

International Corporate Social Responsibility (CSR) Standards and Norms: Present Situation, Future Challenges

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Council for Better Corporate Citizenship

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Introduction

Corporate Social Responsibility (CSR; see *Note 1*) is becoming an increasingly prominent issue in Europe, North America and elsewhere. The main reasons for this growing interest are:

- globalization and rapid advances in information technologies;
- the greater importance of citizen-driven activities, best seen in the work performed by non-governmental organizations (NGOs);
- greater social awareness among consumers;
- increased competition among corporations.

The growing interest in CSR issues has motivated entities – such as the United Nations, the Organization for Economic Cooperation and Development (OECD), and assessment organizations in Europe and North America – to establish and enhance standards that will serve as a benchmark for multinational corporate behavior, and to strengthen mechanisms evaluating that behavior.

In Japan, too, there is a growing realization of the need for CSR. This is partly due to a series of corporate scandals that have prompted Japanese industry and the government to introduce a range of counter-measures. (See *Note 2*.)

In December 2001, the Council for Better Corporate Citizenship (CBCC) established a Study Group on the Corporate Social Responsibility Required of Multinational Corporations. (The Study Group operates under the CBCC Steering Committee.) The Study Group has compiled information on CSR issues and the content of various CSR standards and norms, and has examined the issue from the perspective of Japanese corporations.

The results of this study are presented below, and indicate the direction we believe Japanese corporations should take with regard to international CSR standards and norms.

Note 1:

Business for Social Responsibility, defines Corporate Social Responsibility as “operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.” (Business for Social Responsibility was founded by a number of corporations, most of them American. It provides member companies with information on the latest CSR trends, international standards, and efforts of corporations which are most active in promoting CSR, and facilitates interaction among multinational corporations and nonprofit sector organizations, on a global scale.)

In the past, CSR was viewed in Japan as the responsibility a corporation was expected to demonstrate after it had been caught doing something unethical. Today, though, CSR is seen as an issue that is related to how to incorporate social fairness the environment into consideration in the management process. However, CSR standards are formulated according to the subjective expectations of individual market societies, and for this reason, the standards tend to vary, depending on country, region, and time. However, under globalization, certain CSR principles are becoming universally accepted. These include respect for laws and regulations, protection of the environment, and ensuring health and safety.

Note 2:

In October 2002, Nippon Keidanren (Japan Business Federation) took the following five steps to strengthen member companies' adherence to the *Charter of Corporate Behavior* (established in 1991, revised in 1996 and 2002):

- (i) It revised the *Charter of Corporate Behavior* and its *Implementation Guideline*;
- (ii) It called for the establishment and maintenance of a system for promoting ethical corporate conduct within corporations;
- (iii) It called for commitment of new members of Nippon Keidanren to Charter compliance;
- (iv) It announced support for companies in the prevention of corporate misconduct;
- (v) It clarified and strengthened the measures Nippon Keidanren takes against companies involved in unethical behavior.

The following are the major revisions to the *Charter of Corporate Behavior*;

- (i) Emphasis placed on legal compliance in the preface;
- (ii) Emphasis placed on creating trust between consumers and corporations by the responsible provision of goods and services in principle 1;
- (iii) The role of executive corporate management in the prevention of corporate misconduct and the reforms following the event of corporate misconduct is of critical importance. Because of this, renewed emphasis has been given in principle 9 and 10 to the role of corporate management in prevention and in implementing reforms following misconduct.

The following are major revisions to the *Implementation Guideline*;

- (i) The Guideline has been revised in accordance with the changes made to the charter and with regard to recent social developments (these include guides for the : implementation of a company-wide system of corporate ethics and corporate conduct, establishment of a corporate ethics helpline, and the monitoring of corporate ethics);
- (ii) Additional model action plans have been appended to the guideline for reference.

The Japanese government also promotes CSR. After enacting the Consumer Contract Law in April 2001, it established the Consumer Policy Committee to examine guidelines for voluntary corporate codes of conduct. (The Committee reported to the Consumer Policy Division of the Quality-of-Life Policy Council, a body under the Cabinet Office.) The Committee studied what type of conduct code guidelines are needed to ensure consumer confidence, and focused on two major issues: (i) how the comprehensive rules contained in the Consumer Contract Law can be incorporated specifically into laws and ordinances, while urging corporate and industrial groups to draw up their own codes of conduct; and (ii) how corporate behavior, through compliance with these legal standards and voluntary codes of conduct, would enable businesses to regain the confidence of consumers.

In April 2002, the Committee submitted its interim report, entitled *Building Up Consumer Confidence in Business: Guidelines for Corporate Codes of Conduct*. The Committee then conducted hearings to obtain the opinions of various parties, incorporated those opinions in its final report, and submitted the report to the Consumer Policy Division on December 17. The report has been made public.

I. Reasons for Increased Interest in CSR Issues

1. Changes in the corporate environment

- (a) Concerns among some NGOs and developing countries against corporate globalization

Corporate cross-border operations and globalization are occurring hand in hand. Some NGOs and developing countries voice concern over this trend, claiming that globalization is widening the gap between rich and poor, preventing the disadvantaged from enjoying the benefits of technological advances and development. They also claim that globalization leads to environmental degradation.

These concerns are fueling opposition to the multinational corporations' goals of free trade, a liberalized investment environment and a globalized economy. For example, protests erupted in Seattle after cabinet ministers from various countries met there to begin formulating WTO multilateral rules, after termination of the Uruguay Round of trade negotiations. Some developing countries and NGOs have expressed strong dissatisfaction with the WTO's promotion of globalization. On another front, attempts to change investment rules through the OECD Multilateral Agreement on Investment had to be dropped because of NGO and labor union opposition.

- (b) Greater social awareness among consumers

Over the last few years, consumers have increasingly pushed for companies to respect human rights, abide by fair labor standards, and protect the environment. These demands are in addition to the traditional desire for inexpensive, high-quality products.

The growing emphasis on "corporate brand" is a case in point. (See *Note 3*.) When choosing a product or service, consumers are increasingly paying attention to the company's reputation. Corporations are discovering that brand is an essential factor in the battle to survive competition, as essential as human resources and technology. If a company is viewed as socially responsible, its reputation and brand value rise.

The Internet makes it possible for individuals and NGOs worldwide to monitor corporate behavior. If a company harms the environment or tramples on human rights, this fact is instantly transmitted around the world for all to see. Negative comments on products and services are quickly sent to the address appearing on the company's website. For these reasons, too, it is important that businesses respect all stakeholders, from one end of the supply chain to the other. This respect includes, of course, respect for the human rights of employees at local factories and affiliated overseas facilities.

Note 3:

A brand is more than just a name – a brand has a value that indicates whether the company's products and services can be expected to create assurance, satisfaction and a sense of confidence. Since the beginning of the 1990s, brand has been regarded as an intangible corporate asset, next in importance after human resources, material assets, capital and information. Corporate brand management is now regarded as an essential element of overall management.

(c) Corporate behavior judged by investors

Socially Responsible Investment (SRI) is attracting attention as a way to indicate approval for socially responsible behavior. When deciding on where to place their money, investors consider not only profit potential but also companies' commitment to social responsibility. SRI was first practiced by religious groups that invested in companies having the same values, but today it has spread to a wide range of investors, who consider such factors as ethical behavior and social responsibility (exhibited through environmental conservation, community relations, etc.).

SRI is becoming more prevalent not only because of its good performance, but also because of its influence towards corporate behavior. It represents a significant change in the relationship between consumer-investors and corporations.

(d) A more socially conscious workforce

People looking for employment are increasingly likely to examine a company's CSR record before applying. In other words, a company with a good CSR reputation is better placed to attract talented employees.

(e) Legislative changes

Some countries in Europe have amended legislation to promote greater CSR and SRI. In Britain, the amended Pension Act (enacted in July 2000) encourages the investment of many pension funds along SRI lines. This initiative was followed in France, with enactment of legislation reforming employee savings schemes and the Pension Reserve Fund Law, in February and June 2001, respectively. In August the same year, the Australian government passed the Financial Services Reform Act to achieve similar goals.

Again in France, an administrative ordinance was published in the official gazette in February 2002, requiring listed companies to disclose information on the social and environmental effects of their activities in their annual reports.

2. Trends in the U.S., Europe and Japan

Scope of CSR generally includes compliance of laws and regulations, protection of consumers, conservation of the environment, respecting workers, ensuring health and safety, prevention of corporate corruption, honoring human rights, investments and contribution to the local community. However, it should be noted that not all parts of the world regard these actions as having the same degree of importance or priority.

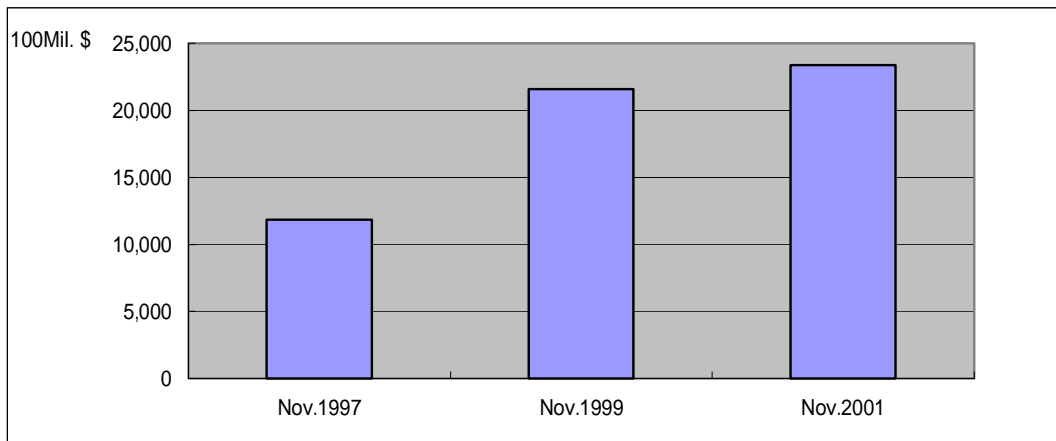
The following section examines the background for the growing interest in CSR and SRI trends in the U.S., Europe and Japan.

(a) The United States

Christian values play an important role in guiding CSR concepts in the U.S. Americans are also conscious of the importance of freedom and human rights, two cornerstones of the Declaration of Independence.

According to the Social Investment Forum, total SRI in the United States stood at around US\$40 billion in 1984, continued to grow in the 1990s, and reached more than US\$2.3 trillion in 2001.

【Trends in SRI in the U.S.】



Source: *SRI Trends in 2001*, Social Investment Forum

(b) Europe

The creation of the EU resulted in a certain degree of economic cohesion among member nations, and the next step being advocated is achievement of a greater degree of social cohesion. Promoters of this step are urging the business sector to promote social programs, such as local redevelopment and human resource training (to reduce unemployment). These programs traditionally fall within the domain of government, but the EU and European governments assume that, at a time when the economy is faltering and competition with the United States and Asia is growing, the economy can only be revitalized by enlisting the support of corporations in the fight against social instability, the causes of which would probably become worse without their support.

According to estimates made by the Sustainable Investment Research International Group, there were 251 SRI funds operating in Europe in June 2001, a 58% increase over the number in January 2001. Total SRI assets in Europe amounted to 15.6 billion Euros in June 2001.

(c) Japan

In Japan, the focus on CSR began with environmental efforts, but today it has expanded to include human rights, fair labor standards, consumer protection, and health and safety issues. In recognition of their dedication to the environment, Japanese companies hold a very high proportion of the ISO 14000s certifications held by companies in industrialized countries.

SRI in Japan began with the launching of ecofunds. Today, full-fledged SRI funds offer investment opportunities. Companies are assessed from different perspectives, using multiple criteria involving such factors as hiring practices and consumer protection policies.

【SRI Funds in Japan】

Founding company (in parentheses: entity performing assessment)	Date established	Fund name
Nikko Asset Management (Good Bankers Co., Ltd.)	August 1999	Nikko Ecofund
Yasuda Kasai Global Asset Management Co., Ltd. (Yasuda Fire and Marine Insurance Co., Ltd.; Yasuda Research Institute; Sompo Japan Risk Management, Inc.)	September 1999	Yasuda Kasai Green Open (nickname: Beech Forest)
IBJ Investment Trust Management Co., Ltd., and Dai-ichi Life Asset Management Co., Ltd. (Good Bankers Co., Ltd.)	October 1999	Ecofund
UBS Investment Fund Advisors (Japan Research Institute, Ltd.)	October 1999	UBS (Japan) Ecofund
Partners Investment Trust (Sanwa Research Institute)	January 2000	Eco Partners (nickname: Midori no Tsubasa)
Asahi Life Asset Management Co., Ltd. (Mitsubishi Research Institute, Inc.; Public Source Center)	September 2000	Asahi Life SRI Fund (nickname: Asu no Hane)
Mitsui Marine Asset Management Co. (InterRisk Research Institute & Consulting, Inc.)	October 2000	Eco Balance (nickname: Umi to Sora)
Nikko Asset Management (Sustainable Asset Management AG [SAM], Switzerland)	November 2000	Nikko Global Sustainability Fund A (no hedge fund)
Ditto	November 2000	Nikko Global Sustainability Fund B (has hedge fund)
Daiwa SB Investments Ltd. (Inovest Inc., New York)	June 2001	Global Eco Gross Fund (nickname: Mrs. Green) A (has hedge fund)
Ditto	June 2001	Global Eco Gross Fund (nickname: Mrs. Green) B (no hedge fund)

Source: Data supplied by Eiichiro Adachi, Chief Researcher, Japan Research Institute, Ltd., at the Nippon Keidanren Guesthouse Philanthropy Forum, held on February 15, 2002.

II. International CSR Standards and Norms – Present Situation and Problems

(see *Note 4*)

1. Rapidly growing array of international standards and norms

Motivated by the recent attention given to CSR, various organizations have proposed and formulated international CSR standards, norms, corporate codes of conduct and guidelines (hereinafter referred to as ‘international standards and norms’). Three major examples are the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and Social Accountability 8000. Faced with this patchwork of criteria and standards, corporations feel a growing sense of confusion – how, for instance, do the international standards and norms relate to each other, and what types of verification systems are being put in place?

In any event, compliance with certain standards may one day become a prerequisite to participate in government procurement. We can therefore assume there will be cases where corporations will miss out on some opportunities in the marketplace unless they conform to certain CSR standards.

2. Differing cultural and social values, and the move toward international standards

Criticism is heard to the effect that certain standards are universally applied to corporate behavior even though cultural and social background and level of economic development differ from one country to another. In many cases, Western cultural values exert a strong influence over existing international standards and norms, and over SRI screening criteria as well.

Criteria and standards on corporate behavior cannot be defined uniquely in Western cultural terms. And yet, under certain SRI screening practices, products and services related to tobacco, gambling, alcohol, weapons and nuclear energy are all regarded as unethical, and if a corporation is involved in such a business it is excluded from the list of companies worthy of investment. As another example, survey sheets include questions on the treatment of visible minorities, and ask whether hiring practices promote a diversified workforce, even though these issues have little or no relevance for companies operating in Japan. The problem, though, is that if companies do not answer these questions, on the grounds that Japanese values are different, they will not be considered worthy of potential investment.

Japanese companies are increasingly likely to be sent questionnaires from European and North American NGOs and assessment organizations. These questionnaires reflect Western cultural and social values, making it difficult for a non-Western companies to know how to respond.

Note 4:

For a discussion on international standards and norms, see the Appendix and tables of comparisons at the back of this paper.

III. The Movement toward ISO Standardization of CSR

The main purpose of the International Organization for Standardization (ISO; see *Note 5*) is to help the private sector develop its own voluntary international standards free from government regulation, and to help businesses develop in-house structures facilitating compliance with those standards. The most well known ISO Management System standards are the ISO 9000 (quality control) and 14000 (environmental protection) certification series. The ISO is now the focus of debate on whether CSR should be standardized.

Note 5:

The ISO facilitates the international coordination and unification of industrial standards. It was established in 1947 as an organization pooling the efforts of private-sector member bodies wishing to develop standards for the private sector. Headquarters are in Geneva, Switzerland. Japanese participation began in 1952, when the Japanese Industrial Standards Committee (JISC) became a member.

1. Recent developments

During ISO Council meetings on April 30 and May 1, 2001, the Council decided to request that the ISO Consumer Policy Committee (COPOLCO) consider the viability of international standards regarding corporate social responsibility, and that the Committee submit its recommendations to the Council at a later date. During the 23rd COPOLCO plenary meeting on May 15 and 16 that year, delegates decided to request that a Global Market Working Group (GMWG), established under COPOLCO, explore the feasibility and desirability of developing international standards to benchmark corporate responsibility, and to request the establishment of an online CSR standards solutions forum that would foster an exchange of ideas among COPOLCO members and non-members.

At the GMWG meeting on October 31 and November 1 that year, a report entitled *The Desirability and Feasibility of ISO Corporate Social Responsibility Standards* was submitted. This report indicated that it was indeed feasible to develop international standards benchmarking corporate responsibility. (See *Note 6*.) The GMWG gave careful consideration to the report on March 7 and 8, 2002.

At the 24th COPOLCO plenary meeting on June 11 and 12, 2002, the GMWG report was accepted and a decision was made to recommend that the ISO Council establish a multi-stakeholder body to further explore the feasibility of ISO CSR management system standards.

Then, at the 71st ISO Council meeting on September 28, the Council decided to request that the ISO Technical Management Board (TMB) create a High-Level Advisory Group on CSR (see *Note 7*). The Advisory Group was to determine whether, in light of the report to COPOLCO, the ISO should proceed with the development of CSR standards, and if so, what type and scope of standards should be developed. The TMB is to report to the Council on the outcome of its deliberations by March 2003.

Note 6:

The report to COPOLCO indicated: (i) that the type of standards desirable would be management system standards; and (ii) that firms should be able to self-declare compliance or seek certificates from authorized third parties. It was suggested that key components of the standards likely to include such issues as compliance with laws and regulations, consumer protection, environmental conservation, fair labor practices, health and safety protection, prevention of corporate corruption, human rights, and contributions to the local community.

Note 7:

The High-Level Advisory Group on CSR is composed of regional representatives (from each of the following four regions: Asia & Oceania, Europe, Africa, and North and South America), and members representing international organizations.

2. Future developments

If the TMB report to be presented at the ISO Council meeting in March 2003 recommends the standardization of CSR, and if this recommendation is accepted, the TMB will presumably decide to establish a Technical Committee (TC) that will further study the issue of international CSR standards. This study phase, during which the TC would deliberate on and formulate such standards, would last about two years, starting in March 2003.

3. Actions taken in Japan

In Japan, the CSR Standardization Committee of the Japanese Standards Association (JSA; committee chaired by Tsuneo Matsumoto, professor at Hitotsubashi University's Graduate School of Law) was established and commissioned by a government office to explore how Japan should proceed with the question of CSR standardization. (See Note 8.) (The government office is the Standards Development and Planning Division of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry.)

Note 8:

If the ISO decides to proceed with CSR standardization, the impact on Japanese industry will presumably be great. This probability was examined in March and April 2002 during meetings on ISO CSR standards, held jointly by the CBCC, the Nippon Keidanren Sub-committee on Consumer Law (under Keidanren's Committee on Economic Law), and the Roundtable Discussion Group of Keidanren's Committee on Corporate Philanthropy. During the meetings, delegates heard opinions on CSR issues from representatives of the Ministry of Economy, Trade and Industry and from Professor Iwao Taka of the International School of Economics and Business Administration, Reitaku University.

In December the same year, the CBCC established the Working Group on ISO CSR Standardization. (The Working Group is chaired by Shizuo Fukada, who is the chairman of the CBCC's Steering Sub-Committee, and advisor to the Corporate General Affairs Division of OMRON Corporation). The Working Group is obtaining the opinions of Japanese business regarding ISO CSR standardization, and is making its position known to JSA's CSR Standardization Committee and to the ISO.

IV. International CSR Standards – Recommended Stance for Japanese Companies, and CBCC Initiatives

1. Recommended approach of Japanese corporations regarding international CSR standards and norms

The trend toward formulation of international CSR standards and norms is irreversible, as can be seen in the ISO's deliberations on the issue. Japanese corporations should recognize that socially responsible activities translate into greater trust from stakeholders, greater market competitiveness, and higher profits, and should voluntarily reexamine how to place CSR in their own management goals. Part of their efforts should involve establishing CSR management systems (systems promoting the achievement of agreed-upon policies and objectives). These efforts should be guided by the following principles and objectives.

(a) Greater dedication to CSR from the highest levels of management

The highest levels of management need to realize that CSR-oriented policies must focus not only on the environment but also on respect for human rights, fair labor standards, and consumer protection. Their decisions and leadership must show that they are promoting such efforts.

(b) Reform of in-house structures

CSR-related information is varied and comes from many sources, so a single company department cannot handle all CSR issues – all departments must work together, keeping horizontal lines of communication open. This means it may be necessary to reform in-house structures, and create new positions of responsibility – for example, a director in charge of corporate ethics. At the same time, in-house awareness campaigns are required to ensure these goals.

(c) Release of more information on CSR behavior

Japanese corporations have willingly provided information on their environmental and philanthropic efforts. In the future, they will also be called upon to provide information on a wider range of CSR-related activities.

(d) Selecting international standards and norms matched to individual company policy

International standards and norms cover a wide range of endeavors and are not uniform in content. This explains why European and North American companies do not feel obliged to adopt all of them, but select only those that fit their needs and could boost their competitiveness.

Japanese businesses, too, should determine which CSR issue they should give priority to, then decide which standards and norms they need to adopt and comply with, as part of their overall corporate management strategy.

(e) Corporate participation in the development of international standards and norms

Japanese corporations should participate actively in the entire process, starting at the stage where the formulation of international CSR standards and norms is debated at the ISO and elsewhere. The participation of Japanese corporations is important because, even if the international standards and norms end up being strongly colored by Western cultural values, it would be very difficult to make modifications afterward.

2. Future CBCC initiatives

The Council for Better Corporate Citizenship intends to take the following steps while participating in discussions on international standards and norms.

(a) CBCC will continue to provide information on international standards and norms

The CBCC will continue to rigorously monitor future developments at the ISO and elsewhere, regarding international CSR standards and norms. Relevant information gathered during this monitoring process will be published in the CBCC quarterly magazine, *Stakeholders*. The CBCC will also hold meetings to fully share information and opinions with member companies.

In addition, the CBCC will provide information on CSR-related practices in Europe and North America (including the establishment and improvement of in-house structures).

(b) CBCC participation in the formulation of international standards and norms

Japan's participation in the formulation of international standards and norms will be effective if individual Japanese companies play an active role, and if the viewpoints of Japanese corporations as a whole are promoted during the decision-making process. Thus, the CBCC has decided it will actively campaign for the viewpoint of Japanese businesses to be heard.

If the ISO decides to proceed with CSR standardization, the impact on Japanese industry will presumably be great. It is therefore important that the CBCC join forces with Nippon Keidanren (Japan Business Federation) and participate in the formulation process.

The CBCC has also decided to explore the feasibility of ensuring that international CSR standards and norms are made compatible with Japanese social and cultural norms, and with the distinctive nature of Japanese corporations, rather than simply being based on Western values.

* * * * *

Annex: Overview of International CSR Standards and Norms

The following provides a summary of major international standards and norms on CSR.

(1) Green Paper 366: Promoting a European framework for corporate social responsibility (see *Note 9*)

- **Released:** July 2001
- **Drafting entity:** European Commission
- **Background:**

Against the backdrop of calls for greater social cohesion in Europe, the Gyllenhammar Report (see *Note 10*) was released in November 1998, and subsequently delegates to the March 2000 Lisbon European Council declared that the Union's goal for the next decade was to become a knowledge-based economy capable of sustainable economic growth, with more and better jobs and greater social cohesion. These developments influenced the content of the Green Paper 366, issued by the European Commission.

- Salient features:

Two of the Green Paper's aims were: (1) to launch a broad-ranging debate on how the European Union could promote the best CSR practices (in other words, what type of framework would be suitable to promote best practices in each industrial sector, and for each business size); and (2) to promote the development of a European CSR framework and to foster social cohesion through CSR.

A section at the end of the Green Paper asks for the opinions of a broad spectrum of social bodies, especially companies, labor unions and NGOs, by posing these questions:

- What can the European Union do to promote the development of corporate social responsibility?
- Should the EU develop an overall European framework to promote CSR practices?

- Core elements of the document:

Corporate social responsibility – the internal dimension:

- (1) Human resources management
- (2) Health and safety at work
- (3) Adaptation to change (restructuring)
- (4) Management of environmental impacts and natural resources

Corporate social responsibility – the external dimension:

- (1) Local communities
- (2) Business partners, suppliers and consumers
- (3) Human rights
- (4) Global environmental concerns

A holistic approach towards corporate social responsibility:

- (1) Social responsibility integrated management
- (2) Social responsibility reporting and auditing
- (3) Quality in work
- (4) Social and eco-labels

(5) Socially responsible investment

Note 9:

A Green Paper is compiled by the European Commission to throw light on issues on which provisions are not in effect in the EU. It serves as the basis for debate among interested parties such as corporations and NGOs, and elicits the expression of a wide range of opinions. Not all of the recommendations contained in a Green Paper will be translated into legislation.

Note 10:

The Gyllenhammar Report was written by the Gyllenhammar Group, which was established upon the recommendation of the November 1997 Luxembourg Employment Summit. The report recommended that businesses with more than 1,000 employees should publish an annual report on their restructuring activities, giving an account of their social impact.

(2) Corporate social responsibility: A business contribution to sustainable development (Communication from the European Commission)

- **Released:** July 2002
- **Drafting entity:** European Commission
- **Background:**

This recent report indicates strategies needed to promote CSR practices at the EU level, and takes into consideration various stakeholders' opinions on the EU Green Paper 366.

- **Salient features:**

The European Commission states the need to deepen understanding of CSR and good practices at the EU level, and calls for greater convergence and transparency in the following areas: codes of conduct; management standards; accounting, auditing and reporting; social labels; and socially responsible investment. The Commission also proposes to set up an EU Multi-Stakeholder Forum on CSR, to be composed of employers, employees, consumers, NGO representatives and others, as a way to encourage debate on CSR practices. The Forum is requested to present, by mid- 2004, a report on guiding principles on such issues as: (1) the relationship between CSR and competitiveness (business case); (2) the effectiveness and credibility of codes of conduct; (3) the development of commonly agreed guidelines for CSR measurement and reporting; and (4) definition of commonly agreed guidelines for labeling schemes..

After its formation, the EU Multi-Stakeholder Forum on CSR held its 1st High Level Meeting in Brussels (see Note 11), on October 16, 2002. Some of the participants at the meeting represented employers' groups (including the Union of Industrial and Employers' Confederations of Europe (UNICE)), business networks (including CSR Europe), trade unions (including the European Trade Unions Confederation (ETUC)), and NGOs.

- **Core elements of the document:**

- (1) Introduction
- (2) Synthesis of consultation on Green Paper on CSR
- (3) A European action framework for CSR
- (4) Improve the knowledge about CSR and facilitate the exchange of experience and good practice

- (5) Promoting convergence and transparency of CSR practices and tools
- (6) Launching a EU Multi-Stakeholder Forum on CSR
- (7) Integrating CSR in all EU policies

Note 11:

Notable opinions expressed at the 1st High Level Meeting can be summed up as follows:

Opinions of an employer's group:

- Any debate on CSR must take account of the fact that CSR is voluntary and business-driven, and there is no "one size fits all" approach to it.
- Smaller enterprises should also be expected to embrace CSR practices – the focus should not be only on large corporations.

Opinions of business networks:

- CSR is a vital component of business competitiveness.
- businesses are ready to share experiences and concrete examples on CSR to make progress in the debate and identify what can be effectively and realistically done together.

Opinions of trade unions:

- there is a need for a reference framework on CSR, adapted to size, sector of the company.
- companies act responsibly not only towards their workforce but also to citizens and throughout the whole supply chain.

Opinions of NGOs:

- CSR is a global issue, not just a European issue.
- The Forum should strongly recommend the development of credible, verifiable systems of reporting and auditing.
- the voluntary commitment to CSR is not sufficient to meet the scale of the industrial, economic and social transformation foreseen in the challenge of sustainable development.

(3) Caux Round Table Principles for Business

- **Released:** 1994
- **Drafting entity:** The Caux Round Table (an international group of business leaders from Japan, the United States and Europe. The group meets once a year in Caux, near Lake Lemán, Switzerland, to exchange opinions on corporate ethics and behavior, from a global perspective.)
- **Background:**

The principles are based on the understanding that, although rules, systems and policy proposals are necessary for businesses to obtain the trust of society and play a constructive role, and necessary also for resolving trade friction problems, the most basic requirement is that companies act responsibly.

- **Salient features:**

These principles were the first to be drawn up through collaboration among Japanese, American and European business leaders. The principles embody ideals brought to the table by participants from all three regions – the Japanese concept of *kyosei* (the idea of living and working together for the common good, enabling cooperation and mutual prosperity to coexist with healthy and fair competition); an American statement called The Minnesota Principles (guidelines on fair corporate

behavior); and a European proposal on human dignity (the inviolable dignity of each person to be respected by corporations while they pursue their activities). The Principles were offered in the hope they would also serve as a reference for corporate behavior in developing countries, and in countries beginning the transition to a market economy.

- Core elements of the document:

Section 1: Preamble

Section 2: General Principles (Principle 1, The Responsibilities of Businesses: Beyond Shareholders toward Stakeholders. Principle 2, The Economic and Social Impact of Business: Toward Innovation, Justice and World Community. Principle 3, Business Behavior: Beyond the Letter of Law toward a Spirit of Trust. Principle 4, Respect for Rules. Principle 5, Support for Multilateral Trade. Principle 6, Respect for the Environment. Principle 7, Avoidance of Illicit Operations)

Section 3: Stakeholder Principles (Customers, Employees, Owners/Investors, Suppliers, Competitors, Communities)

(4) The Global Compact

- **Released:** July 2000 (concept announced in January 1999)

- **Proposed by:** United Nations Secretary-General Kofi Annan

- **Background:**

United Nations Secretary-General Kofi Annan proposed the Global Compact with the following in mind: (1) globalization is promoting the advancement of development countries, but there are negative results as well, particularly more widespread poverty and more environmental degradation; and (2) these problems can only be resolved through the collective action of corporations that are active internationally.

- **Salient features:**

Global Compact principles are based on the Universal Declaration of Human Rights, the ILO's Fundamental Principles and Rights at Work, and the principles embodied in the Rio Declaration on Environment and Development. Companies participating in the Global Compact process agree to support and promote the Compact's 9 principles on human rights, labor standards, and the environment, and are required to send the UN Global Compact office an annual report on their activities. There are well over 10 participating organizations, including international labor organizations and NGOs active on the world stage. The International Labour Organization (ILO), the Office of the UN High Commissioner for Human Rights (OHCHR), the United Nations Environment Programme (UNEP), and the United Nations Development Programme (UNDP) all urge compliance with the Global Compact.

- **Core elements of the document:**

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.

Principle 2: Businesses should be certain that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

(5) OECD Guidelines for Multinational Enterprises

- **Released:** 1976 (amended in 1979, 1984, 1991 and 2000)

- **Drafting entity:** Organisation for Economic Co-operation and Development (OECD)

- Background:

People are becoming increasingly concerned about the activities of multinational corporations, which are gaining strength through liberalized trade and investment and the globalized economy. The Guidelines, formulated with these concerns in mind, are a code of conduct for multinational corporations to meet. They were compiled after taking into account a wide spectrum of opinions, including those outside government circles, and have been amended several times to address the concerns of civil society.

- Salient features:

Guidelines were originally annexed to the non-binding OECD Declaration and Decision on International Investment and Multinational Enterprises, compiled in 1976. The Guidelines are recommended by participating governments, and suggest certain behavior patterns to be followed by multinational corporations:

(1) Adhering governments recommend that multinational corporations respect certain norms of behavior, since their activities exert much influence over the development of the global economy.

(2) The Guidelines are not binding; corporations are expected to adopt them voluntarily.

(3) Each adhering government is expected to establish a National Contact Point (NCP) in its own country, in order to promote acceptance of the Guidelines, to answer questions on the Guidelines, and to conduct discussions with relevant parties. The Japanese Ministry of Foreign Affairs serves as the NCP for Japan.

- Core elements of the document:

The guideline framework, as amended in 2000, basically consists of a preface, 10 chapters, and commentaries explaining the stipulations. The chapters cover:

(1) Concepts and principles

(2) General policies

(3) Disclosure

- (4) Employment and industrial relations
- (5) Environment
- (6) Combating bribery
- (7) Consumer interests
- (8) Science and Technology
- (9) Competition
- (10) Taxation

(6) Guidelines of the Global Reporting Initiative

- **Released:** June 2000 (revised August 2002)
- **Drafting entity:** Global Reporting Initiative (a voluntary organization established by the Coalition for Environmentally Responsible Economies (CERES; see *Note 12*), in order to develop and promote globally applicable guidelines for reports on sustainability issues)

- **Background:**

Discussions were launched after corporations agreeing with the CERES Principles called for the establishment of *de facto* standards for the content of global corporations' environmental reports. The discussions did not define "sustainability," but it was agreed that the issues surrounding sustainability are economic, environmental and social in nature. Performance indicators for these three factors were drawn up, then translated into guidelines.

The 2002 Guidelines were officially announced at the World Summit on Sustainable Development (Earth Summit) held in August 2002 in Johannesburg, South Africa.

- **Salient features:**

The Guidelines are concerned with more than just the environment – they encompass the reporting of the "triple bottom line" of economic, environmental and social issues. Features of the 2002 version include:

- (1) Revamped reporting principles
- (2) Strengthened content for social and economic performance indicators
- (3) Separation of performance indicators into core and additional (voluntary)
- (4) Greater clarity, permitting greater flexibility and incentives when using the Guidelines, and the addition of conditions to identify a report as prepared in accordance with the 2002 Guidelines.

- **Core elements of the document:**

Preface and introduction

Part A: Using the GRI Guidelines

Part B: Reporting principles (transparency; inclusiveness; auditability; completeness; relevance; sustainability context; accuracy; neutrality; comparability; clarity and timeliness)

Part C: Report content (vision and strategy; profile of reporting entity; governance structure and management systems; GRI content index; performance indicators [economic, environmental and social performance indicators])

Part D: Glossary and annexes

Note 12:

CERES was founded in 1989 to promote more responsible behavior with regard to environmental issues. It is comprised of environmental advocacy organizations, SRI investors, institutional investors, labor unions, representatives of religious groups, etc. Its headquarters are in Boston, U.S.A. The 1989 Exxon Valdez disaster led CERES to announce a ten-point code of corporate environmental conduct called the Valdez Principles (now named the CERES Principles).

(7) Social Accountability 8000

- **Released:** October 1997

- **Drafting entity:** Social Accountability International (founded by an American non-profit organization, Council on Economic Priorities (CEP). SAI develops and applies social accountability standards under its SA8000 certification system, and registers complying companies. Formerly known as the Council on Economic Priorities Accreditation Agency (CEPAA).)

- **Background:**

As part of the globalization of corporate activities, multinational corporations tend to build factories in low-wage countries. Some of these companies pay inordinately low wages, force employees to work excessively long hours, and take children out of school for work. To counter such labor practices, concerned people in Europe and North America – academic experts, private corporations, people connected to the ISO, NGOs and others – joined forces under the Council on Economic Priorities and drafted the Social Accountability 8000 standards.

- **Salient features:**

Social Accountability 8000 are the first international standards on human rights and ethical behavior drawn up to eliminate unfair and inhumane labor practices (such as child labor and forced labor), primarily in developing countries. The standards are an offshoot of the ISO 9000 (quality control) and 14000 (environmental protection) certification series, and can be summed up as follows:

- (1) They emphasize performance, measured using fixed values;
- (2) They were compiled using ILO and other international standards as a basis;
- (3) Accreditation is done by a third party; verification procedures are not conducted by the company itself;
- (4) Accreditation is valid for 3 years; renewals are applied for.

- **Core elements of the document:**

- (1) Child labor
- (2) Forced labor
- (3) Health and safety
- (4) Freedom of association and right to collective bargaining
- (5) Discrimination
- (6) Discipline
- (7) Working hours
- (8) Compensation
- (9) Management systems

The accreditation process is as follows.

- (1) Receipt of application package
- (2) Office and witness audit

- (3) Establishment of a company-level management system
- (4) Decision of screening and registration body
- (5) Initial audit
- (6) Comprehensive audit

(8) AccountAbility 1000

- **Released:** 1999

- **Drafting entity:** Institute of Social and Ethical AccountAbility (an institute based in the U.K., dedicated to strengthening social responsibility and ethical behavior in the business community and among non-profit organizations)

- **Background:**

The accountability standards were drawn up to address the following problems: it is often impossible to trust corporate reports on their commitment to society and the environment; the reports may be difficult to understand; and desired information is often not found in the reports. These problems exist at a time when consumers, investors and other stakeholders are becoming increasingly keen to know more about corporate governance structures and corporate attitudes towards human rights, community development, environmental protection, etc.

- **Salient features:**

AccountAbility 1000 is an accountability standard. It offers guidelines for ensuring social and ethical accountability and high-quality auditing and reporting practices. The standard embodies principles for improvement processes and process elements. The process standards are underpinned by the principle of accountability to stakeholders, and do not define performance standards *per se*.

- **Core elements of the document:**

Planning

Process 1: Establish commitment and governance procedures

Process 2: Identify stakeholders

Process 3: Define/review values

Accounting

Process 4: Identify issues

Process 5: Determine process scope

Process 6: Identify indicators

Process 7: Collect information

Process 8: Analyze information, set targets and develop improvement plan

Auditing and reporting

Process 9: Prepare report(s)

Process 10: Audit report(s)

Process 11: Communicate report(s) and obtain feedback

Embedding

Process 12: Establish and embed systems

(9) Ethics Compliance Standard 2000

- **Released:** 1999 (amended in 2000)

- **Drafting entity:** Business Ethics Research Project, Reitaku Center for Economic Studies, Reitaku University (Established in order to support the development of systems promoting corporations' and other organizations' compliance with ethical and legal principles. The Reitaku Business Ethics Research Center now carries on the work of the original project.)

- **Background:**

In spite of a growing realization that corporations and other organizations must behave ethically and comply with social norms, there was no consensus on what type of systems are needed to address CSR issues. The Compliance Standard was compiled to clearly indicate the direction that systems should take to ensure compliance with ethical standards, laws and regulations.

- **Salient features:**

The standards aim to: (i) promote fair and responsible business practices by supporting corporations and other organizations in their development of systems ensuring compliance with ethical principles, laws and regulations; and (ii) promote the creation of a business society in which ethical corporations and other organizations are judged more fairly and rewarded in a clear fashion, due to the development and acceptance of ethical compliance management systems. The standards set out management process guidelines, but do not define specific examples of socially responsible behavior or laws and regulations to be respected. Such matters are left for each corporation or organization to determine on its own. Standards determined in this fashion are to be made public.

- **Core elements of the document:**

PLAN: Basic plan; Ethical compliance standards; Internal regulations; Implementation planning

DO: Establishment of competent divisions; Authority and responsibility; Training and education; Communication

CHECK: Monitoring; Checking awareness levels; Auditing management systems

ACT: Act on audit results; Make improvements, guided by reports from competent divisions