negotiated within international organizations



Negotiation



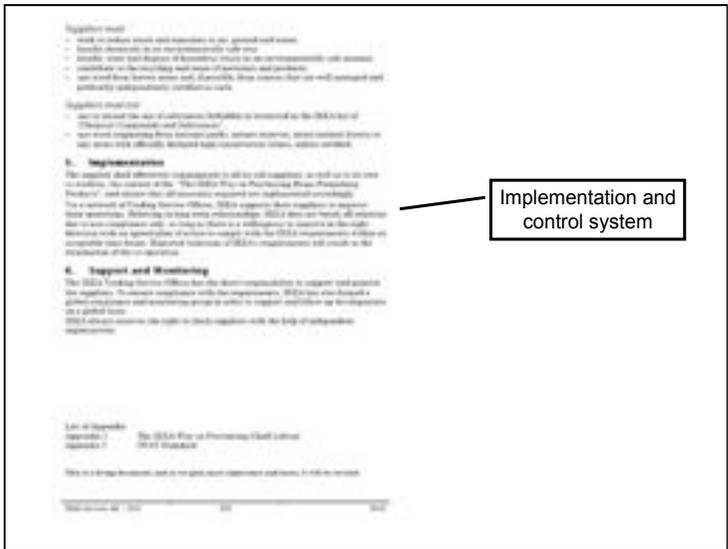
Components of a Code of conduct

Aim of the code

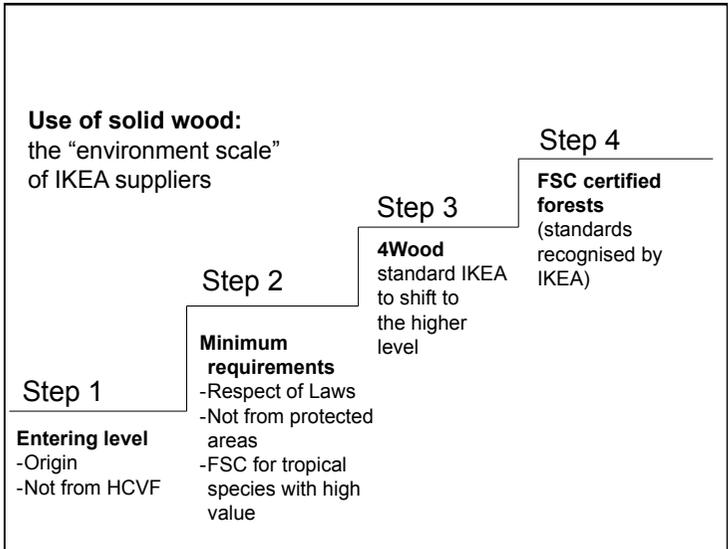
References principles

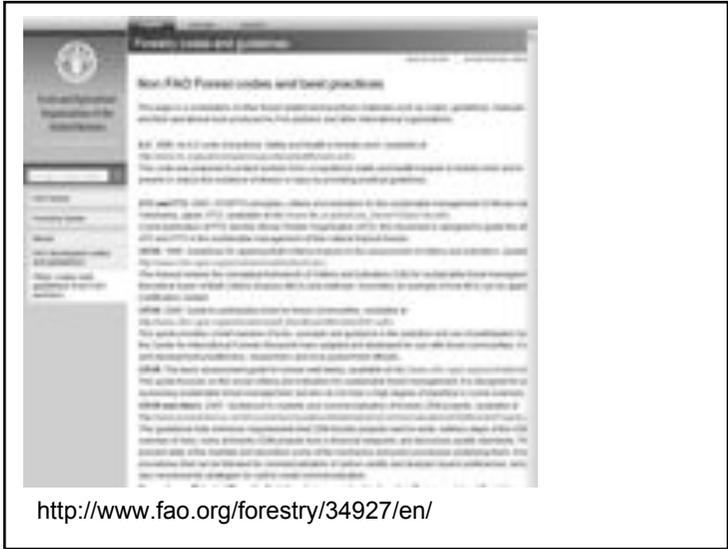
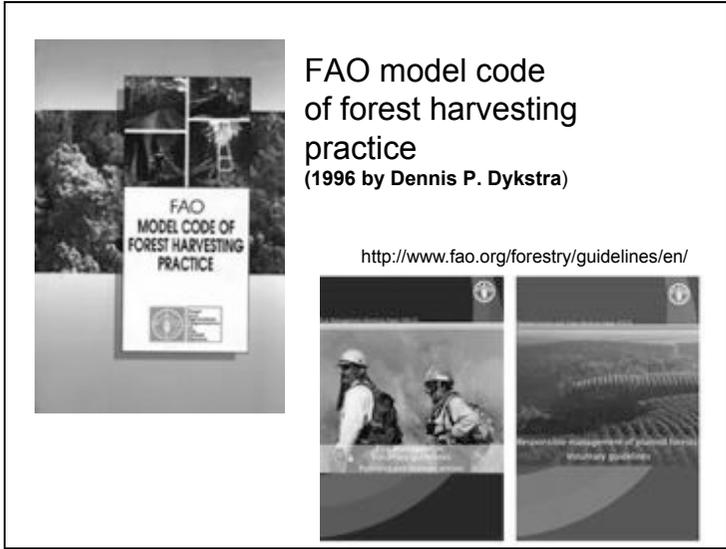
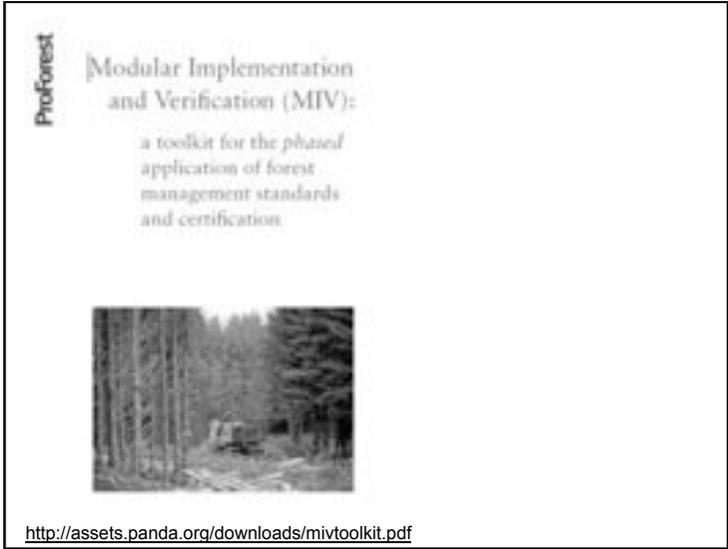
Vision

Rules/contents “do’s and don’ts”



- Sometimes a step-wise approach
- “Legal” wood or “controlled” wood
 - Certification of the Chain of Custody
 - Forest certification
 - One or few products/ suppliers
 - All the products / suppliers from sensible regions
 - All the products/ suppliers





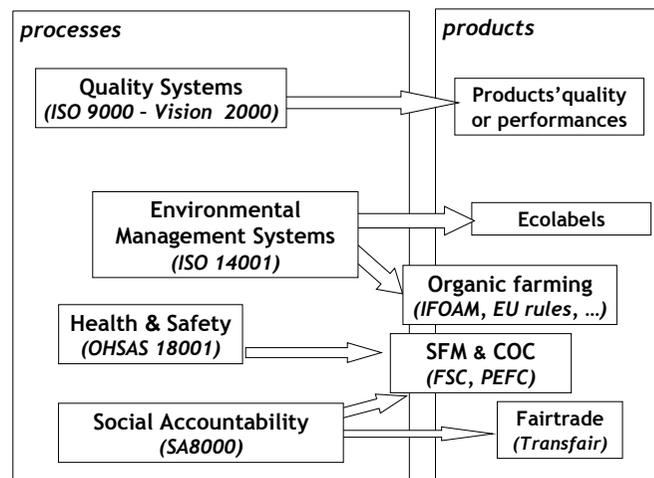
How to implement an ethical code?

- Ethics officer; social internal auditor; CSR manager
 - Ethical committee
 - Whistleblower (i.e. a person who reveals wrongdoing within an organization to the public or to those in positions of authority) or an ombudsman *an external authority*
 - Internal communication and training
 - Reporting (see other sections)
- + *internal ethical auditing procedures*

A2. Management standards

- ISO 14001
 - EU EMAS
 - SA 8000
 - Forest Stewardship Council (FSC)
 - Programme for the Endorsement of Forest Certification (PEFC) Schemes
- Environmental impacts
- Social aspects
- Environmental, social & economic aspects in forestry
- 

Management systems: focus on:



A.3 Accounting and auditing

- Auditing:
 - How → procedures and checklists
 - Who? → internal/external
 - Where? → field/desk auditing
- AA1000: stakeholders' consultation



<http://www.accountability21.net/>

B. Responsible behaviour towards consumers

1. Reporting
2. (Eco) labelling

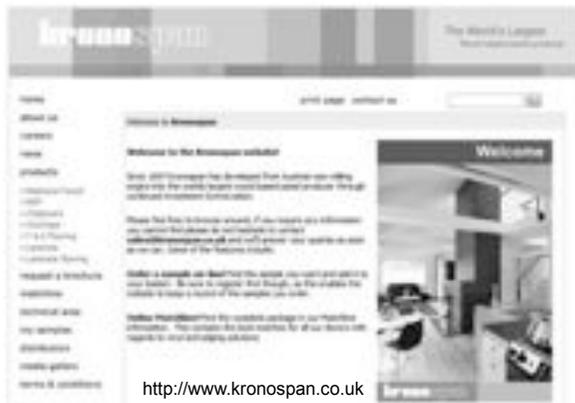
B.1 Reporting

= a book-keeping and a descriptive system which consider costs and revenues which do not directly concerned the traditional management.

It describes the social responsibility of the company, beyond its position on the market (Hinna, 2006)

"We have a presentation of figures, a presentation of facts and a presentation of values understood not in an economic way, but as inspirational principles of the management"

Reporting: as already seen, an important tool for large companies, but not always a priority for SME and companies producing semi-finished products.
An example: Kronospan, the leading world panel producer



The contents

- Mission, Vision, Values



National eco-labels

Name	Country/ies	Starting year	Logo
Blue angel	Germany	1997	
Nordic swam	DK, FIN, N, Sv, Isl	1989	
Marque NF - Environnement française	France	1992	
Milieukeur	Holland	1992	

A web site on Ecolabel

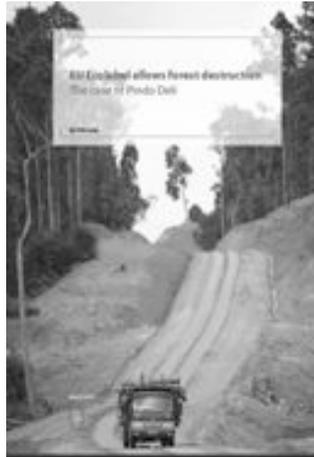


Ecolabel ← Life Cycle Assessment

LCA (life cycle assessment or analysis, ecobalance, cradle-to-grave analysis) = the investigation and valuation of the environmental impacts of a given product or service caused or necessitated by its existence

2002/741/EC: Commission Decision of 4.9.2002 establishing revised ecological criteria for the award of the Community eco-label to copying and graphic paper

- ...
- 3. Fibres - sustainable forest management** (http://ec.europa.eu/environment/ecolabel/product/pg_copypaper_en.htm#revision)
- Fibres may be wood fibres, or recycled fibres from recovered paper, or other cellulose fibres. Fibres from paper mill broke shall not be considered as recycled fibres.
 - At least **10 % of virgin wood fibres from forests shall come from forests that are certified as being managed so as to implement the principles and measures aimed at ensuring sustainable forest management.**
 - The *remaining virgin wood fibres from forests shall come from forests that are managed so as to implement the principles and measures aimed at ensuring sustainable forest management.*
 - The **origin of all virgin fibres used shall be indicated.**
 - In Europe, the principles and measures referred to above shall at least correspond to those of the Pan-European Operational Level Guidelines for Sustainable Forest Management, as endorsed by the Lisbon Ministerial Conference on the Protection of Forests in Europe (2 to 4 June 1998). Outside Europe they shall at least correspond to the UNCED Forest Principles (Rio de Janeiro, June 1992) and, where applicable, to the criteria or guidelines for sustainable forest management as adopted under the respective international and regional initiatives (ITTO, Montreal Process, Tarapoto Process, UNEP/FAO Dry-Zone Africa Initiative).
 - Assessment and verification: The applicant shall indicate the types, quantities and origins of fibres used in the pulp and the paper production. The origins of virgin fibres shall be indicated with sufficient precision to allow, where appropriate, checks to be carried out that the virgin fibres are from sustainably managed forests. Where virgin fibres from forests are used, the applicant shall provide appropriate certificate(s) together with supporting documentation showing that the certification scheme correctly assesses the abovementioned principles and measures of sustainable forest management. For those virgin wood fibres from forests that are not certified as being from sustainably managed forests, the applicant shall provide the appropriate declarations, charter, code of conduct or statement, verifying that the above requirements are met.



"The EU Ecolabel on copying and graphic paper is supposed to reassure consumers that the pulpwood used to make the paper comes from sustainably managed forests. The Ecolabel assures consumers that *'the environmental criteria behind it are tough, and that only the very best products, which are kindest to the environment, are entitled to carry the EU Ecolabel'*.

This report, however, shows that the EU Ecolabel is awarded to two brands of photocopy paper, produced by the Indonesian company Pindo Deli, that do not deserve it. Furthermore, while documenting this case it became clear that there is insufficient information publicly available to allow consumers to check on which basis the EU Ecolabel has been awarded to companies"

C. Responsible investments

1. Ethical index
2. Ethical finance

C.1 Ethical index

Rating agencies and Indexes of Social Responsibility

- **Dow Jones Sustainability Group Index (DJSGI; 1999):** about 200 international corporations in 60 different sectors which represent the top 10% of companies with CSR

CRITERIA AND WEIGHTINGS

Corporate Sustainability Assessment Criteria

Dimension	Criteria	Weighting (%)
Economic	Codes of Conduct / Compliance / Corruption&Bribery	5.5
	Corporate Governance	6.0
	Risk & Crisis Management	6.0
	Industry Specific Criteria	Depends on Industry
Environment	Environmental Performance (Eco-Efficiency)	7.0
	Environmental Reporting*	3.0
	Industry Specific Criteria	Depends on Industry
Social	Corporate Citizenship/ Philanthropy	3.5
	Labor Practice Indicators	5.0
	Human Capital Development	5.5
	Social Reporting*	3.0
	Talent Attraction & Retention	5.5
	Industry Specific Criteria	Depends on Industry

* Criteria assessed based on publicly available information only

Rating agencies and Indexes of Social Responsibility

- **Dow Jones Sustainability Group Index (DJSGI, 1999):** about 200 international corporations in 60 different sectors which represent the top 10% of companies with CSR
- **Domini 400 Social Index (DSI) (1990):** only USA companies not active in tobacco, alcohol, game of chance industries and those with CSR instruments
- **Arese Sustainability Performance Indexes (2001):** 4 indexes specific for European region, based on profitability, absence of social conflicts, environment protection

Rating agencies and Social Responsible Indexes (cont.)

- **Footsie 4 Good (The Financial Times):** tobacco, conventional and nuclear arms production industries, nuclear as well as energy production and uranium production industries are excluded; rating on the basis of: UN Human Rights Declaration respect, transparency and collaboration with stakeholders, management oriented toward SD principles for environment
- **Ethibel SGR Rating (European Investments Agency):** States are included; based on UN, OECD, ILO and EU ethical standards

Ethibel SGR Rating is run by the Belgium company Vigeo
(www.vigeo.com)



Private investments funds

The image shows a screenshot of the Dasos Capital website. At the top left is the Dasos Capital logo. Below it, there is a list of investment funds with their names and descriptions. The website has a clean, professional layout with a dark header and light content area.

www.dasos.fi

Socially responsible companies have above-average financial returns

- Stock market social indexes are useful benchmarks for demonstrating the positive impact of social screening on financial performance: the Dow Jones Sustainable Index has grown by 180% since 1993 compared to 125% for the Dow Jones Global Index over the same period.
- Assessing precisely what determines financial return of a socially responsible company is difficult. Research has shown that about one-half of the above-average performance of socially responsible companies can be attributed to their social responsibility while the other half is explained by the performance of their sector (EC Green Paper on CSR)



C.2 Ethical finance

The origins of Ethical Finance organizations

'60s: Ethical Funds (USA) (*initially based on religious principles: no tobacco, alcohol, ...*)

'70s: Community banking, poors' banks based on a strong "shareholders' activism": e.g. Grameen, South Shore, Pax World Fund (= *investments exclude industries involved in Vietnam War*)

'80s: EFO (Mutual credits, MAG)

'90s: Ethical Banks (CREDAL, Banca Etica), several funds

'00s: European Investment Agency → UN, ILO, EU, OECD: ethical codes for investments

Ethical Finance: from "negative criteria" to "positive criteria"

- In 1970-1980: selection of investments based on "negative criteria" (no tobacco, no alcohol, no nuclear arms, no apartheid in South Africa, no wars, no ... industries)
- In 1990: selection of investments based on "positive criteria" (environmental protection, social commitment, ...)
- In 2000 a new approach introduced by the European Investments Agency: legal responsibility (not only social responsibility), ethics principles based on internationally recognized rules, application also to land ownership

Ethical Funds markets:
in UK & USA: >10%

Example of Ethical Finance Principles

- **Attention to extra-economic impacts** of actions (social and environment assessment of projects/ investments)
- **Transparency** (in gathering/in using money)
- **Members and shareholders participating in company's decision-making**
- **Efficiency**, sobriety
- **Ad hoc contracts** with clients
- **Against speculation approach, against monopolistic positions**

A rapidly growing sector ... towards and European Ethical bank

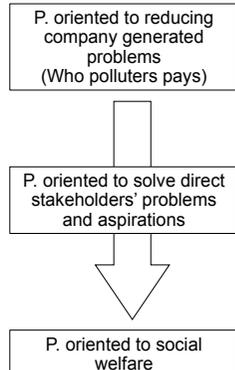
Fiare (Fundación Inversión y Ahorro Responsable - Spagna), La Nef (La Nouvelle Economie Fraternelle - Francia) and Banca Etica are now working for the creation of an European Ethical Bank

D. Philanthropy

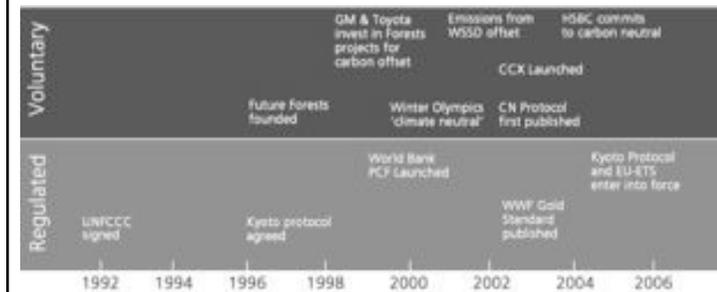
- The company has internal relations and problems and external ones (i.e. with external stakeholders)
- Philanthropic behavior: attention given mainly to (some, selected) external stakeholders with discretional charitable giving

Some instruments of philanthropy

- Compensatory investments
- Support to the company's employees in carrying out voluntary activities
- Cause related marketing
- Direct sponsoring or funding social investments



C-offset investments

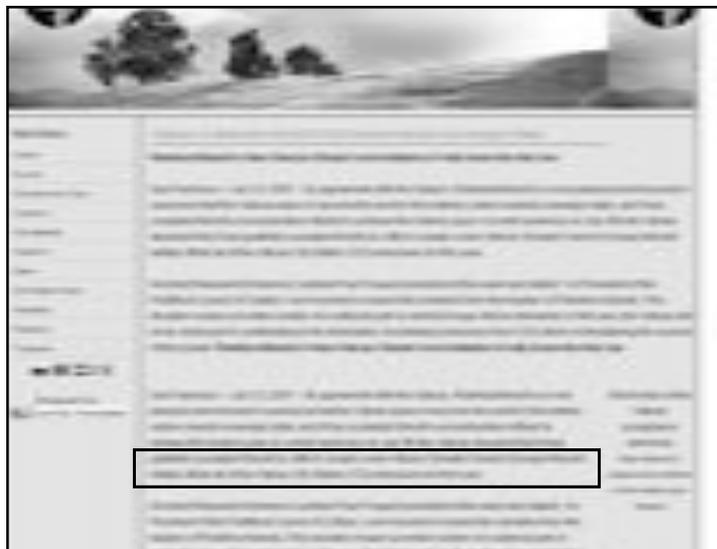


TreeSmart Info about TreeSmart

What is TreeSmart?
TreeSmart is a carbon sequestration program aimed at removing carbon dioxide from the atmosphere that has been created by the transport sector. It does this by helping to establish and maintain eucalypt plantations destined for eventual harvesting and replanting. 2002

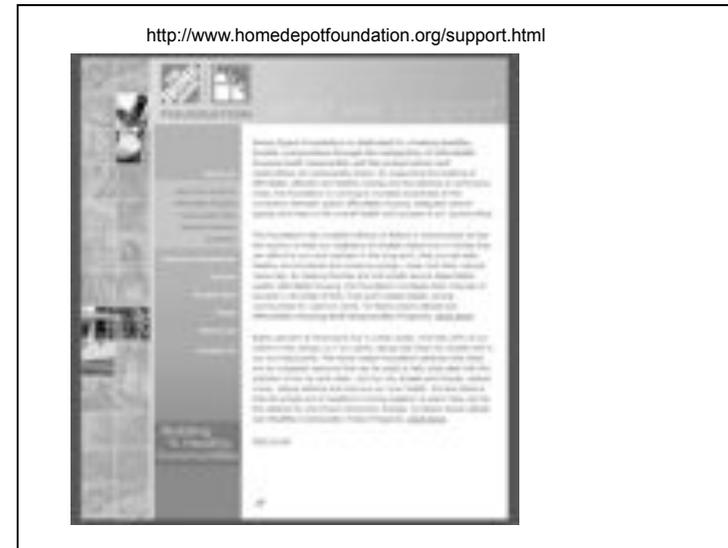
Who is TreeSmart?
The TreeSmart program is run by a private company (TreeSmart Australia Pty Ltd) set up for the express purpose of running the TreeSmart program on a "profit for purpose" basis. The TreeSmart program concept was developed by the The Urban Transport Institute and Green & Gold Tree Farms. 2002

<http://www.treesmart.com.au/>



Cause-related marketing

Cause-related marketing or **cause marketing** refers to a type of marketing involving the cooperative efforts of a "for profit" business and a non-profit organization for mutual benefit.



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Foundations of CSR

Question:

CSR: why to behave along with ethical principles?

4 alternative answers:

No CSR: Command and control response

1. Problem oriented strategy
2. Utility based ethics
3. Duty based ethics

No CSR: Command and control response

Public good are under the responsibility of public authorities

They define rules of the game: the command and control instruments

Companies are delegating to the State any responsibilities in standard setting

We (companies) respect the rules and maximise profits → society welfare



But sometimes this is risky: we could be asked to account for the environment and some social aspects on a legal basis

See the advent of the concept of:

- “**responsibility without fault**” of the environmental legislation
 - “**retroactive responsibility**”
- Millions of Euro in liabilities for past industrial activities

Lesourd and Schilizzi 2001, p. 56

Class action against forest and wood-working companies?

Class action (or **representative action**) = a procedural device defined in some national laws (US, G, A, Sp, F, CH, ...) used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and/or fact.

In the future consumer associations could file claims on behalf of groups of consumers to obtain judicial orders against corporations that cause injury or damages to forests ecosystems?

... so in a very competitive market
you need more:

Public perception of problems and consumers' preferences are changing



1. Problem oriented strategy

The aim of the company is “to respond to others, not build strategy based on your own moral principles” (Freeman & Gilbert, 1988)

To get a **better market positioning, to reduce potential conflicts with some stakeholders** you have to solve one (few) problem(s) step by step

→ Empirical approach to the problems (**not normative**), attention given to the performances

2. Utility based ethics

There is no conflict (no trade-off) between ethics and economics (profit, value of the assets, ...)

A lot of greens are worried about the origin of tropical timber; let's do something to respond their expectations



It's the interest of my company to promote CSR

Benefits of CSR may be found in 4 directions:

- CSR can **reduce direct costs** (energy, rough materials, time loss in external controls, ...)
- CSR can improve **productivity of workers** (more motivation, low absenteeism, reduced turn-over)
- CSR can reduce **management risks** (easier access to credit, increased value of the assets for the investors, support by stakeholders, boycott avoidance, ...)
- CSR improve the **competitive image** of the firm



3. Duty based ethics (or deontologism)

While utilitarianism is based on self-centred interest, deontologism is based on the respect of moral rules

I respect some ethical principles because I trust this is good for the welfare of the society (and my personal well being)



Future development at international level: Earth Summit 2012 in Rio

Two possible conventions to come out of the Summit supported by stakeholders, related to the green economy, could be developed:

- a convention on Corporate Accountability, possibly bringing together the new ISO 26000 standard and the OECD guidelines;
- and a convention on Principle 10 of the Rio Declaration: access to information, participation and justice on environmental issues.

Economics and ethics can walk together

