

*Contributing to the convergence
of CSR management standards
in Italy, Germany, France and the UK
by developing and promoting a
common CSR framework,
terminology and Management Tools*

FINAL RESEARCH REPORT

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by

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Introduction

by Simone de Colle

Project background

CELE, the *Centre for Ethics, Law & Economics* of the LIUC University, is active in the field of CSR management standards since 1999, when it founded the Q-RES Project, an ongoing multi-stakeholder initiative with the purpose of developing a management framework for the quality of the ethical and social responsibility of organisations, which could be externally verified as a new type of 'quality' standard.

In the last few years CELE has initiated a research programme, together with similar European CSR initiatives, namely the **SIGMA Project** and **AccountAbility** in the UK and **ValuesManagementSystem (VMS)** in Germany, in order to analyse possible convergence of existing CSR management standards and tools.

The first results of this research programme have been published in the final report "*Developing a CSR framework to integrate Q-RES and other social and ethical standards*", funded by the Commission in 2002-03. After examining the structure and content of Q-RES, VMS, SIGMA and AA1000, the project identified four common "building blocks" upon which their CSR management systems are based:

1. *Values and Principles for CSR* - the guiding principles shaping an organisation's overall approach to CSR and orientating its decision-making processes;
2. *CSR Management Process* - an overall organisation process linking together values and principles for CSR, CSR Management Tools and the organisation's core strategy, policies and procedures;
3. *CSR Management Tools* - a number of management tools helping the organisation to address specific issues and 'themes' linked with CSR performance, e.g. stakeholder engagement, reporting etc.; and
4. *Assurance* - procedures of internal audit (self-governed by the organisation) and external verification (provided by independent third parties) aimed to raise the credibility of the overall CSR management system.

This project extended the scope of our research agenda, at three different levels.

Firstly, it included SD21000 - the French standard produced by **AFNOR** - in the benchmarking study already applied to Q-RES, SIGMA, AA1000 and VMS.

Secondly, it focussed on actively promoting within the European business community the idea of a common CSR Management Framework, built upon four key elements identified in the previous research as the building blocks of any CSR management system: *CSR Values and Principles*, *CSR Management Process*, *CSR Management Tools* and *Assurance*.

Finally, it included among the research activities a specific task dealing with an issue which lies at the heart of the any serious attempt of promoting convergence and knowledge sharing in the CSR field: the need to clarify the terminology used, by developing a shared understanding of the meaning of a number of key “CSR terms”.

Project objectives and key activities

The project main goal was to contribute to the convergence of existing CSR management standards by disseminating the idea of a common CSR Management Framework to handle CSR within any organization based on the *Values-Process-Tools-Assurance* approach, and promoting at the level of real business practice - avoiding purely academic discussions - the sharing of knowledge and adoption of ‘best practices’.

To this purpose, the project was articulated around four activities, summarized as follows:

1. Undertaking research to ***extend the benchmarking methodology*** already developed by the project partners and applied to identify the common elements among Q-RES, SIGMA, AA1000 and VMS ***to SD21000*** - the standard produced in France by AFNOR;
2. Organising ***four European Business Roundtables on CSR Standards for Sustainable Development*** in France, United Kingdom, Germany and Italy to present to an audience of selected European business representatives the ‘Common CSR Management Framework’ developed together with AFNOR, SIGMA, AccountAbility and ValuesManagementSystem, and discuss four specific themes for CSR Management standards;
3. Facilitating the exchange of knowledge and sharing of best practices in the current use of CSR Management Tools in different European countries, and identify opportunities for ***convergence of CSR methodologies and tools***;
4. Contributing to the establishment of a ***common terminology*** in the CSR field.

Partners involved

This research is the result of a collaboration of six different partners:

- CELE - The *Centre for Ethics, Law & Economics* of LIUC University of Castellanza, Italy¹, the founder of the Q-RES Project;
- AFNOR, the French Standardisation Body, Paris²
- The *Institute of Social and Ethical AccountAbility*, London³;
- The *SIGMA Project*, London⁴;
- The *FORGE Group*, London
- *Centre for Business Ethics (ZfW)*, Constance⁵ (Germany).

This final report is the result of such an international collaboration and should therefore be seen as a joint product of the research project, with the different contributions of the

¹ <http://www.liuc.it/ricerca/default.htm>

² <http://www.afnor.fr> ; <http://www.sd21000.org>

³ <http://www.accountability.org.uk/>

⁴ <http://www.projectsigma.com/>

⁵ http://www.dnwe.de/2/en/ba_01_en.htm

research partners and participants to the four European Roundtables being collected and edited by Simone de Colle.

However, specific contributions from individual authors can be identified in the various parts of the reports as follows:

- Introduction: Simone de Colle (CELE);
- Part I: Christian Brodhag, Karen Delchet, Anthony Rosa and Nicole West (AFNOR);
- Part II: Simone de Colle (CELE);
- Part III: Emma Baldin (CELE).

Besides the active involvement of this network of international research partners, the project could also benefit from the participation of representatives of the various organisations (corporations, professional associations, NGOs) already linked with the partner's initiatives at national level in Italy, France, Germany and the United Kingdom.

Structure of the report

The report is articulated in three parts.

Part I “Benchmarking SD21000 with the Common CSR Framework Values-Process-Tools-Assurance” presents the key elements of SD21000, the French standard developed by AFNOR, and discusses it with reference to the four building blocks of any CSR management framework identified in the previous research: the organisation's Values and Principles for CSR; the overall CSR Management Process, which ties together values, business strategies and individual behaviours; the CSR Management Tools, which are applied to operationalize the principles and concepts of CSR in daily business activities; and the approach to Assurance, which enhance the credibility of the whole CSR framework. In the last chapter of Part I we summarize some of the discussions held at the first Roundtables on ethics and CSR (Paris, 18 June 2004), which was dedicated at the general theme of the convergence among existing CSR management standards.

Part II of the report is devoted to the other three “**European Business Roundtables on CSR Standards for Sustainable Development**”, held in London, Munich and Rome, on three key aspects related with CSR management:

- the development and implementation of *CSR Values and Principles* (London, 24 September 2004);
- the approaches to *CSR Assurance and Organizational Learning* (Munich, 15 October 2004); and
- the processes of *Stakeholder Engagement and Workers Participation* (Rome, 12 November 2004).

Finally, in **Part III, “CSR Terminology”**, a list of key terms in the field of business ethics and CSR is presented, providing for each term an explanation of its meaning which is based upon existing work and documents produced in different European countries. The rationale for the selections of terms and the source of information used are pointed out as well.

PART I :

**Benchmarking SD21000 with the
Common CSR Management Framework
“*Values-Process-Tools-Assurance*”**

by

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1. AFNOR's SD21000 key elements

1.1 Participating in international developments in corporate social responsibility

In recent years, many players have taken an increasing interest in the responsibility that enterprises should demonstrate towards society, in other words their corporate social responsibility. Although their prime responsibility is to make a profit, enterprises can at the same time promote social advances and environmental protection by voluntarily integrating such objectives into their policy and marketing strategy, their production and management methods and their products and activities.

International trends

Such policies are the result of the new awareness of enterprises in response to the changing expectations of the various players (consumers are now demanding increasingly environmentally friendly products and social production conditions) or corporate partners (their «stakeholders»); they also stem from a transformation of the economic world accelerated by globalization. In a word, the development of their market.

In the last few years, several normative texts have been published to assist such management trends and consequently increase the confidence of the various stakeholders and satisfy their expectations.

A number of initiatives have been proposed by the Member Bodies of the International Organization for Standardization (ISO) and finally ISO itself decided to proceed with ISO work on corporate social responsibility. The French guide SD 21000 published by AFNOR (see below) is of course going to be considered together with the other existing publications for this work.

But the current initiatives and projects cover different fields and their multiplicity does not always simplify the task of corporate management, the opening-up of the global market or the ISO Standards Bodies.

This situation gives all the more value to the benchmarking performed within this European project and may help to reinforce the European point of view within the ISO work.

The French contribution : History of the publication of GUIDE SD 21000

The first objective of the «Enterprises and sustainable development» working group created within AFNOR in year 2000 (under the aegis of the «Environment» Strategic Committee) was to reach a consensus on the challenges and type of voluntary approaches that would encourage enterprises to apply and integrate sustainable development principles, taking the current initiatives into account. The group then proposed guidelines to assist top management in their approach to sustainable development, which were published as **Guide SD 21000**⁶.

The working group, chaired by M. Christian BRODHAG, Professor at the École Nationale Supérieure des Mines de Saint-Etienne, includes over a hundred representatives from enterprises, public bodies, administrations, NGOs, trade unions, professional organizations, etc. AFNOR was careful to ensure that all corporate interests would be represented in the work and deliberations. This principle was a major consideration throughout the period when SD 21000 was being developed and allowed all the players to make a contribution, express their

⁶ The reference of the guide SD21000 is FD X 30-021, website: <http://www.afnor.fr>

wishes and participate in the collective, consensual standardization process. The combination of different cultures and professional horizons allowed the members of the group to produce a text reflecting the required consensus.

The first draft of SD 21000 was the subject of extensive public discussions via the afnor.fr web site for almost four months between 1 August and 15 November 2002. The replies to the questionnaire accompanying the consultation were analyzed and processed and a new, almost definitive version of the guide was produced at the beginning of 2003 and again submitted for final evaluation, before the text was eventually adopted on 19 May 2003.

1.2 Promoting change with SD 21000⁷

Guide SD 21000 recommends that sustainable development be taken into account when determining corporate strategy and management. It is intended for all types of enterprises (large or small) operating in all activity sectors in France, Europe, or throughout the world. It was designed to be flexible, progressive and able to include any type of reference and management system, irrespective of the level of maturity of the enterprise. Its main purpose is to broaden the vision of an enterprise and make it receptive to new challenges, without prejudicing the «model» previously used for structuring the practices and system (ISO, business excellence models, «company model», and so on), as the recommendations were drawn up to ensure consistency and complementarity with all good practices and/or all relevant normative texts that are now in the process of convergence.

These recommendations are primarily designed to help top management adapt their managerial practices and management system technically and culturally, gradually incorporating the challenges of sustainable development. They are therefore not intended to constitute a management system standard, nor are they to be used for certification purposes.

A vision of sustainable development

Sustainable development is not the simple juxtaposition of the three pillars (economic, social and environmental), but their integration upstream of strategies, through a search for synergies.

Taking the stakeholders, beneficiaries or possibly victims and their new expectations into account is the major vector for such upstream integration. It is complemented by a desire to communicate objectively and sincerely with these interested parties. This is in line with the concept of accountability, the obligation of being held to account. It is specifically accomplished by regularly informing the stakeholders (internal and external) of a company's improvement objectives and the degree to which they are being achieved (reporting, performance indicators, management scorecard, and so on).

However, this may not be sufficient, as some of the players, for example future generations, other living species, and so on, are not in a position to participate in the discussions. Taking them into account will increasingly influence present and future public policies, and therefore enterprises. Challenges that are beyond the reach of the stakeholders must therefore be identified. In this long-term issue, weak signals from weak players are important for the future and SD 21000 was drawn up with such considerations in mind.

⁷ The reference of Guide SD 21000 is FD X 30-021, website : <http://www.afnor.fr>

The three parts of Guide SD 21000

The purpose of the **first part** (sections 1, 2 and 3) is to help an enterprise reflect upon its reasons and motivation for taking sustainable development into account when determining its corporate policy and strategies. It focuses the attention of top management on their market and the consequences of not understanding the way in which it is developing. It sets out the arguments that will make enterprises (including the smallest ones) aware of what is involved in such considerations (not only the risks, but also the opportunities). It also highlights the rapid expansion of the concept of sustainable development in recent years and the most likely impact of this policy principle on corporate activities and operations throughout the world.

The aim of the **second part** (section 4) is to help enterprises make the strategic choices that are necessary before they can make the decision to adopt the principles of sustainable development, by proposing hierarchically organised recommendations and a set of questions that will help them set their objectives.

It reviews the main challenges (economic, environmental and social) that must be taken into account. Such challenges are the result of discussions with all the stakeholders. An enterprise learns to identify them, to be aware of and understand their expectations and requirements and manage its relationships with them by setting up a consultation process involving all the parties concerned.

The expectations of all the stakeholders then become an important factor that must always be taken into consideration in the development of a corporate policy and corporate strategies. For most top managers, it is the crucial new factor in their policy and strategy development practices.

The industry sector concerned should also pay particular attention to national and international deliberations which may lead to the identification of the challenges involved. Similarly, those affecting a particular district may have been identified by local administrations when they drew up their sustainable development strategy (local Agenda 21), or during the course of other joint initiatives. In all cases, such processes can provide the opportunity for enterprises to become involved and meet the stakeholders directly.

Sustainable development goes far beyond present, local players; the major challenges must also be considered with respect to wider issues such as future generations and with respect to certain principles such as preventive and precautionary measures, transparency and participation.

An analysis of the risks and opportunities is the main method recommended by the Guide to enable an enterprise to determine its major challenges. In other words, it can prioritise them and consequently determine those which it considers to be the most strategic in the short term, both as a protection against new constraints and to identify new market opportunities.

We have to specify that the enterprises are stakeholders too. In fact, some stakes can't be solved by the own enterprise itself. It is then possible to rely on the NGO's (for example) expertise to find sustainable solutions.

Top management will consequently be in a position to determine its new vision and update its strategy, policy and objectives for the purposes of drawing up its long-term programme, a real «enterprise project for taking sustainable development into account».

The **third part** (section 5) gives an example of the first stages in the process of adopting a sustainable development policy and highlights the fact that they are identical to those regularly and traditionally undertaken by all top management (generally at the beginning of each fiscal year), when they revise their policy and objectives, marketing strategies and annual action plans to take account of market and environmental trends. These first stages require no

new skills on the part of the managers, nor do they call into question the basic principles of the management system or managerial practices.

This section of the guide draws attention to the points that have become increasingly important as a result of the growing significance of the principles of sustainable development in terms of statutory and regulatory requirements and market specifications.

It encourages analysis of the impact of such developments on the enterprise's major functions (governance, research and development and redesign of production methods and equipment, new products, information system, communication and capitalisation).

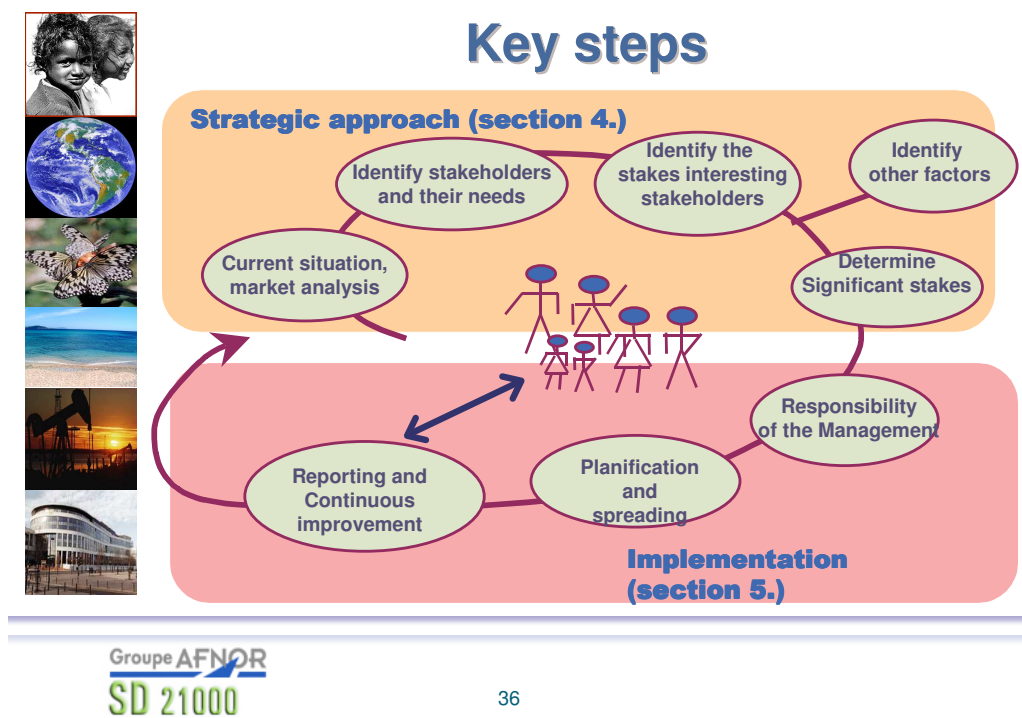


figure 1 : SD21000 key steps

Key stages in the approach

The conviction, commitment and involvement of top management are essential if the approach or enterprise project is to be implemented effectively. In fact, taking a management system in a new direction requires a strategic decision by the highest level of top management. Only their visible involvement can ensure that the approach appears credible to internal and external players.

These new trends develop into a long-term program which then translates into an action plan for each operation. The program determines how the successive stages of the approach are to be progressively implemented and the way in which future issues that are not yet deemed to be top priority or covered by the enterprise's resources are to be taken into account. It also specifies the methods of communication with stakeholders, in particular those whose expectations would not be met in the first action plan.

Similarly, the enterprise will gradually adapt its entire management system to its new vision or, in other words, «the coherent set of correlated and interactive elements and activities» (the processes) that are used to establish its policy and objectives.

The sustainable development programme defining the enterprise's objectives (economic, environmental and social) with respect to its responsibility to society will be communicated and explained to all the company's personnel. The ensuing action plan will be drawn up, rolled out and implemented. Its effects on significant issues will be measured by various means, including sustainable development performance indicators. This information can be communicated to the stakeholders and used as input data for the management review to allow the management to ascertain whether the objectives have been achieved, prepare a new action plan and set in motion a dynamic of continuous improvement.

This general process will encourage innovation and promote the cultural development of the company, which will then gradually take a broader view of its future actions, responsibilities and vision and by the same token, the players to whom it will be answerable and the challenges it will have to meet.

1.3 Trialling and implementation by economics players

Regional trials in support of small to medium-sized enterprises (SMEs)

As the sustainable development concept is increasingly becoming an integral part of the strategy of large enterprises, it is also important to raise the awareness of, mobilize, assist and support SMEs to enable them to take the objectives and principles of sustainable development into account. Consequent to the work undertaken on SD 21000, AFNOR and the École Nationale Supérieure des Mines de Saint-Étienne, in close collaboration with regional intermediaries, carried out trials on the premises of various bodies and enterprises. They were required to validate proposals in the field and develop support tools appropriate to their level of maturity in terms of sustainable development, taking into consideration the industrial context or the culture and the management systems already in use. Several French regions have already shown an interest in undertaking joint activities : Nord Pas de Calais, Rhône-Alpes, Provence Alpes Côte d'Azur, Lorraine, Picardie, Basse-Normandie....

To promote networking and raise the profile of this initiative, an Internet site was created in September 2003 and can be accessed at www.sd21000.org. The site allows players and companies involved in this initiative to access useful information.

2. SD21000 and the Common CSR Management Framework “*Values-Process-Tools-Assurance*”

2.1 Introduction

To approach the new benchmarking exercise conducted by AFNOR, it was decided to keep the same key elements which have been identified in the last report. These four key elements, reproduced below, are indeed the main aspects any CSR strategy and management system are likely to include :

- ***Values and Principles for CSR*** - the guiding principles shaping an organization’s overall approach to CSR and orientating its decision-making processes;
- ***CSR Management Process*** - an overall organization process linking together values and principles for CSR, CSR Management Tools and the organization’s core strategy, policies and procedures;
- ***CSR Management Tools*** - a number of management tools helping the organization to address specific issues and ‘themes’ linked with CSR performance, e.g. stakeholder engagement, reporting etc.; and
- ***Assurance*** - procedures of internal audit (self-governed by the organization) and external verification (provided by independent third parties) aimed to raise the credibility of the system.

In the last project, the analysis was performed with the PDCA model generally used for management systems.

In this second project, still keeping this model and the four key elements, AFNOR introduced, as “leading thread”, a ***detailed description of a CSR Management Process*** which was really considered as the basis for this additional/new benchmarking analysis. This CSR Management process is described below :

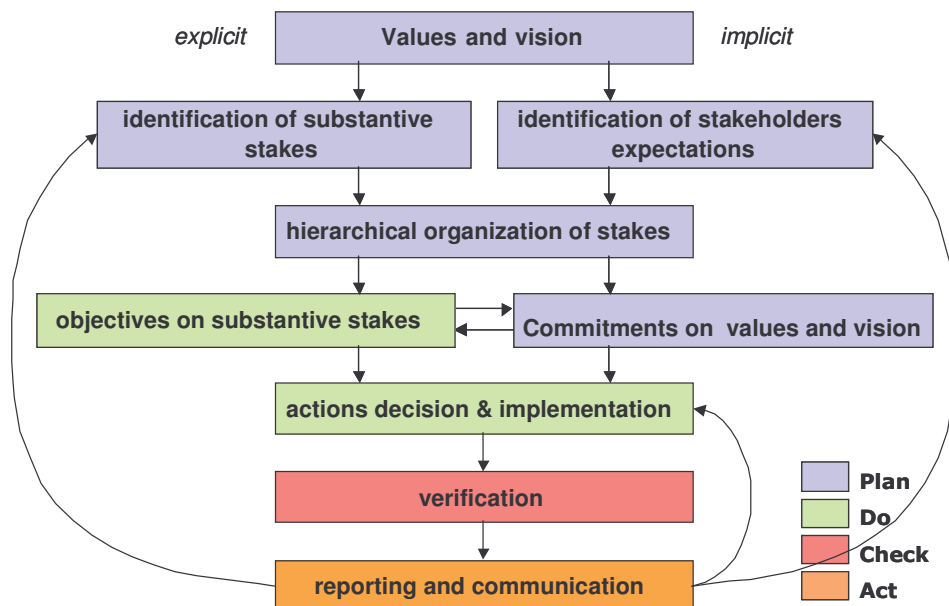


figure 2 : CSR general management process

1 - the first step is the definition of values, vision and principles of the firm (this values can be explicit i.e. available in a formal way, or implicit in the vision developed by the top management). This vision will lead to the scope of issues (significant stakes) and the stakeholders that will be in the perimeter of the responsibility of the firm. For implicit values and if the formalized values and vision failed, it can be done later, after steps 2 to 4.

2 - Identification of substantive stakes, in particular those that are connected to performance in other sector than usual economic factors. Quantitative or qualitative indicators can characterize these. This step can be decomposed in diagnosis, comparison with legal obligations or voluntary commitments, benchmarking with best practice

3 - Identification of stakeholder expectation, this mechanism imply identification and hierarchical organization of stakeholders, implementation of relationship with them (bilateral or multi-stakeholder), identification, formalization and priority on their expectations

4 - Hierarchical organization of stakes, the hierarchy of the issues allows the firm to precise the field covered by its responsibility engagements, and its global strategic objectives. Some sustainability indicators can be identified at this stage.

5 - Commitments values and vision, this formalization will complete the step 1 with respect to the process of steps 2 to 4.

6 - Objectives on substantive stakes. This step is strongly connected to step 7, as the objectives result of the implementation of action program.

7 - Action decision and implementation. This step is the operational ones, the possible actions are evaluated, their cost, feasibility, the resources (internal and external) needed, the objectives... The implementation of adequate management system is a part of the "actions". As steps 7 and 6 have to be consistent, some retroaction will be needed to make converge the ideal and the feasible.

8 - Verification. Verification is inward oriented, and check the gap between objectives and results. Some short loops of correction can be implemented toward correction of some actions without waiting the global review.

9 - Reporting and communication. This last step, both is inward and outward oriented, and gives pertinent information to stakeholders, and is the foundations of direction review (including operational results of step 8).

The convergences, in particular in terms of management process and tolls, will be studied according to this CSR general management process.

2.2 SD 21000 core values and principles

The AFNOR working group on sustainable development has developed a common vision within the group. The first was to resist to some easy temptations, and some directions that should be avoided:

- Sustainable development is not a list of issues drawn from economic, social and environmental domains. Enterprises cannot "practice sustainable development" if they address each of the three pillars separately. The new factor introduced by sustainable development is the **upstream integration of strategies** allowing implementation of synergies.
- As some of the players and interests, for example future generations, other living species, and so on, are not in a position to participate in the discussions, sustainable development cannot amounts to a stakeholder management process. Challenges that are beyond the reach of the stakeholders must therefore also be identified. In this long-term issue, weak signals from weak players are important for the future. The core mechanism of SD 21000 is focused on "stake" notion; **some sustainable development stakes have holders some other no** and can be characterized by performance level or principles.
- If the response to stakeholders expectation is a part of the problem, the only firm cannot solve some issues but need also the participation of other stakeholders. The **relations with the stakeholders are not one-way**. Therefore the enterprise shall also identify the expectations, which it can have with respect to its stakeholders and to its institutional environment.
- Integration of management systems, in particular quality, security and environment can be of great help to implement sustainable development, but these managerial approaches **do not cover the sustainable development** in whole. Management systems do not guarantee substantive results.
- Performance indicators are often proposed as the way to guarantee those substantive results. The GRI establishes a framework of reporting and indicators. But if a **comprehensive list of sustainability indicators** can help to benchmark different enterprise it is **insufficient to prioritize issues and define strategies**.

Having drawn which errors the French standardization Committee wanted to avoid when drafting SD 21000, it becomes easier to outline what are the objectives of the SD 21000 content.

The upstream integration of strategies implies having defined a shared vision of extend of the responsibility of the firm. This responsibility covers mostly substantive stakes. I respect to sustainable development some of those stakes goes beyond stakeholders expectations. As sustainable development brings to the agenda a large number of issues, this can be confusing. A strategy implies to prioritize the stakes that will be taken in account by the firm.

The text helps the board of the firm to prioritize in choosing the "significant stakes". But the original text has not emphasized the operational mechanism to make that hierarchy. This was the aim of the tool developed in the experimentation. This mechanism covers mainly the

relation between stakes and stakeholders. The importance of stakeholders take in account the opinion of the direction which can be altered by the taking into account the number of the stakes "held" in the firm by each of those stakeholders. The firm can then evaluate if its relations with the main stakeholders is sufficient to estimate their expectation. After that the choice of "significant stakes" take into account the first opinion of the direction but the stakes, held by the main stakeholders, can correct this.

The taking in account of remote or absent actors (future generations or other living species) should rely on expertise that cannot be performed for each SME. A collective approach, at a local level or at the branch according to life cycle analysis should therefore carried out. Sector-specific scale of performance and priorities can be finalized within the generic pattern described.

Prioritization of the stakes is only a part of the strategy; it must be compared with the mastery of the most important stakes. No mastering of an important stake is a risk factor for the firm.

We have adopted a five level scale of performance, from 1 to 5. The 3 level is the state of the art and legal level for the stake. Level 5 is the excellence. For some stakes those level can be correlated to actual performance issued for example of bench marking procedures. For some other it can be correlated to process or procedures. The interest of this qualitative scaling of the performance is that it can be adapted to each context, and a discussion can be conducted with external parties to fix the scale for some stakes.

The core mechanism is that the firm decides the extent of the stakes that it will take in account: the number and the performance level. The process is only a help for it. Then the firm implements the policy and communicates to the results on the significant stakes.

Second specificity of the mechanism, is the involvement of stakeholders in some part of the action program of the firm. The firm can translate the identified expectations, with respect to its stakeholders, in actions that involved this third party for implementation. The evaluation of action lever is supplementary to the identification of expectations, and allows to consider differently the relation of the firm with those stakeholders.

The desire to communicate objectively and sincerely with interested parties is in line with the concept of accountability. It is specifically accomplished by regularly informing the stakeholders (internal and external) of a company's improvement objectives and the degree to which they are being achieved (reporting, performance indicators, management scorecard, and so on). This communication focuses on substantive achievements.

The mechanism proposed doesn't imply third party certification of a management system. But if the confidence of some key stakeholders requires it, certification by third parties of some substantive results can be implemented.

The SD 21000 is focused on the upstream strategy elaboration. It is coherent with existing management system, reporting framework (as GRI), or other CSR management tools.

As the mechanism described allows to manage some stakes in cooperation with external partners it appears to be useful as a transaction mechanism allowing to manage coherently some stakes :

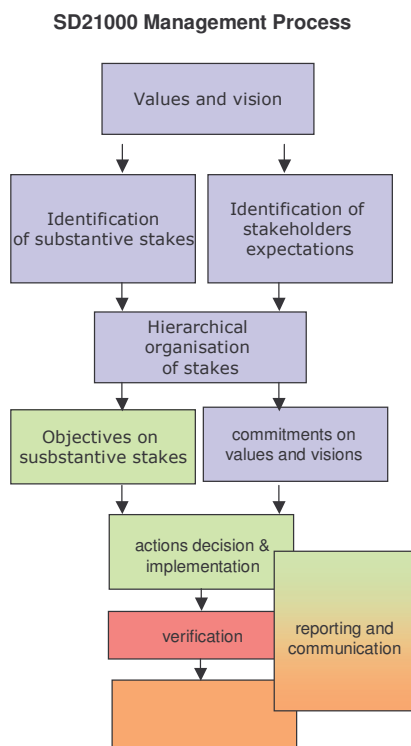
- at the territorial level in coherence to local sustainable development strategies (called local Agenda 21) allowing governance mechanism of public/private cooperation
- along life cycle of products in coherence with program of production consumption patterns change as proposed in the Johannesburg Summit.

2.3 SD21000 CSR management process

The SD21000 management process is made of different steps, which all are important to implement a sustainable development strategy.

This management process is based on the PDCA logic.

It can be represented by the graphic below.



Step 1 Values and vision

The CSR principle, which is considered as a guiding principle for the company vision, can question the choice of the values and will give a guiding line and a convergent trend to the management principles in use.

Moreover it is absolutely essential that the Board is totally convinced by the benefits of CSR for the results of the company. The implementation of the CSR principle occurs at the top level of the company.

When the board involved itself to apply CSR, it has to assess the compatibility between the recommendations of the CSR principle and the vision, the values, the ethical rules and the management principles in use in the company. Then the board has to take action in order to gradually put coherence between these 2 parts as soon as possible. Thus it deduces more or less profound adaptations of its policy, some of its strategies and the general objectives of the company. It draws up its first long-term plan to put CSR principles into practice.

Before setting about the steps of sustainable development, the company has to run an inventory of fixtures. The latter will allow the company to first identify the features, the expectations and the trends of the market and then to assess the resources, the skills, the strengths and weaknesses of the company. This step is a classic one and the board has to implement it periodically in order to identify and take into account the new data of the market, e.g. players and factors. Thus it will deduce the possibly necessary adaptations of the values which guide the management practices, the strategies, the policy and the general objectives of the company. The Board has to consider some key questions such as :

What are the main players and factors of my current and potential market?

Why do the stakeholders influence more and more the results of the company?

What are the risks linked to the new players on my reputation, my market and my economic results in the short and the long term?

What do my competitors do in these fields? etc.

The first impact of sustainable development on the company is at the level of the governance system. The Board has to broaden its main objective by taking into account the recommendations of sustainable development that it is to say that the company has to keep on

making money on a long-term basis but simultaneously has to contribute to the harmonious development and to the continuous progress of humanity without environment destruction.

Step 2 Identification of stakeholders, stakeholders' expectations, substantive stakes and other factors

An important part of sustainable development is the work with stakeholders. This is a new thought for many companies. First, the Board needs to identify stakeholders. It must identify their expectations which are generally expressed through complaint letters and direct dialogue.

By comparing its expectations to those of the stakeholders, it will be able to identify its substantive stakes. The relations with the stakeholders are not one-sided and lots of stakes of companies have to be managed with the participation of external partners.

If the company limits its approach to the stakeholders, the sustainable development is likely to be seen as a natural compromise of interests whereas other stakes have to guide the process. The company needs also to take into account "other factors" like universal principles, International and national laws and regulations, Agreements, etc.

Step 3 Hierarchical organization of stakes

The previous stages enable lots of potential stakes to emerge. However the company cannot take all of them into account. It has to assess which ones are the most important, i.e. those which have the greatest impact on the organization and the results of the company and those which are compatible with the capacities for action that the company is able to mobilize.

The stakes can be classified in 2 groups:

- ✓ The stakes of the direct activity of the company and those of the previous and next stages, that is providers, subcontractors etc.
- ✓ The stakes linked to the products and services of the company in a product life cycle approach.

The company has to assess all the consequences positive as well as negative, of the stakes. It has to analyze the risks and opportunities before defining a stake as significant. A good way to analyze them is to prioritize them according to their level of potential importance and their probability of occurrence. The most significant stakes will be taken into account in the elaboration of the strategies and the global policy and they determine the plan of actions in the short term. The other stakes have to be considered by companies in the middle and long term approach. Then the significant stakes are expressed through measurable objectives. Some quantitative and qualitative indicators are associated to them.

Step 4a Commitments values vision

When the analysis of risks and opportunities is done, the board of the company is able to determine its new vision for the company. It also has to update its strategy, its policy and its objectives in order to work out its long-term program, which is the real "plan of the company to take into account CSR". The board will deduce its plan of priority actions, which is generally a plan for the next fiscal year.

The board contributes to build and spread the strategic vision, to make the staff to support the vision and the new values, to provide evidence of the company commitment, to update the long-term program etc.

No manager and operative can assume alone the risk of launching CSR procedures, even partially. It's rather a transversal procedure which involves all the departments of the company.

Step 4b Objectives on substantive stakes

After having elaborated its plan of priority actions, the board has to set forward-looking and measurable objectives for the next fiscal years. Then it has to plan how to reach these objectives regarding existing resources and skills. It will control periodically the spread of the realization of the provisional objectives.

The policy is formalized and documented by the long-term program, generally over 3 to 5 years. The principle of sustainable development is the company project. The long-term program clarifies the principle of progressiveness and the prioritization of the stakes, the planning in the middle and long term of the great actions of necessary adaptation, the planning in the middle and long term of the resources, the sharing out of the responsibilities.

Step 5 Action decision and implementation

The long-term program is at the root of the elaboration of the plan of actions for the current fiscal year. It has to be updated at the end of each fiscal year.

For the first plan of actions, it might be interesting to make a detailed diagnosis in the environmental and social fields. It is a deepening of the first inventory of fixtures.

The first plan of actions has to tackle the following points:

- the mobilizations and allocations of the necessary resources
- the modes of monitoring and control of the implementation, the methods of measurement of the reached objectives with their indicators,
- the modes which allow to implement the continuous improvement for the second fiscal year.
- the distribution of authorities and responsibilities

Step 6 Verification

In order to monitor and check the processes, self-assessment and control are privileged. Concerning the indicators, the company can refer to the guidelines of the GRI and the ERN law. The company can also be inspired by the reports of the UNEP and WBCSD.

Step 7 Reporting and communication (internal and external)

The management reviews are one of the best way for improvement and continuous progress. They check the efficiency of the plan of actions, the management system, and their implementation. They also confirm the relevance of the policy and of the objectives set by the Board.

Then the continuous improvement concerns all the results of the company, i.e. it is activities, process, projects, productions, etc. It allows the drafting of qualitative and quantitative objectives for the people, the projects and the company; the benchmarking of the best practices, even coming from the competition; gratefulness and award for improvement; plans of suggestions.

2.4 SD21000 management tools

As mentioned above, the guide SD 21000 allows to help companies in the determination of their strategy via an inventory of fixtures as well as a determination of significant stakes (section 4). Section 5 gives recommendations to facilitate the implementation in enterprises, in particular when they are not yet applying any management system.

There are various levels of instruments allowing to spread the methodology defined throughout the SD 21000:

- of the instruments on which it is possible to lean, and to which the SD 21000 makes reference (example the indicators of the GRI)
- of the tools of display of the strategic approach according to the SD 21000 and which were since developed by AFNOR and the School of the Mines of Saint-Etienne (for example: tool of diagnosis)

Only the diagnosis tool and the hierarchical method are presented hereafter. They are voluntarily separated here, nevertheless, these 2 tools are extremely connected.

AFNOR Diagnosis tool FOR IMPLEMENTING SUSTAINABLE DEVELOPMENT

Name of the tool	Sustainable development diagnosis tool
Definition/Description	<p>The diagnosis is composed of 2 parts : the first part deals with stakes and the second one with stakeholders.</p> <p>1) STAKES. the diagnosis goes through 34 stakes. The list of stakes has been defined following a thorough research study performed by Christian Brodhag's team at the "Ecole Nationale Supérieure des Mines de Saint Etienne" and continued by Karen Delchet at AFNOR.</p> <p>The various stakes are the following :</p> <ol style="list-style-type: none"> 1- Board commitment 2- strategy, policy and objectives 3- management system 4- organization and responsibilities 5- participation, commitment and motivation of staff_1 6- internal communication 7- external communication 8- regulation knowledge and survey 9- identification of stakeholders 10- products, eco-socio-design 11- purchase policy 12- management and prevention of risks 13- working conditions : general conditions and atmosphere

	<p>14- transportation, storage and logistics</p> <p>15- staff transportation</p> <p>16- trading relations and economical risks</p> <p>17- production and price policy</p> <p>18- costs - investments</p> <p>19- profitability and added value sharing</p> <p>20- verification and perennity</p> <p>21- Man's connections to work</p> <p>22- employment, competences, training</p> <p>23- hygiene, health and safety</p> <p>24- social relations in the enterprise</p> <p>25- equity</p> <p>26- territory integration of the enterprise and management of economic, environmental and social externalities</p> <p>27- water: consumption</p> <p>28- water : pollution</p> <p>29- energy : consumption</p> <p>30- air : pollution and gas producing greenhouse effect</p> <p>31- wastes</p> <p>32- soil : management and pollution</p> <p>33- bio-diversity</p> <p>34- noise and odors :internal and external pollutions</p> <p>The objective of the diagnosis is that, for each of these 34 stakes, the enterprise evaluates three factors :</p> <ul style="list-style-type: none"> • The level of performance P (on a scale containing 5 levels from 1 to 5). For each stake a grid is shown to help the enterprise to mention its position and give its evaluation • A degree of importance (on a scale containing also 5 levels from 1 to 5). • Among a list of stakeholders previously prepared, the enterprise has to tell for each stake which stakeholder is concerned. <p>2) STAKEHOLDERS. The objective of this part of the diagnosis is that for each stakeholder, the enterprise evaluates three factors :</p> <ul style="list-style-type: none"> • The relationship level • The importance level • Among the stakes previously studied, the enterprise has to tell for each stakeholder which are the stakes of interest. <p>This cross-check analysis is performed to consolidate the information given by the enterprise and help afterwards the use of the hierarchical tool in order to determine the significant stakes.</p>
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Aim / purpose	The diagnosis helps the enterprise to set back in its business and practice with regard to sustainable development by, in fact, making a photography of its own performance in this field. This tool helps the enterprise for the determination of its strategy, the identification of its strong and weak points and also helps it to place it in its global environment, it therefore helps for the determination of a future action plan.
Outcome	The outcome is the performance profile of the company in terms of sustainable development. Additionally, the diagnosis provides all the information needed to start using the hierarchical tool which will enable to determine the significant stakes and therefore a precise action plan on the basis of vision, values and principles. The format of the outcome is a computer database.
Time / resources needed	1.5 day at least. It is recommended to perform the diagnosis with the help of a consultant.
Who is using the tool ?	This tool can be used by different kinds of organizations but is more adapted to enterprises. At present this diagnosis tool is used by approximately 130 French SMEs (100 additional SMEs are planned in the near future) disseminated in various regions of France and one Association.
Who developed it ?	AFNOR and ENSM-SE
Case-studies / references	Original references are bibliographic. It results from a long study of sustainable development documents. Many case studies available but references of all SMEs cannot be given. Reports will be available at a later stage
Status	This tool as been developed in the context of the SD21000's experimentations. In fact, it will be finalized after the validation by all the companies which are using it at present. A revised version of this tool taking account of all the case studies (reactions from all the SMEs experimenting it) will be ready by next September. It will probably be for sale from AFNOR at the end of the experimental process.
Language(s) available	Only in French for the time being.
Reference to the PDCA model	PLAN

AFNOR Hierarchical system tool for the determination of significant stakes

Name of the tool	Hierarchical system tool for the determination of significant stakes
Definition	<p>This tool is the continuation of the diagnosis tool. This is in reality a mechanism which helps the enterprise in the determination of its priority actions. This mechanism is based on the use of the computer data base resulting from the diagnosis.</p> <p>The work performed with this tool is in fact an analysis and a comparison with the results of the diagnosis. It includes two steps :</p> <ul style="list-style-type: none"> * First, the enterprise validates or corrects the importance of its stakeholders according to the stakes they sustain, the importance of a few stakeholders may have been under-estimated and the data corresponding to their expectations may lead to a re-evaluation. The intersection of the relationship level with the possible corrected importance gives the indication of the actors with which the enterprise has a major interest to work with. * Secondly, the enterprise proceeds in the same way for the stakes. The importance of a few stakes may indeed be corrected in view of the stakeholders. The intersection of the performance and the corrected importance enables the enterprise to determine its significant stakes, i.e. its priorities.
Aim / purpose	The aim of this tool is to help the enterprises to determine their most significant stakes in terms of sustainable development. It means to define the stakes which need to be tackled in priority. It gives a more concrete and credible approach to sustainable development. This tool enables the enterprise to extend its vision to all aspects of sustainable development and think more about stakeholders in order to avoid strategic errors.
Outcome	A documented list of the most significant stakes, the most significant stakeholders for the enterprise which is the basis for defining its vision, values and principles, its objectives and finally its corresponding action plan.
Time / resources needed	1 day if all the diagnosis results are available as a database. 2 or 3 days without computer's help
Who is using the tool	AFNOR Consultants and other French consultants trained by AFNOR, who are helping the SMEs involved in the SD21000 experimentations. In the future a network of consultants trained to be able to use this tool could be created.
Who developed it	AFNOR and ENSM-SE
Case -studies / references	There is a case study described in a CAP AFNOR training course. But it is just a simplified simulation of the mechanism used in reality. Many real case studies will be available in the future coming from the many SMEs participating to the SD 21000 experimentation.
Status (free / for sale, available / being developed...)	It's like the diagnosis tool, in an experimentation phase. He first results appear to be very satisfactory. A version "for sale" by AFNOR ought to be available during the year 2005. It will include the diagnosis tool in its last computerized version. The target of this tool are consultants.
Language(s) available	Only in French for the time being
Reference to the PDCA model	PLAN

2.5 Assurance and the SD21000

The AFNOR Guide does not really deal in detail with this subject, indeed SD 21000 is based on self assessment and does not give guidance on how to perform it, even if it seems obvious that somebody in the company should be in charge to check that the action plan prepared by the Board under step 4b is progressing satisfactorily. No external (third party) verification is planned in SD 21000 as the French companies insisted on the fact that they considered certification process as inadequate for sustainable development and objected to any kind of certification.

3. Approaches and Evidence towards CSR standards convergence

- The Paris Roundtable

3.1 Introduction of the Paris Roundtable


The Paris Roundtable, hosted by AFNOR at his headquarters on Friday 18th June 2004, was the first *European Business Roundtable on CSR Standards for Sustainable Development* in this project. This very successful event (participation beyond expectations: 47 participants coming from the various European countries and with the presence of a representative of the European Commission, DG Enterprise) was an opportunity to establish the core group of European company representatives, to present what 's happening in Europe in terms of CSR management standards applied by different industries and to underline the elements of convergence of practice, discuss the company expectations as well as their concerns with regards to the general issue of *convergence* among CSR management standards.

The title of this Roundtable was :

**CSR standards for sustainable development: Towards a common European framework?
Focus on the convergence of various approaches in Europe**

The morning presentations were interventions of all the project partners to explain the convergence elements of the *Values-Process-Tools-Assurance Framework* and to discuss them with the participants.

Simon Zadek chaired the morning session, introducing some key themes in the debate on the convergence among CSR standards.

<p>Simon Zadek AccountAbility, UK</p>	 <p>AccountAbility institute of social and ethical accountability</p>
<p>The futures of CSR standards</p>	
<p>Sustainable development can only become a reality if it becomes a mainstream concern for individual companies and the business community as a whole. An array of codes, standards, guidelines and frameworks are available to guide companies in integrating more responsible business practices into their business strategies and management processes. Their purpose is to drive the performance of companies in line with the goals of sustainable development. Executives no longer wonder whether to use such tools; they wonder about which ones to use, and in what combination.</p>	
<p>The main purpose of corporate responsibility standards is to help drive and improve corporate performance through more responsible and accountable business practice. The importance of such tools to the private sector is clear. Not only has business been a key player in the development of many of the approximately 300 CR tools that exist globally, it is also their leading user, ahead of governments and the non-profit sector. Such codes, standards and frameworks were developed not as an alternative to government regulations and intergovernmental agreements, but because laws do</p>	<p>WHY STANDARDS?</p> <p>Standards are essential to business and indeed all organisations, particularly larger ones. They provide the means to systematise activities that secures consistent quality over time; they offer ways of assessing progress and so the basis on which people are rewarded or otherwise; they provide the backbone to organisations' accountability processes, whether it be financial accounting, auditing and reporting, technical quality or the oversight of managerial processes. Most standards are adopted voluntarily by companies that see their value, and others are statutory or obligatory in some other way.</p>

not - and cannot - provide all the detail that managers require in today's dynamically evolving business environments.

Beyond their role of enacting legislation and agreeing on international conventions that address the economic, social and environmental responsibilities of corporations, national and international government has largely left the role of developing related business standards and codes to the private sphere in which business, civil society, and multi-stakeholder partnerships are developing a growing number of initiatives. Notable exceptions - such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises - offer guidance on high level principles on what corporations should aspire to. Other standards and tools developed through multi-sector collaboration result in practical tools that provide the detailed guidance necessary to implement these and other increasingly accepted principles and norms.

As well as helping companies plan their strategies, the rapid evolution of laws, policies and privately developed tools on how the private sector should respond to sustainable development, also pose challenges. It is not surprising that many executives are experiencing 'standards fatigue': a sense of confusion about what tools and standards exist, how they apply, how their costs and benefits stack up, and how they relate. Most comprehensive studies of the universe of CR standards run to hundreds of pages, and often leave the average manager unsure of how to proceed. For their part, many of the CR standards are poorly linked, inconsistently used, and not always transparent about their intended application.

Leading companies that have incorporated CR into their management processes typically use a number of tools. An example from a chemical company may include: the UN Global Compact (to help frame high level universal performance aspirations); Responsible Care (to help frame environmental, health and safety measures pertaining to the sector); the GRI Sustainability Reporting Guidelines (to report on performance measures); and AA1000 Assurance Standard (to provide assurance on the credibility and quality of the company's accountability management processes). Each company will adopt their own set of complementary standards, based on their own practical and strategic needs, relevant areas of operation, and stakeholder expectations. Individually and in combination, such tools and standards can help to drive performance by providing:

Legitimacy: they are based on a 'social contract' expressed in international agreements or established through negotiation between relevant stakeholder groups.

Normative clarity: they provide benchmarks on what is the 'right thing to do'.

Functionality: they provide tools to help companies put commitments into practice.

Learning and engagement: They provide the basis for continuous improvement, based on experience either individually or as part of a civil society partnership.

Clear communication: they help organisations convey their commitments, requirements and performance levels to internal and external stakeholders.

Materiality: they help organisations ensure that all relevant issues are addressed.

Although companies are presently incorporating their own sets of tools, there is an emerging convergence around a global architecture of *de facto* standards. These can be categorised in terms of being normative frameworks, process guidelines and management systems.

AN EMERGING GLOBAL ARCHITECTURE		
Normative Frameworks	Provide substantive guidance on what constitutes good or acceptable levels of performance.	<i>e.g. OECD Guidelines for Multinational Enterprises (MNEs), UN Global Compact Principles, ILO Tripartite Declaration of Principles Concerning MNEs</i>
Process Guidelines	Enable measurement, assurance and communication of performance.	<i>e.g. GRI Sustainability Reporting Guidelines, AA1000 Assurance Standard</i>
Management Systems	Provide integrated or issue specific management frameworks to guide the ongoing management of environmental and social impacts.	<i>e.g. Sigma Guidelines, proposed ISO Social Responsibility Guidance, AA1000 Framework (general), SA8000, ISO14001 (specialised)</i>

For example, AccountAbility and the Global Reporting Initiative are actively working together to make their tools more compatible. In addition AccountAbility is currently working on guidelines to link the AA1000 Assurance Standard and the International Standard on Assurance Engagements 3000 of the International Federation of Accountants (IFAC).

The impetus driving measurable progress towards sustainable development can be expected to continue. Current adverse trends, such as carbon emissions and depletion of non-renewable resources, will doubtless attract rising public concern. Governments, business and civil society all share an interest in ensuring that business plays a full and effective role, in partnership with other sectors of society.

The tipping point will come when standards convergence enables the mainstreaming of corporate responsibility not only into business practice, but also investor and public policy decision-making: hence AccountAbility's focus in the last two years on work on and with the investment community (see above).

A globally consistent approach is urgently required. But this should be a framework and not a straightjacket. Differences in national laws, culture and levels of experience will mean that such a corporate responsibility framework must cater for 'entry-level' as well as 'gold standard' performers.

In many respects, the contours of this global standards architecture are beginning to take shape. What we know already is that there is a growing interest in, and commitment to, corporate responsibility. Diverse stakeholders are now sitting around the table trying to work out the best solutions to the challenges of sustainable development. The focus now is on performance rather than on good intentions, which convergence around a global set of standards can bring.

Its actual form will be determined by how the following questions are answered:

Governments: How will governments decide to further develop and implement sustainable development commitments, and define existing expectations? Will they take a largely 'hands-off' approach towards standards and tools, or engage more actively in response to growing pressures?

Financial markets: Markets have begun developing their own links between performance and corporate responsibility standards (e.g. Dow Jones Sustainability Index, FTSE4GOOD). Will rising interest by mainstream fund managers and stock exchanges in governance and materiality questions also prompt integration of sustainability performance factors?

Accounting profession: Professional accounting and audit bodies are already developing standards in this area (e.g. IFAC's ISAE3000). Will these interface and build on existing frameworks developed by multi-stakeholder partnerships, or develop separately?

Business: How will the cost of introducing and implementing standards and tools create value as a result of better risk management, higher levels of performance and trust. Will the appetite for standards and tools grow or diminish?

Civil society: NGOs have not always shown interest in voluntary frameworks, pressing instead for enforcement of existing laws, and the creation of more regulation. Will growing sustainability problems, the likelihood of an ISO social responsibility guidance standard, and the need to harness private sector strengths, prompt engagement or withdrawal from partnership approaches?

The next five to ten years will be historic. The world will either witness a proliferation of existing approaches, or a period of great alignment and consolidation. Based on current trends and imperatives, AccountAbility expects to see:

- Further integration of existing international laws and agreements;
- Increased regulatory requirement for transparency on standards used;
- Alignment and integration of existing codes, tools and standards systems;
- Attention to leading standards and guidelines by mainstream business and financial markets;
- Increased alignment of standards, codes, tools and guidelines with civil society expectations.

3.2 Summary of the interventions

In the afternoon we could analyze five case-studies of European companies that have applied one of CSR management frameworks developed by AFNOR, Q-RES, VMS, SIGMA and AccountAbility. The case-studies enabled the participants to discuss at a more practical level what means for these companies to implement a CSR management framework in their specific national context, industry sector and economic and natural environment.

The case-studies were introduced by a presentation by Professor Christian Brodhag, who explained the project overall aims.

Christian Brodhag
Research director from EMSE, France

Ecole Nationale
Supérieure des Mines
SAINT-ETIENNE

Elements of convergence between 5 standards in Europe

The main objective of this European project is to identify convergence between 5 European CSR standards: SIGMA, SD21000, Q-RES, VMS, and AA 1000.

As we can read in the draft report *The desirability and feasibility of ISO corporate social responsibility standards*, published in April 2002 by the COPOLCO Working Group:

"It is clear that CSR has both substantive and process/management system components. That is, CSR pertains to substantive issues such as what constitutes a wage that meets basic needs for a worker, and what level of consumer and environmental protection objectives should be allowed, as well as process/management systems issues such as how to operationalize and measure the impacts of an organization's activities on consumers, workers, the community, the environment, and others, and to engage in stakeholders dialogue to ensure that those impacts are taken into account in business decisions making. Increasingly, firms are involving the full range of stakeholders in the development and implementation of CSR approaches. ISO 9000 and ISO 14000 management systems standards are process standards, not substantive performance standards. On the one hand, the fact that they are process standards increases their ability to be adapted to different working environments. On the other hand, it does not provide any automatic assurance that any particular company will meet any particular behaviour, unless the particular firm decides that it should meet those objectives (e.g., only hiring workers over 19). Typically, management systems standards are used in conjunction with other substantives codes or laws, so that in effect the management system standards provide the operational framework within which in particular set of activities take place. For example, the Global reporting Initiative Guidelines and ISO 14000 standards are mutually supportive".

This explains why our study on CSR management needs to be realized with two types of convergence:

- Procedural: process, methods, organization...
- Substantive: list of stakes, capitals...

In the benchmarking study we have identified some convergence points around four key elements: CSR Values and Principles; CSR Management Process; CSR Tools and Assurance. We turn our attention now at a more practical level, to learn from ongoing business practices around Europe what elements of convergence can be identified.

Philippe Lalain
Rabot Dutilleul, France



**A concrete implementation of the SD21000 methodology:
The example of the Rabot Dutilleul Group**

The objective of this presentation is to explain why Rabot Dutilleul Group decided to enter into the AFNOR SD 21000 experimentation and how it is helping us.

The activity of Rabot Dutilleul Group covers 3 main areas: construction, property development and services. Established in 1920 and located in Lille, it is a family business, 80% owned by the Dutilleul family and 20% by 50 senior managers. The total workforce of this group is around 730 people for a 2003 turnover of 210 millions Euros. It is exporting (15 % of the turnover) to Poland, Germany, Czech Republic, Morocco, Russia, etc.

In May 2003, the Management Committee of the Group decided to adopt a "sustainable development" strategy. In July 2003 we took part in "Assises du Développement Durable" [Sustainable Development Assizes] in Lille with the aim to meet other companies that had set up a sustainable development strategy, then we took part in the meeting with the Chamber of Commerce and Industry of Lille and AFNOR with the aim to find out about actions undertaken and programmes available and we heard about the AFNOR trial on SD 21000 and the selection of SMEs to implement it. In October of the same year, Rabot Dutilleul Group was finally selected for this implementation and we confirmed our commitment.

Rabot Dutilleul joined this experimentation for 3 main reasons:

1. It was compatible with the company's values
2. To complete a real business project supported by the Management of the Group
3. To set up a strategy and allow it to develop

For us this implementation of a sustainable development strategy had several aims:

- to follow the market closely, increase customer loyalty and increase market share
- to manage risks involved in environmental and social aspects more carefully
- to increase employee motivation
- and of course to be recognized as a company with well controlled development

After a meeting at AFNOR where we were explained the questionnaire we had first to fill in, Rabot Dutilleul performed the Afnor diagnosis with a consultant: we analysed 32 stakes - the new version of the tool has now 34 stakes - with the determination of each performance and importance and we have considered 32 stakeholders.

In a second time we have reviewed the importance of stakes in the light of the stakeholders needs and impacts.

This exercise allowed us to determine the significant stakes which are the first to be considered in the future action plan.

As a result, Rabot Dutilleul has already taken some practical actions, for example:

- Recruitment of an HQE (High Environmental Quality) team to design buildings
- Large-scale training programmes
- ISO 9000/2000 procedure
- "Safety" committee set up
- Health and Safety" officers recruitment
- Creation of patented product to replace the use of polystyrene in construction

We are also looking at the organization of our on-site transport, our main aim being at present: "zero accidents".

We have already learnt about the pre-conditions for success : the commitment of management is fundamental. We need to create a motivated restricted committee able to devote time to the project. Furthermore, to implement concretely sustainable development in our strategy according to the SD21000 methodology, we have at least to show a determination to make progress and to measure the results based on the trial.

Andrea Mantero,
Coop Consumatori Nordest, Italy



**Social and ethical responsibility at Coop Consumatori Nordest:
The Q-RES pilot project**

The first thing I'd like to do is to briefly outline the principal characteristics of Coop Consumatori Nordest. We are Both:

- A Commercial company operating in the retail business with an extensive distribution network
- A Consumers members association.

We have in the Northeast of Italy a chain of over eighty stores (78 supermarkets and 5 Hypermarkets) and 450.000 associate members, who apart from being clients also participate in the internal democratic processes of the company (for example every three years the administration council is elected by them).

My role today is to present to you the ongoing experience of Coop Consumatori Nordest regarding CSR, which is based on the implementation of the *Q-RES Management Framework*.

Why do cooperatives concern themselves with CSR? Everybody knows that the principal values which reflect the culture and tradition of the Italian cooperative system are *solidarity, honesty, democracy and corporate social responsibility*.

In its green paper, the European Commission stated that cooperatives are examples of socially responsible businesses. But this is not to say that being a cooperative automatically means being socially responsible. Through our history we must be able to create management tools and processes, with which to face the challenge of the new and changing marketplace and society.

This is the main reason that Coop Consumatori Nordest has decided participate in the Q-RES project and implement the Q-RES management framework. We want to implement a management system to improve the internal effectiveness, efficacy, and fairness of decision-making processes, and guarantee an ongoing improvement of ethical performance.

Who are the people involved in the Q-RES project? Firstly the directors (Social policies and Communication Director, Human Resources Director, Commercial Director) and the Q-RES project internal advisor (that's me!, I'm a former graduate student of business ethics and CSR at the Master programme organised by the researchers of Q-RES project at LIUC University).

The presence of the top managers within this group is a clear indication of the seriousness with which Coop Consumatori Nordest approaches this project: without a clear commitment from the top no CSR project can be credible. Secondly we are accompanied within this project by experts from the Q-RES project (particularly by Luca Rebola to whom many thanks).

And thirdly we try to engage with a representative group of CCNE' stakeholders to effectively guarantee an open management system able to balance the different points of view. Well , now let us look more closely at the work we have undertaken in the last two years: The first step was an analysis of the strengths and weaknesses of CSR management system tools already in place at Coop Consumatori Nordest. In some cases it was necessary to develop already existing tools, while others (for examples Code of Ethics, Ethical Training and third party independent verification) needed to be created ex novo. We may now examine more closely the CSR tools which existed before the adoption of Q-RES.

In 1997 (nineteen ninety seven) we adopted the “Bilancio Sociale” of the cooperative (a social accounting report) to analyze economic and social results in a systematic way using a system of indicators.

In this, initial objectives and final results are developed to verify the coherence between commitment and outcome.

In 2001 (two thousand and one) we adopted Chart of Cooperative Values: This chart has a multi-stakeholder approach; within the structure we can recognize all the different trustees who constitute Coop Consumatori Nordest. The third instrument that was already in place was the Value and Policy Commission: in 2001 (two thousand and one) we established a new organism with the precise task of verifying the coherence between the values set out in the Chart, the corporate strategy, and economic and social results. This Value and policy commission is made up of 5 democratically elected associates members and three independent representatives from associations external to CCNE (such as consumers organizations or citizenship networks). The presence of these three independent figures guarantees impartiality in the commission’s work.

The next steps of the process are the following. In the autumn of 2004 the Ethical Code of Coop Consumatori Nordest will be officially adopted. This will be followed by an ethical professional development of management, local representatives of the stakeholders and all employees. All these people should know the key principles and norms of the CCNE ethical code. In turn, these principles should inform the commitment to an improved implementation of management system norms in order to guarantee a continued improvement in the quality of CSR. Between 2004 and 2005 we will analyze the role of the Value and Policy Commission in relation to the system of incentives and sanctions contained within the code. Lastly we will put into motion the revision of the Social balance which will be integrated and correlated to the norms and procedures set out by the code. When the Q-RES standard is operative we will activate the process of third party verification to assess the correct implementation of the Q-RES management standard. This certification procedure will enable us to measure the quality of our CSR and the coherence between our performance and our values. Let me conclude with a general consideration: The process which began at Coop Consumatori Nordest with the adoption of the Q-RES project has important implications for all areas of the business. Starting from the good practice already in place, this model is helping us in the development of values, policies, indicators and tools enabling us to improve the social and ethical performance of the company. We are convinced that it will be a notable effort, which is not only coherent with the aims of being a cooperative organization but is also useful to strengthen our ability to compete in the market.

Klaus M. Leisinger
Novartis Foundation, Germany



The Novartis Corporate Citizenship Management Cycle and Tool Box

The Novartis Foundation is a kind of think-tank for the Novartis company. I will introduce to you the corporate citizenship management cycle and give you some examples of the human rights rollout that we are currently doing. As was said this morning - yes, you need the corporate commitment and you need it from the very top. That is the start of everything.

1. Some general considerations on business and human rights

Largely unnoticed by the management of most companies, an intense debate has developed in recent years on the issue of “business and human rights.” But actually the issue is not new, because specialist human rights groups even back in the 1980s linked multinational companies in the extractive sector (oil, diamonds, gold, precious metals) with human rights abuses at their local mining sites. The Human Development Report 2000 pointed out that “global corporations” have an “enormous impact on human rights - in their employment practices, in their environmental

impact, in their support for corrupt regimes or their advocacy for policy changes” and called for corporate human rights standards, implementation measures, and independent audits.” The OECD Guidelines for Multinational Enterprises, revised in 2000, already included a reference to human rights. What is new, however, is the dynamic increase over the last three years or so in the breadth and depth of the general business-related human rights debate.

2. Citizens' rights - companies' duties

These rights include the rights of personal integrity, the civil rights (or what in Anglo-Saxon countries is described as the “rule of law” and in German as the “Rechtsstaat”), the political rights, and the economic, social, and cultural rights.

Society as a complex system of sub-systems. Society can be thought of intellectually as a complex system and this system in turn as a network of intertwined and yet (relatively) independent sub-systems. The various sub-systems are interrelated, but they fulfill functions and have interests that are clearly distinguishable from each other. Differentiations can be made, for example, into:

- a cultural sub-system, in which the prevailing values of society are stabilized;
- a political sub-system, which among other things serves to ensure the non-violent resolution of conflicts of interest and to balance the interests of the different social groups; and
- an economic sub-system, which provides the resources for increasing the material welfare of a society.

In this context, there are three dimensions of responsibility that involve differing degrees of duties:

- The “must” dimension - non-negotiable essentials incumbent on the respective industry that, by general social consensus, go without saying (i.e. compliance with legal and conventional modes of behavior). A company has to produce good-quality goods and services for which there is a demand from potential buyers with purchasing power, and to sell them at profitable prices. In this process, the business enterprise - like all other societal actors - has to comply with all the laws and regulatory requirements as well as respect relevant customs. To conduct its business activities, the enterprise creates and maintains healthy and safe jobs, pays employees competitive wages, and treats them fairly. The “must” dimension of corporate activity also includes securing a fair interest on the capital invested by the owners of the company, the shareholders. Other essential responsibilities include the protection of the environment, contributions to pension funds and insurance systems, and paying taxes.

- The “ought to” dimension - describes good corporate citizenship standards through the application of internal guidelines for sensitive business areas, particularly in countries where the quality of the law is insufficient or law is not enforced. This dimension can be seen as the constructive and generous filling of unregulated space as proposed, for example, in the UN Global Compact. Through corporate citizenship guidelines, companies create a framework of self-commitment, which guarantees legitimate activities even if legal preconditions are lacking. These activities are voluntary and therefore to a certain degree depend on the financial power of a company

- “Can” rules - the assumption of responsibility in a even further dimension. They describe special activities that are neither set out by law nor customary in the industry - and yet that can be of substantial benefit to people. A company, for example, may offer free or subsidized meals to its employees, free or subsidized transport, free or subsidized kindergarten facilities to single mothers, or free further training opportunities using the company’s infrastructure or scholarship programs for the children of employees in lower-income groups.

The human rights dimension of corporate social responsibility

There is a number of human-rights related duties that corporations may accept in order to express their respect for and support of the Universal Declaration of Human Rights:

- duties in the context of civil and political human rights
- duties in the context of economic, social, and cultural human rights
 - The right to equal opportunity and non-discriminatory treatment
 - The right to security of persons

- Rights of workers

- Respect for national sovereignty and local communities

- Duties with regard to environmental protection

3. Entrepreneurial options

A company may defend the perceived status quo and say that human rights are not “the business of business”, or it may see the human rights debate as opportunity for corporate citizenship leadership. In this context, it will reflect and consult, discuss and decide, and implement certain strategies:

- appoint a senior manager to be in charge of the human rights responsibility, including mainstreaming and supervising the human rights strategy throughout the corporate world.
- initiate an interactive communication strategy for all employees (not only the management) and - develop an attractive roll-out campaign in different languages to enhance interest in the issues.
- provide internal training of key personnel worldwide, using case studies of relevance to corporate business and a tool box (including dilemma sharing); including relevant NGOs to provide an “out of the box view” adds to the quality of such endeavors.
- develop “measurable” in the sense of qualitative and quantitative benchmarks that are relevant to the human rights debate of the sector the company belongs to.
- set performance targets for sensitive responsibility areas (such as security and human resources) and link achievement to income of responsible managers.
- ensure compliance monitoring throughout the corporation with special emphasis on potential vulnerabilities of corporations in that sector.
- develop and implement auditing system through external verification.
- report on the success as well as failure performance as well as other activities according to sector of activity.

Some issues, however, remain open for further discussion, e.g. the question how we can develop a human rights related “Richter Scale”. For this purpose, three areas may be differed:

- “Code Green,” which refers to lesser sins of omission that can be easily remedied (for instance, pregnancy tests among women working in production (Article 12 “interference with privacy”) or regular overtime among members of management (Article 24 “right to leisure”);
- “Code Orange,” such as unknowingly violating but not making efforts to find out; and
- “Code Red,” the systematic violation within corporate activities or direct benefit from violation of subcontractors or subsidiaries.

4. Conclusions

The Universal Declaration of Human Rights represents the most important value catalogue for human beings in all cultures and at all times. This declaration affirms that there are certain non-negotiable rights that are enjoyed by all people in all places at all times based simply on the fact that they are human beings. It is precisely in the context of globalization, where different cultures, social constitutions, and socio-economic conditions meet, that this common denominator is also of utmost importance to companies. Business enterprises need to do their homework and act consistently in order to adjust the corporate social responsibility concept to the changed socio-political framework of a globalizing world.

Beyond the day-to-day responsibilities of business, one of the most important questions for managers of global companies is: What kind of a world do we wish for ourselves and our children? Whatever the individual value-based preferences may be regarding a right to live in dignity, justice, equality of opportunity, and fairness - it cannot be a world in which human rights are not respected. And what duties are we prepared to assume to ensure that our vision of a “perfect” world can be achieved? This is something that has to be decided by every individual in their families, in their jobs, and in their role as citizen.

Derek Hall
Bovince, UK



Using SIGMA: 'The Bovince Way'

I would like to talk today about the involvement of Bovince with SIGMA and various other CSR tools. We have been in business for over 50 years: we started as poster writers and we evolved into printers and nowadays we mainly print for London advertising agencies. Our turnover is about 3.5 million.

In the screen printing process, we use various items like film, chemicals and ink to produce the product. That is what we deal with every day of the week trying to produce posters. When we first started, or certainly now, we have realized how complex things have become. You have lots of different printing processes, and with all printing processes, you have quality and environmental impacts. We have vast amounts of detail that we have to go through to produce the product.

We also use management systems to hopefully improve our processes and to manage and measure the process. Probably since the early 1990s we have worked with standards. We have worked with quality standards, we have worked with the UK standard. We are credited to 140001 and EMAS. We are also verified by an organization called the Good Corporation, which means we have some sort of social measurement on how well we are performing. Last, but not least, are the SIGMA guidelines, which give us an overall look at what we are doing. The SIGMA guidelines, like a lot of the other guidelines you have heard about today, are quite vast. You really have to break them down. What we do is use SIGMA guidelines in part.

I would just like to explain three things. The first is *integrated systems*. The next one is an internal concept called our *tree of sustainability*. The third is *sustainability measurement*.

First of all, integrated systems. With integrated systems, we have tried to simplify the complexity. What we have tried to do, in pretty simple language, is to put the various standards next to our management processes. So you have got ISO 9000, 14000, investors, our own internal concept, the tree of sustainability, and the SIGMA guidelines, which give us the overall principles, the management framework and toolkit to operate. An example of that in practice: if we are auditing the company, and this is just an extract from part of our systems manual, our board of directors is responsible for the definition of vision and policies and objectives, so how do we know that happens? Well, auditing is quite a good tool. What we see there is that you are looking at top level commitments to develop a business case, and that is SIGMA. It also brings together ISO 9000 and 14000, etc. So you are speaking a common language. So hopefully you are simplifying complexity when you are auditing the process. The circumstances are similar for operational control. We need operational control to control valid processes and the sustainability of the machinery. Looking at that, we try to conduct work efficiently and effectively, but what we need to understand really is our core activities and values.

Secondly, our internal concept. A few years ago, I developed what we call our tree of sustainability. It has nine branches of improvement. Why a tree? Because we use paper, but under it we need to reduce and set very long-term targets of zero waste and eliminating emissions from all our processes. Branches 7, 8 and 9 are very much more social and economic and this is where SIGMA gives us a lot of support and greater understanding of how we can use this concept. It is an internal concept, but we need some sort of external expertise to see how well it is working. For instance, as part of our SIGMA work, phase 2, legal regulatory analysis and management, we built on what was already in place. That is the fundamental part of SIGMA. It is not just about developing new external forces. It is about developing what you have got within your own business structure. As I said before, we have worked with the Natural Step, which is one

of SIGMA's guiding principles - natural capital. This is our tree of sustainability. Waste costs us money, has an impact on the environment and of course legislation has a great impact. What we are trying to do is join together our thinking and improve our understanding of where we are going as an organization. At the bottom of that, you will see the objective and vision that we have developed with Natural Step. Ideally, we would like to get to a product that is designed for value recovery or safe disposal. What we can do is look at where we are today - this process is called backcasting as opposed to forecasting - actually putting yourself in the future and looking back at your current activities, and seeing how you can improve and what small steps you can take. Finally, the concept of sustainability measurement. Measurement can come from different sides. We were members of a British concept called the Inside UK Best Practice Programme. It is sadly no more, but it was a good process because companies would come in to us and assess our performance against different criteria. On the social side, we have heard a lot about social improvement. We are verified by an organization called the Good Corporation. They actually verify our social competence. They look at different areas - employees, customers, suppliers, community, environment, shareholders, management commitment. It is not an easy process, but we manage to have some measurement there. I think it is very important to have measurement because at least you are putting your toes in the water. At least we are not just talking rhetoric here. We are actually trying to practice what we preach. We report on our performance and we will be reporting shortly against the global reporting initiative within our EMAS reporting system. This is hopefully a system where you can see how well the company is performing on one sheet of paper. It will enable to see how well we perform in terms of the environmental sustainability and corporate responsibility of the organization.

In conclusion, we have adopted SIGMA's flexible approach and applied it within a guidance framework, built around three key elements: our integrated systems, our tree of sustainability, and finally our sustainability measurement.

Anne Gadegaard Larsen
Novo Nordisk, Denmark



The Novo Nordisk way of doing business

About Novo Nordisk:

- affiliates in 78 countries and acts in 179 countries
- approximately 59% of its employees are based in Denmark but 99% of its sales is outside Denmark and are mostly outside of Europe as well
- 80 years of history, focusing on diabetes care
- strong set of values working proactively for the environment for more than 30 years.
- first environmental report was published in 1994
- first social report was published in 1999
- first combined report in 2000.

Novo Nordisk is currently working on an integrated report including financial and non-financial data & information (Annual report 2004). The report will be released in January 2005.

Performance in Novo Nordisk

Novo Nordisk has one major shareholder - Novo A/S, which is a holding company - a number of large institutional shareholders and many private shareholders, but being the world leader in diabetes care Novo Nordisk is aware its role and extends its talks to cover sizes and types of shareholders and investors including

One might say that our transparent reporting and stakeholder approach is a defence against crises. Yet, we have also experienced how a critical situation is not necessarily a bad thing; it can help accentuate and accelerate initiatives for improved performance.

mainstream investors.

Since 2000 Novo has increased its efficiency by 26% in energy and 53% in water. Novo Nordisk's employee number increased by 40% since 2000 accompanied by a low employee turnover.

Global expansion comes together with a lot of challenges with stakeholders not just at corporate level but in many different areas of the world. The world becomes a fishbowl and everybody can see how you are performing. *"This is a major challenge to any company."*

Being global i.e. a global presence, means one needs to have a strong set of values.

- Taking responsibility,
- engaging with our stakeholders,
- acting on our commitment, and
- accounting for our performance.

It is not okay just to do it right in Denmark but you have to do it right everywhere and you also have to consider where you are doing the things and that you are doing them on the local premises.

Taking responsibility for Novo Nordisk is keeping its promise of being there. "We do believe that being a sustainable business is part of doing business in the 21st century."

Challenges

competition in the market including competition for talent globalization - political and social change in the many different areas in the world securing human rights in the places Novo is working being accountable in what Novo Nordisk is doing.

All of this is putting pressure on the business model. We have to make sure to have processes in place to identify today's and tomorrow's challenges in order to manage them and inform our business model.

Being aware of these challenges, which not always have a solution right away and in the pursuit of being accountable Novo Nordisk has included dilemma discussions in its sustainability report each year starting engagement. Novo Nordisk's take on dilemmas is not to hide them but disclose and openly discuss them in order to find an adequate solution together with its stakeholders.

Novo has two EVPs represented in its Environment and Ethics Committee and two in its Health Policy Committee

"Guiding principles helps us face these challenges. This is the Novo Nordisk way of management - a vision, which is a corporate vision, a set of values and fundamentals going all the way from knowledge sharing to a quality mindset and commitments its sets together with its stakeholders accounting for its impacts & associated performance".

In all its commitments and associated targets Novo Nordisk wants to maintain an open dialogue with both our internal and external stakeholders. Novo Nordisk thereby has not just taken the AA1000 framework and asked to have its policies certified against the AA1000 framework. Instead Novo Nordisk has taken its strong values & fundamentals and combined them with the thoughts of the AA1000 framework.

being accountable,
being responsible, and
engaging with ones stakeholders.

The organisational audit basically takes the temperature of the organisation once a year.

"These values are part of Novo Nordisk and the way Novo Nordisk does business" - fundamental parts of the AA1000 framework.

Many challenges, dilemmas, commitments and targets - Materiality, Completeness and Responsiveness (AA1000AS) .

As many other organisations, Novo Nordisk is aware of the challenge for dealing with and managing all issue at the same time, especially if an issue is just emerging with no boundaries defined or standards set. For Novo Nordisk the key to deal, manage and respond to what matters to its stakeholder is

To ask what is material in order to prioritise resources, set commitments etc. (i.e. materiality).

To fully understand the complex nature of the impact, in order to establish meaningful targets and associated indicators (i.e. completeness).

To provide an adequate response ranging from commitment to dilemma discussion depending on the majority of an issue -available guidance, tools to manage the issue etc., and the organisation itself -available resources. (i.e. responsiveness).

These principles are very important too in the discussion on working with a standard.

Recognizing that robust external assurance is a means of raising the credibility of reporting and the effectiveness of related sustainability management processes and thus ultimately a means of improving performance Novo Nordisk adopted the AA1000AS in designing their accountability management processes informing decisions on disclosures. commissions its external auditors to use the AA1000AS for its external assurance processes in guiding the manner in which their Assurance assignments are designed and implemented.

We see engagement with our stakeholders as fundamental and vital on our way to becoming a truly sustainable company.

“The future challenge will be to continue the engagement with our stakeholders and to be able to respond and agree on material issues with them, defining new indicators that will measure impact, and also utilizing the social and economic analyzers for business building.”

3.3 Conclusions on the elements of CSR standards convergence

The conclusions of the Paris meeting were in our view very positive in the sense that it was agreed that convergence between the 5 different projects was indeed already happening at various levels looking at the CSR approaches and practices of European companies adopting one of the CSR management framework under consideration.

Rabot Dutilleul, Novartis, Coop Consumatori Nordest, Novo Nordisk, Bovine: five European companies, operating in different industries, under different social, economic and legal constraints and facing different stakes, all sharing one thing in common: each of them adopt a management framework to deal with CSR issues in a systematic way, integrated with the organization strategic management.

The practical evidence illustrated by the company case-studies proved further support to the identification of the 4 key elements of convergence resulting from the benchmarking study, namely CSR Values and principles, CSR management process, CSR management tools and Assurance. Since the theme of assurance was discussed in more detail in the Munich Roundtable, we summarize below the first three elements.

3.3.1 In terms of values and principles

As we can see in the next schema, the approaches of CSR are a little bit different between the 5 standards. The main explanation of this fact is that they are all coming from different theoretical constructions.

Social contract - Q-RES is founded on the idea that the relationship between the corporation and its stakeholders should be governed according to the social contract perspective based on the concepts of efficacy, efficiency and fairness.

Corporate ethics and compliance - VMS is founded on the concept of governance ethics. This theory explains that the ethical performance of an individual or collective actor depends on the efficiency and effectiveness of the structure which governs a distinctive moral transaction.

Sustainable development - SIGMA is built upon the values embodies in the concept of sustainable development, reflected by the five capitals model that helps organizations to integrate sustainable development in their management processes, and by the principle of accountability, guiding the relationships that an organization has with the outside world.

Sustainable development - SD21000 is founded on the concept of sustainable development, reflected by substantive stakes like economical, social and environmental stakes. But sustainable development is not a list of issues drawn from economic, social and environmental domains, it is the upstream integration of strategies. The SD21000 is finally a document of transaction between a company and its stakeholders.

Accountability - AA 1000 is founded on the principle of organizational accountability to promote sustainable development. The concept of accountability is expressed by the application of the three key principles of Materiality, Completeness and Responsiveness.

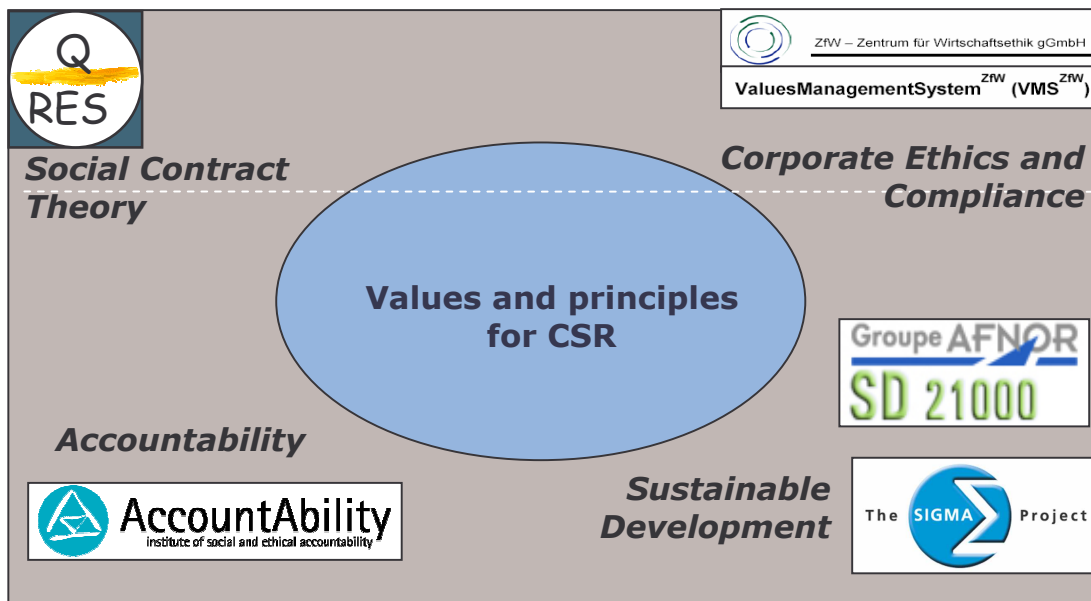


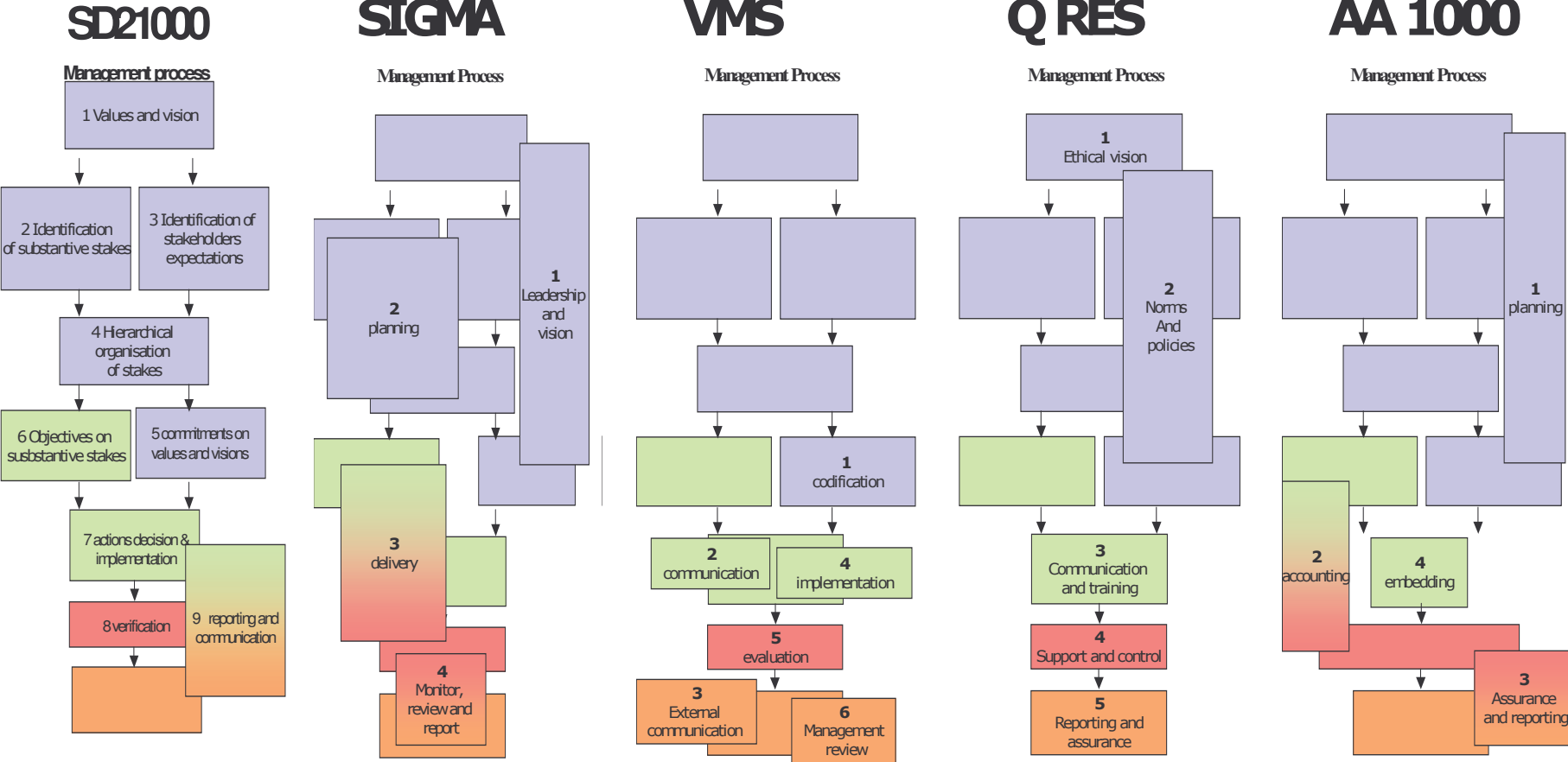
Figure : variety of theoretical approaches to CSR

Even if the different approaches have important significations on the meaning and practical application, we think that this different points of views are not incompatible with each other.

3.3.2 In terms of CRS management process

Whether we consider SD21000, Q-RES, SIGMA, AA1000 or VMS, they all include an overall process which organizations should put in place in order to link together in a consistent and meaningful way their values, management tools and systems. Looking at the elements constituting the process of our initiatives, it is possible to put them in parallel on the "leading thread" described in the first part.

Figure : benchmarking CSR management process according to the "leading thread"



This analysis highlights how SD21000, Q-RES, SIGMA, AA1000 and VMS share a similar logic if we look at them from a PDCA-model perspective.

The differences we can notice are consequences of different theoretical backgrounds we already discussed in this report. To clarify this point: looking at the figure in the previous page, the fact that some standards seems to have a more articulated process framework is not to be interpret as a judgement that a framework is more devoloped than another, but rather as a reflection of different emphasis that the various approaches put on the *formalization* of management processes within the organization.

It is worth to mention that this is also a key aspect to be considered in the design of CSR standards, which is currently under debate within the ISO Working Group in charge of developing a new ISO Socially Responsibility standard.

The core of the debate can be summarised as follow:

- The main purpose of an international CSR standard is to provide guidance to organisations willing to adopt CSR values and principles in their business activities;
- To pursue this goal is a complex task that can be achieved through many different approaches.

Our analysis supports the idea of a common CSR management framework providing a balanced combination of two different approaches:

- a structured (*process*) approach describing a number of management processes and tools that help organisations to put in place effective CSR policies and initiatives;
- a general (*principles*) approach provide guidelines to organisations, allowing more room for innovation and initiative according to their own experience and culture.

3.3.3 In terms of CSR tools

In terms of CSR management tools the elements of similarity among our initiatives are less obvious. Nevertheless, the opportunities for mutuality seems even bigger in this area than in the previous examined.

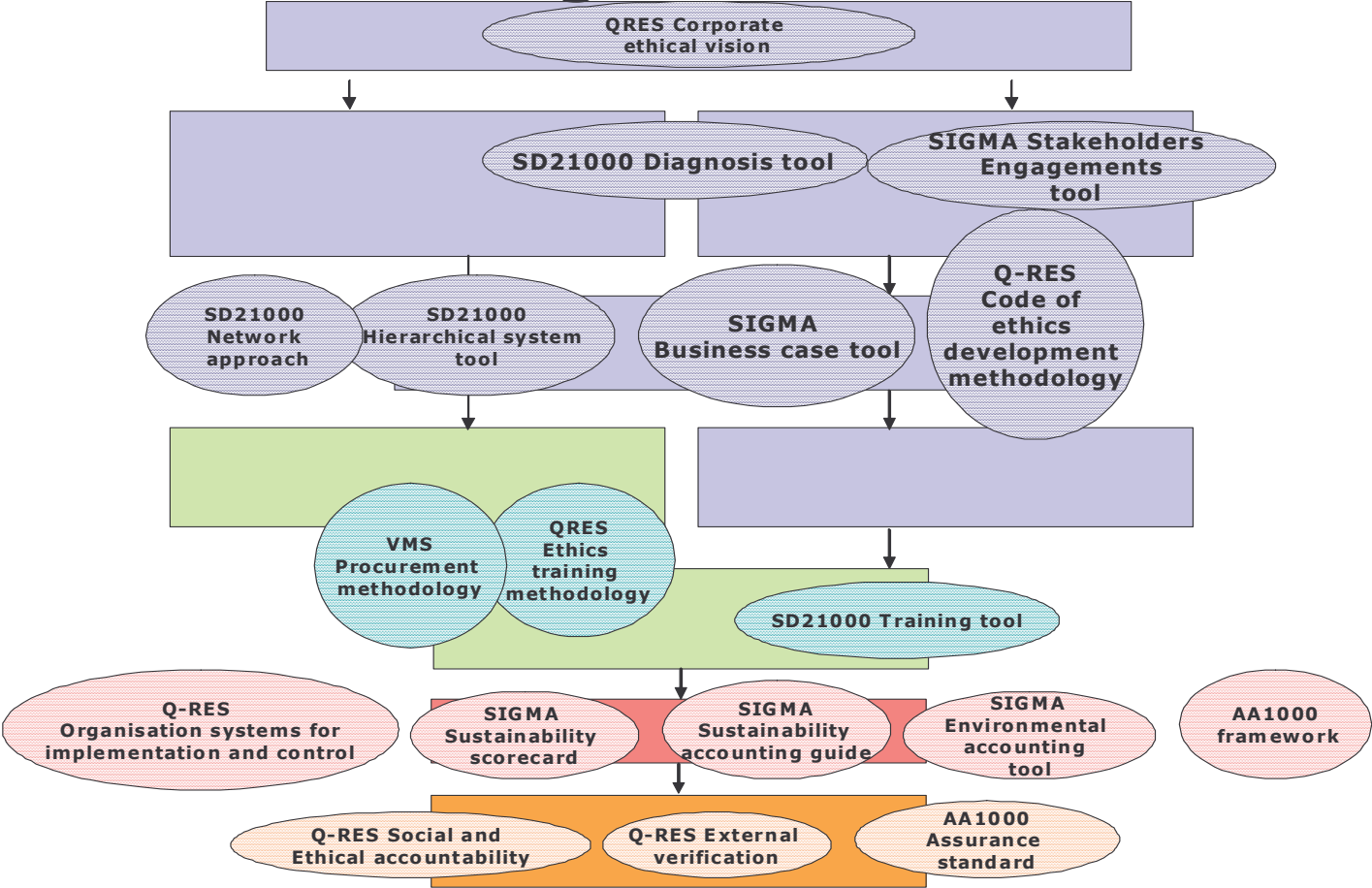
Tools are by their nature more specific and focused on a single issue or phase of the CSR management process, therefore it is natural to find a wide range of CSR tools being developed among our and others CSR standards.

At the same time, because of their purpose of providing to some degree a standardized methodology to address a specific CSR challenge, tools are more easily interchangeable and therefore tools developed within one framework can be utilized by companies adopting other CSR management framework.

With reference to the previously "leading thread" of a CSR general management system, it is possible to map a number of CSR management tools developed by SD21000, Q-RES, SIGAM, AA1000 and VMS, which could be linked together to develop a common platform of CSR management tools available for company use.

Figure : a common platform for CSR management tools

CSR management tools



The final discussion among European managers participating at the Roundtable reaffirmed the desirability of further convergence among CSR management standards and tools. Moreover, a number of additional issues was pointed out:

- to discuss CSR in terms of a **global**, not just an European focus;
- to discuss the convergence at the level of CSR management **Guidelines** (flexible) versus norms (rigid);
- to shift from a perspective based on **compliance** (“don’t’s”) to an approach focussing on **performance** (“do’s”);
- to develop and share a **common CSR terminology** (both for the Board *and* the middle managers);
- to take into account the specific needs of different **users** and **countries**;
- to ensure **consistency** of business operations across countries;
- to focus on the integration of CSR management standards with **corporate strategy**, not only on “CSR activities”.

PART II:

**European Business Roundtables on
CSR Standards for Sustainable Development**

By Simone de Colle

LIUC University of Castellanza

4. Developing and embedding CSR Values within business

- The London Roundtable

4.1 Introduction

The London Roundtable was hosted by EDF Energy on Friday 24th September 2004, was devoted to discuss the role of Values and Principles within any CSR management framework, and examines what management tools companies in Europe are utilising in order to support the effective implementation of Values within their strategic and daily business operations.

The title of the roundtable was:

**CSR Standards for Sustainable Development:
Focus on CSR Values and Principles
and Management Tools for embedding them within business**

The debate was introduced by a presentation by Lorenzo Sacconi, who presented the point of view of business ethics on the role and function of *Mission*, *Values* and *Ethical Vision* within any organizations, and their relationship with a CSR approach based on the *Social Contract* idea.

Lorenzo Sacconi
Q-RES, Italy



Values and Principles - a *Social Contract* perspective of CSR

The firm can be considered the outcome of the cooperation between different stakeholders, who set up relationships in various organizational and contractual shapes, more or less formalized, in order to fulfil through their joint action the "Mission" of the firm.

The Mission receives a moral character from the agreement between the stakeholders: the mission is then the combined action plan produced by the fair and efficient cooperation between stakeholders.

The mission is merely an intermediate goal: the ultimate goal is the mutual satisfaction (fair and efficient) of the rights and interests of all the organization's stakeholders.

The relationships between the various stakeholders is characterised by cooperation and conflicts: each stakeholder has interests partly concordant and partly contrasting with one another. Moreover, each of them expects to benefit from the results of the cooperation, because he/she makes investments (of financial capital, knowledge, work, etc.) for the achievement of the Mission of the firm.

Since stakeholders have multiple legitimate expectations, it is necessary to give them a partial or complete acknowledgment, by defining rights and responsibilities of the firm towards its stakeholder. It is necessary to define some criteria of how the firm intends to balance the legitimate stakeholders's claims, in a way that everyone can think of as leading to a fair remuneration to the investments done.

In this perspective, the *Social Contract* (fair and efficient) among the firm and its stakeholders constitutes the point of impartial, acceptable equilibrium where everyone can decide to contribute, or at least not to hinder, the achievement of the mission.

Obviously, the social contract is a *hypothetical*, not a real, contract. It is the result of a "rational reconstruction (or interpretation)" of the conditions under which is possible a rational consensus,

and not forced, among stakeholders. This unanimous agreement between stakeholder in pursuing their mutual advantage has an ethical value.

Therefore, if we want to interpret the CSR in a contractualist perspective, it is the *Vision* of the firm, more than the *Mission*, that occupies the "leader position" inside a strategic management system of CSR.

The ethical vision (a deontological concept) defines how the firm intends to balance multiple stakeholders' interests and claims, in order to elicit mutual cooperation. It states the firm's view of the social contract that underpins the company's links to all its stakeholders through fiduciary relations. In this perspective the ethical vision incorporates and exceeds the "mission" and "values" of the firm and it establishes the (ethical) modality by which it plans to achieve the mission.

The values are the ethical principles of fair treatment applied to each stakeholder, upon which the firm establishes the fiduciary duties to its stakeholders, so that they represent the basis for the enlarged governance and social responsible strategy of the firm.

It is clear that the principles and values recognized from the firm as part of the vision do not have an *instrumental* role; hence, the position of those who claims that the values "serve" to improve corporate performance appears to be unfounded - even if it is naturally true that a firm with shared values and principles has a better performance. They have value '*per se*' (in themselves) since they enable an impartial treatment of every stakeholder, according to the fair social contract idea, thanks to which the stakeholder him/herself will be able to join rationally the cooperation. The idea is simply the Kantian one: no stakeholder can be considered only as an instrument, but also always the aim '*per se*' of the cooperation. If a stakeholder is treated fairly (that is, in such a way that she is recognized as an end in herself), then she will be able to rationally accept to cooperate with the firm. This means that she will also act for the advantage of other stakeholders, that is, will accept to act like a *mean*, but not like a mere one: only for the fair satisfaction of the claims of others stakeholder. As a result, the performance of the firm is the mutual satisfaction for the fair balance of the legitimate expectations and claims of the various stakeholders.

In conclusion, a balanced and coherent system of values (in which they establish a criterion of fair treatment of a group of expectations, interests or needs of one or more stakeholders) spells out the interpretation of the idea of the social contract that a firm proposes to its stakeholder. This system of balance is the ethical vision of the firm.

Therefore, we can describe the fundamental steps in order to establish and to render effective the "ethical vision", in the perspective of a strategic management system of CSR:

- complete identification of stakeholders: they cannot be defined neither arbitrarily nor instrumentally by the firm (legitimate claims should be recognized and given value);
- enunciate the ethical principles of justice and fairness in the treatment of all the stakeholders; these principles must identify which among all the stakeholders' expectations have moral legitimacy. Fair satisfaction does not necessarily mean complete satisfaction, since the latter could turn out to be incompatible with the fair satisfaction of other partially divergent expectations;
- principles will have an abstract and general nature in order to generate expectations over the organization's behaviour also in unforeseen events; their vagueness allows their applicability to a variety of contingencies, some of which cannot be foreseen *ex ante*;
- principles must help to define a commitment over the critical areas of organization activity where opportunistic behavior against some stakeholder can emerge. An accurate analysis of the critical areas within the organization allows to identify some abstract and general "typologies" of opportunistic behaviour: abuse of authority, discretionality in the decisions; informative asymmetry, etc.

- adopt a participatory approach to the elaboration, definition and training about the ethical vision and values of the firm; it's fundamental that values are not paternalistic, but fruit of an active dialogue between all members of the organization;
- developing the skills to make decisions relying on values and principles, and acquiring interpretative competence to trace back unforeseen situations to the ethical principles by analogy and similarity. That means to develop the ability to face the vagueness, created from unexpected situations, through the development of the cognitive ability of "pattern recognition";
- avoid to build a structure of incentives and compensation of collaborators that is only based on monetary incentives: this could discourage the voluntary adhesion to the ethical principles, values and vision of the firm as far as they are conditional only on financial results and not on values; moreover, following values may be profitable, if everybody in the company conform to them.

4.2 Summary of the interventions

In the morning session we discussed four company case-studies of the application of the principles and methodologies developed by VMS, SIGMA, Q-RES and AFNOR for the development of CSR Values, organizational codes of ethics, standards of behaviour and corporate sustainability vision in Germany, United Kingdom, Italy and France respectively.

To introduce the session we asked to business representatives to address in their presentations 5 key questions concerning CSR values development and implementation:

1. Why do you think Values and principles are important in developing a CSR strategy?
2. How did you develop your Values? (what is the process and the methodology applied)
3. What are the main issues you had to face in the development phase?
4. How do you make sure that Values are embedded in day-to-day operations and decision-making processes?
5. What are the key issues to an effective, ongoing values-based management?

Below the summary of the cases-study presentations.

Otto Geiss
Fraport AG, Germany

**Applying ValuesManagementSystem^{ZfW} to develop
Fraport AG Standards of Behavior**



Fraport understands its Values Management system as a process of systematically involving and realizing corporate ethical attitudes and declaration of values into the management.

The following questions have to be answered:

What is the basis on which we want to conduct our business?

What ways are there to anchor these values operationally?

The ValuesManagement system is an instrument of corporate self commitment and self binding beyond legal requirements.

Key question is: What are the standards we want to be judged by in public?

Moreover, values management is a process of cultural change. Therefore, the decisive factors of success in realizing it are:

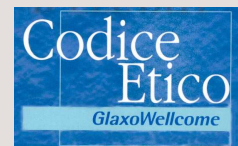
- intense dialogue in the company,
- precise reflection and anchoring in instruments and processes, and
- consequent realization via role model.

The aims of Fraport AG's ValuesManagement system can be subsumed as follows:

- transparency and integrity in conducting business
- company's sustainable operational and legal securing, in line with the risk management
- prevention of damaging acts (fraud, corruption, price fixing etc.)
- creating truthful cooperative relations with all stakeholders, as a basis for business success
- building up and maintaining Fraport's international reputation for integrity in all areas of operation;
- assuming social responsibility as one of the nation's greatest principal in the field of construction.

Gianmarco Sciacchero
Former Ethics Officer, GlaxoWellcome, Italy

**From values...to Policies: Developing the code of ethics
at GlaxoWellcome Italy**



In 1995, after the merger with Wellcome, we, the management of the company, had to face the problem of building a really unitary company with a set of common values, in order to avoid the risk of a culture clash, which is a main problem in all the cases of mergers and acquisitions. This work was performed as the first part of the process of developing a code of ethics, and we realized that the entire process was to be based on strong, shared company values, but first of all we clearly understood that values are important because they are the "raison d'être" of a company, the determinants of behaviour determinants, meaning that they determine the rules which ultimately determine behaviour, and they are "built to last"; in fact they are conceived to last for a long period of time and for this reason must have a good degree of adaptability and flexibility, remaining anyway clear enough to form the guidelines for everybody in the company.

To develop this set of values the first thing we did was to engage the Board in a thorough discussion on ethics and particularly on what kind of ethical vision we had: the conclusion was to identify GW as a just company, based on the idea of the social contract. During this work we strived to avoid any "wishful thinking" trying to have a realistic representation of what the company was, ethically speaking, and what kind of commitments was ready to undertake towards the stakeholders.

After this phase we set up working groups made by middle managers in order to develop a solid awareness of the essence of values and their practical implications, so deriving many suggestions on what was their meaning in the day-by-day practice. In developing values we had to identify the important things to be spotted, because ethically important, neglecting other things, though important from the managerial point of view, but ethically non important, or not relevant to the process of building a code of ethics.

Then the real challenge was to understand the practical implications of our values statement, in other words, how far should we go in implementing these values, and at which point is the company as common understanding at the various levels of the organization? Do we have a reasonable expectation that what is written in the code of ethics is really the company "credo"? Because all the plans and all the implementation activities need a realistic stepping-stone.

During the developing phase we tried to foresee how to write the values statement and how to keep the right equilibrium between synthesis and clarity. On the one side we wanted to be as clear as possible, because that document would have been the guideline for behaviour within the company. On the other side sentences need to be as general as possible and synthetic in order to be memorized and

retained quite easily. This is why we ended up with short statements such as “High standards”, “The value of people”, “Customer focus”, “Team working”, etc. But at the same time we added some brief explanation for each value statement and we gave the reasons for the code of ethics and about how the values work. All this was inserted in the framework of the company Mission statement which was: “GlaxoWellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines to patients throughout the world and to the healthcare providers who serve them.” The mission statement and the set of values made an unitary system to which everybody in the company could make reference in order to find inspiration for his or her decision making and behaviour.

Of course publishing Mission and the Company Values as basic part of a Code of Ethics was important, but not sufficient to make things happen; so the subsequent phase was to embed all the system within the company. To reach this goal we committed the Top management in a strong and visible manner. The Chairman himself presented the code of ethics to all the personnel and took a personal commitment in a series of meetings in order to meet all the personnel of the company and a copy of the code was handed out to each person.

Beside this we introduced adequate tools for an effective implementation (e.g. Ethics officer, Ethical committee, Ethical audit, Reporting, Training, etc.) being aware that only with a robust mechanism of implementation the values would have been transformed in real practise.

Another point was of paramount importance. All the company policies and procedures were aligned with the values trough a check made by the Ethical committee, and any new policy or any change in the existing ones was to be approved by the Ethical Committee before the final approval by The Executive Committee. This practice was considered a sort of guarantee for the progressive alignment of the company to Values.

Through these practices we tried to make values “flesh and blood” of the company, to reassure and reinforce the operation, we activated a process of continuous education with two main objectives:

- to give to all managers a specific training on solving ethical dilemmas and increase their ethical sensitivity;
- to provide a training specific to specific sectors of the company e.g. research, marketing, etc. in order to be adherent to what people was facing everyday.

Finally we put in place a system of auditing and reporting aimed to realize continuous improvement, with specific actions to be planned as consequence of auditing activities.

Dan Green
Wessex Water, UK

Wessex Water and the SIGMA five capitals model

How Wessex Water understand vision and values for sustainability



Dan Green, Sustainable Development Manager gave an insight into how the SIGMA principles (the five capitals model) informed the development of a long term vision for sustainability within Wessex Water. The way the principles in SIGMA operate is to provide a framework for sustainability, which are then developed in a set of overarching objectives by the organisation using them. These are then implemented through the management framework. Wessex is currently working through the process of embedding sustainability within the organisation.

Wessex Water background

Wessex Water is a UK Water company owned by YTL. It is a privatised utility that operates in the South West of England.

Wessex aims to provide high quality sustainable water and environmental services which:

- Give customers good service and value for money
- Protect and improve the environment
- Provide employees with opportunities for personal development and satisfying career
- Give shareholders a good return

These values align to the five capitals model which forms the basis of the SIGMA principles and the stakeholders that are highlighted in bold reflect the model that Wessex uses of express its vision and values for a sustainable future.

The Five capitals model

Wessex uses the five capitals model as a basis for its management of sustainable development. It is a good model as it covers all of the aspects of sustainability in a holistic manner and puts them into a business context. It looks at stocks of capital - an example would be water resources in Wessex case and also flows which are the processes that support the system such as a fresh water system that absorbs waste. The five capitals model is summarised below.

Maintenance and enhancement of five capitals

Organisations need to actively manage and enhance five types of capital that they both rely on and contribute to:

- **Natural capital** (the environment)
- **Human capital** (people)
- **Social capital** (social relationships & structures)
- **Manufactured capital** (fixed assets)
- **Financial capital** (profit and loss, sales, shares, cash etc).

These assets need to be managed for the long term, not just for immediate return and recognising their interdependence where changes in one are likely to cause an impact on another.

Sustainability vision

It was decided that within Wessex there was a need to drive performance further than just responding to the day to day reflections against this capitals model, so they decided to define a vision of a sustainable Wessex - 2030 sustainable Wessex water. The reason to develop the vision was clear - it sets the tone for the future of the company and enables Wessex to set a course for a sustainable future.

This entailed development of visionary statements about what would it be like and their aspirations for the future across the environmental, social and business sphere. This was supported by mechanisms for delivering these aspirations - what was needed to take Wessex in the right direction. The vision was developed through a combination of external experts and Wessex managers brainstorming together over each capital, discussing employees, environment, stakeholders, infrastructure and shareholders/ finance. For each a set of aspirational statements, supported by some specifics which Dan went on to discuss.

The vision covered:

- Full cross section of activities
- Some areas where familiar ...others new

He then goes on to describe the vision against each of the elements.

Environmental (Natural Capital)

The first element of the vision was the environment - critical for a water company who are already stewards of a natural resource and have predominately environmental impacts. Natural capital involves the natural resources (energy and matter) and processes needed by organisations to produce their products and deliver their services. This includes *sinks* that absorb, neutralise or recycle wastes; *resources*, some of which are renewable (timber, grain, fish and water), whilst others are not (fossil fuels); and *processes*, such as climate regulation and the carbon cycle, that enable life to continue in a balanced way.

All organisations rely on natural capital to some degree and have an environmental impact - water companies more than most. All organisations for example, consume energy and create waste and in Wessex case that is about management of water resources and sewage. The vision assessed and demonstrated Wessex's awareness of the limits to our use of the natural environment, and its intention to operate within them.

The focus of this was on:

- Water resources and efficiency
- Aquatic wildlife
- Sewage effluent
- Diffuse toxic/ no-biodegradable substances Energy efficiency and GHG emissions

Employees (human capital)

Human capital is the elements needed for human beings to engage in productive work and the creation of wealth, thereby achieving a good quality of life. Human capital incorporates the health, knowledge, skills, intellectual outputs, motivation and capacity for relationships of the individual. Human capital is also about an individual's. For Wessex vision this was about focusing on employees, in the following areas:

- Promoting physical and mental health
- Demonstrating equal opportunities
- Pay and reward, including support in retirement
- Skills competencies and development
- Training in SD

Stakeholders (social capital)

Wessex has a range of stakeholders all of whom have an impact on their activities and in turn they have an impact on. They include the regulators, customers and pressure groups.

Wessex focus on social capital with regard to stakeholders and social structures help create a climate of consent, or a licence to operate, in which trade and the wider functions of society are possible. The vision here described a number of aspirations in terms of:

- Public health, water supply and sewerage - the value that it delivers to society
- Affordability - ensuring water for all
- Customers service and satisfaction
- Regulation for SD - enabling sustainable development to be practiced
- UN millennium development goals - addressing these
- Community engagement - ensuring satisfaction, engagement and value for local communities

Infrastructure (Manufactured capital)

Water companies are heavy on infrastructure - they provide the means of delivering water to our taps. Manufactured capital translates into infrastructure - the material goods and infrastructure owned, leased or controlled by an organisation that contribute to production or service provision. For Wessex this includes anything from pipes to sewerage farms, to reservoirs.

Manufactured capital is important for a sustainable organisation in two ways. Firstly, the efficient use of manufactured capital enables an organisation to be flexible, innovative and increase the speed to market of its products and services. Secondly, manufactured capital and technology can be used to reduce resource use and focus more on human creativity, thus enhancing both efficiency and sustainability.

Wessex's vision proposed the following approaches:

- Applying a sustainability appraisal to all infrastructure developments/ maintenance
- Ensuring efficient materials processes and life cycle analysis
- Reuse of materials
- Seeking alternatives to heavy engineering
- Procurement - seeking to use local suppliers as best practice
- Developing and maintaining Industry standards for sustainable solutions

Finances (Financial Capital)

Finally Wessex vision addressed the economic model that the company relies on - assets of an organisation that exist in a form of currency that can be owned or traded, including (but not limited to) shares, bonds and banknotes. Financial capital (shares, bonds, notes and coin) reflects the productive power of the other types of capital.

The aspiration here was to:

- Work with regulators and investors on the perception of risk
- Ensure openness on operations, policy and strategy
- Good corporate governance
- Applying sustainability accounting that reflects external factors such as environmental costs and benefits not reflected in traditional financial statements
- Perception amongst financial ratings companies (a driver of this approach)

These aspects come together to provide a complete vision for the future of Wessex which is now being used to drive performance.

Possible implications

Dan then went on to describe the next steps and implications for the business of taking on this challenge:

- Embedding in work practices e.g. business plans and indicators, smarter ways of working and ecoefficiency savings
- Communicating good practice to team members and rest of company
- Regulation - rethinking the way standards are applied
- Other stakeholders - setting a context for links with others

Produits chimiques de Loos, France



Produits chimiques de Loos the and the SD21000 methodology for developing a sustainable vision

add text

Produits Chimiques de Loos is a subsidiary of Tessenderlo Chemie, with 230 employees and located 2 miles from downtown Lille since 1823. This enterprise is the only Seveso plant in the Lille suburb. The activity of Produits Chimiques de Loos is the manufacture of mineral and organics derivatives of Chlorine and Potassium (Ferric chloride, Zinc chloride, Aluminium chloride, Ammonium chloride, Oxalyl chloride, Potassium sulfate, Potassium hydroxyde).

We decided to start the SD21000 implementation for several reasons:

At first, we wish to keep and improve our market place , we want to be able to continue to do business

This is a logical development after our ISO 9001 and ISO 14001 certifications

We wish to socialize, improve our relationship with our neighbours, customers and any stakeholder

In the SD21000 implementation, there is a particular attention to values and principles. The explanation of this importance is that values and principles are the basis for the determination of objectives. They have to be official and shared by all the staff to ensure that everybody is working aiming at the same results. At least, implementing sustainable development is a full enterprise Project and the action plan needs to be supported by clear values and principles.

In practice, the AFNOR diagnosis is very exhaustive and makes a 360° overview. It enabled us to determine the more significant stakes and helped us in the determination of a new Board vision, values and objectives and of course to fix a corresponding action plan.

The last policy was a commitment published by the Board of Produits Chimiques de Loos/Cheminyll with an action plan covering 26 items all concerned with safety, measures against risks and accidents, quality and environment but was not really on the triple bottom line: social, economic and environmental aspects : "The competitive environment we are facing implies need for permanent improvement in terms of safety (industrial risks and health protection), Quality and Environment" *Olivier Hutin, General Director.*

The SD21000 implementation was the occasion to review this old policy. The new policy (published in 2004) is: "In order to move towards sustainable development, I commit myself to pursue a policy of implementation of a global management system in order to integrate the needs of other stakeholders, in particular in the social field. It implies enlargement of our continuous improvement policy, started several years ago for quality, safety, and environment, to all the other requirements necessary to ensure development and durability of our site (...)", *Olivier Hutin, General Director.*

The list of priorities, which has been given along with this policy, includes:

- Economic performance
- Quality
- Safety
- Social aspects including awareness, training and communication
- Environment
- And external communication.

To each of these main domains corresponds some practical actions that this SD21000 approach encourages us to implement, e.g. :

- To reduce solid waste by 10% by 2005
- To expedite 20% of our solid products (more than 35000tons/years) by barges

- Social equity and recognition : more transparent employees evaluation and employment of disabled people
- To rename the current Quality Safety and Environment department with the sustainable development department
- To inform our suppliers of our sustainable development commitment
- To business orientation based on sustainable development and to consider substitution of existing manufacturing process
- To improve communication with a local environment protection associations
- To share our sustainable development actions and progress with the Tessenderlo Group.

To make sure that values are embedded in day-to-day operations, the communication includes bill-posting, internal newspaper. We also organize management meetings, we make sure that there is a real employees involvement and recognition.


To conclude, values and principles supported by an appropriate policy are absolutely essential in a sustainable development strategy.

In the afternoon session of the Roundtable the discussion was continued in two parallel working groups, aiming at presenting and analyzing a number of Management Tools developed by the different frameworks in order to help organizations to embed CSR values and principles within their business operations.

Three CSR management tools were discussed:

- **Q-RES Ethics Training Toolkit**, a modular approach developed by Q-RES to train manager and employees to apply CSR values in their decision-making processes - Simone de Colle, Q-RES Project Manager;
- **THE SIGMA Sustainable Marketing Tool**, developed by SIGMA to Implement values and principles through the marketing function - Stephanie Draper, Forum for the Future/ The SIGMA Project;
- **AFNOR Diagnosis Tool for implementing sustainable development**, applied by a number of French companies - Karen Delchet, AFNOR (this presentation is not included in the summary as the tool is described in Part I of this report, in chapter 2.4).

Below a summary of the presentations.

<p>Simone de Colle Q-RES, Italy</p> <p>The Q-RES Ethics Training Toolkit</p>	
<p>Definition of ethics training in Q-RES</p> <p>Corporate ethics training is a set of training activities that enable to:</p> <ul style="list-style-type: none"> • Develop - and maintain over time - the ability to identify, analyse and solve ethical dilemmas in business relationships; • Communicate corporate values and facilitate a shared ethics culture within the organization; • Facilitate the adoption of CSR Management Tools and improve their effective application; • Train the decision makers to apply the ethical principles in everyday decisions. 	

Key Elements of ethics training in the Q-RES approach

Teaching business ethics within a company means addressing three key issues:

- *Moral Reasoning*: Ethics is the thought process that comes into play when we are deciding between right and wrong, or more typically, about weighting two rights;
- *No Paternalism*: To facilitate values sharing the approach should not be paternalistic, but encourage dialogue and participation
- *Reflecting Equilibrium*: Ethical training within organizations has to deal with the possible conflict between the individual and the organizational point of view (e.g., when individual are asked to share the rules of a corporate code of ethics). The potential conflict is solved if the corporate ethical vision is seen from the very beginning as the result of a rational and mutually beneficial agreement between all the company members, that is, as the balance point between interests and moral concepts, which can differ from each other.

Below some practical information on the Q-RES Ethics Training Toolkit

• Aim/purpose of the Toolkit	The toolkit can be used with a modular approach, to fulfil specific training needs in the different phases of the development and implementation of a CSR Management Framework
• Aim/purpose of the Toolkit	The toolkit can be used with a modular approach, to fulfil specific training needs in the different phases of the development and implementation of a CSR Management Framework
• Time/resources needed	Each module is conceived as a half day Seminar (with exception of the Q-RES interview Grid which is a 2 hours interview tool to be used in one-to-one interviews)
• Who is using the tool	CSR Training specialist (Q-RES staff only for the moment)
• Who developed it	Q-RES Project
• Case-studies/references	Corporate: Coop NordEst, Autostrade per l'Italia Universities (within Masters Programmes): LIUC University, University of Milan; University of Verona
• Status	Q-RES Training Methodology and materials owned by Q-RES
• Language(s) available	Italian

- A graphical description of the Toolkit elements

The Toolkit is made of a set of training modules designed to provide specific business ethics training in relation to different phases of the design and implementation of a CSR Management Framework:

Q-RES ETHICS TRAINING TOOLKIT		
PHASE	ELEMENTS	TOOL
• AWARENESS and MORAL MOTIVATION	• Definitions and concepts of business ethics and CSR	• "Who are we, ethically speaking?"
• ECONOMIC MOTIVATION	• Rational justification of corporate ethics programmes	• "To be ethical is profitable? -Three Reputation games"
• DEVELOPING THE CODE OF ETHICS	• Organisational analysis to identify 'critical areas' in the relations with stakeholders	• Q-RES 'grid' for interview and case analysis
• DEVELOPING A STRATEGIC PLAN FOR CSR	• Aligning corporate strategy, objectives and implementation plan to CSR	• "The Business Case for CSR"
• COMMUNICATION	• Internal communication tools to facilitate values sharing	• "Choose the Motto!"
• CODE OF ETHICS ENFORCEMENT	• Interpretation and application of ethical principles to real cases	• Dilemma resolution (role-play)

ethics training:
Q-RES Tools by phase

Stephanie Draper
Forum for the Future/ The SIGMA Project, UK

Implementing values and principles through the marketing function



The SIGMA sustainability marketing guide has been developed in conjunction with The Chartered Institute of Marketing, Forum for the Future, Centre for Sustainable Design and organizational partner companies in the SIGMA project. It is intended to help an organization develop strategies to market the benefits of its approach to sustainability to its customers - taking advantage of opportunities and minimising risks.

The guide is designed to help both sustainability practitioners and marketers gain an understanding of each others respective fields and to use their expertise to collaboratively develop successful sustainability marketing strategies.

The document is split into 2 parts:

- Four Essential Steps - suggested steps towards a marketing plan, utilising the tools briefly outlined below
- Sustainability help files - practical tools and briefings to help complete the steps suggested above.

The guide is intended to provide some initial guidance for sustainability professionals and for marketers in getting started. It provides some suggestions of initial tasks and analyses. Users should

use their own judgement in deciding which areas to focus on and to make use of other resources available.

Four Essential Steps towards sustainability marketing

1. Getting started

Marketing and sustainability management are two very different specialist fields with their own jargon and approaches.

For the Sustainability Practitioner: explanation of marketing concepts and how sustainability links to these to effectively engage with marketing departments. Introduction to marketing (1) provides a brief overview of the elements of marketing. Sustainable marketing: some practical lessons (2) further develops the nature of marketing, the approaches used and their linkage with sustainability providing a number of links to further information and guidance.

For the Marketeer : explanation of sustainability concepts and how marketing links to these to effectively work towards a marketing strategy that takes full advantage of the company's approach to sustainability. Sustainability marketing: why it matters (3) provides a succinct evidence-based case for incorporating sustainability into strategic marketing thinking.

2. Understand the market

It is important to understand the potential appetite of your customers for sustainability-oriented products and services. This may well involve some tailored market-research, or you may be able to get some initial insights from existing research within your organization or from surveys by other organizations. Who are the sustainable consumers? (4) provides some generic evidence for consumer-based opportunities.

3. Audit your current products and services

A first step in devising a strategy should be to audit current and planned products and/or services (offerings) to understand how well they support sustainability. This will help in identifying current strengths and weaknesses, opportunities and threats(SWOT). The product/service sustainability checklist (5) provides a simple template for assessing current offerings from a sustainability perspective.

4. Develop strategic options

Having identified the potential appetite of current and potential customers for more sustainable products/services, and having assessed current products/services, the tool provide advice to identify some strategic options and assess their potential.

There are many ways that any organization can approach this. Some changes may be quite fundamental, such as changing a production process, creating an entirely new product/service, or providing a completely different solution to the need that a previous product/service was meeting. In addition to considering specific products and services one should also need to consider the overall positioning of the organization.

A first step might be to consider the options in terms of the organization's key sustainability issues. Identifying whether each has any communication potential, whether it poses any risks, whether the credibility of company's performance can be established, and whether it will enable differentiation against competitors - and how easy will it be for them to follow you. Assessing your Key Sustainability Issues (6) provides a matrix for considering these factors for each of your key issues. Link to additional SIGMA tools

Having made an assessment, a useful way of determining the best options is to map them in terms of their ease of communication and level of differentiation. Mapping the options (7) provides a simple method for doing this.

A key element of a sustainability marketing strategy is to understand the trustworthiness of the company's offering. From a consumers perspective there are three elements of trust. Mapping

trustworthiness (8) provides a model for determining how strong your offering is in terms of these three elements

4.3 Conclusions on the convergence of CSR Values and principles

As already discussed in part I of this report in the benchmarking exercise between SD21000 and the four key elements of the common CSR Management Framework (see chapter 3.3.1), even if the five CSR standards involved in the project are based upon different theoretical backgrounds, it is possible to identify a number of CSR core values and principles that are shared across all the frameworks, and across our European countries.

As indicated in the previous research report (CELE 2004), the core set of common CSR Values and principles includes a number of specific CSR principles, such as:

- **Mutual advantage** - Expressing the rationale for stakeholder cooperation, clearly expressed in the social contract approach (Q-RES), but also embedded in the idea of cooperation among the 5 different capitals in SIGMA;
- **Fairness** - Representing the guiding value for balancing the different stakeholder interests and legitimate rights towards the company;
- **Sustainability** - Expressing the idea to integrate concerns for economic efficiency and environmental and social impacts in the long-run, and also a concern for inter-generational fairness;

In addition, the frameworks share some other CSR values and principles that are at a higher level of abstraction: these can be defined 'meta-principles, i.e. principles concerning the nature of principles, their meaning and moral justification. Among these we identified the following principles that should be adopted by any CSR management framework:

- **Multi-stakeholder approach:** *The organization should take in due consideration the interests and needs of all its stakeholders;*
- **Governance:** *The values and principles for CSR should be understood as the main governance system of the relations between the organization and all its stakeholders (including owners/shareholders);*
- **Management Integration:** *The organization should develop its CSR Management System in an integrated way with respect to its core business management systems and decision-making processes;*
- **Accountability:** *The organization should be accountable towards its stakeholders and respond - whether positively or negatively - to their legitimate claims;*
- **Performance Improvement:** *The ultimate aim of the CSR Management System is to help the organization improve its social, ethical, economic and environmental performance.*

5. CSR Assurance and Organizational Learning - The Munich Roundtable

5.1 Introduction

The third European Business Roundtable of the project was hosted by the Bavarian Building Industry Association in their headquarters in Munich on the 15th of October 2004. The theme of this meeting, which was attended by 30 people from five different European countries, was:

***CSR Standards for Sustainable Development:
Focus on CSR Assurance and Organizational Learning***

In the benchmarking study, we agreed on the following definition of assurance:

Assurance is an internal or external evaluation, against a specified set of principles and standards, of the quality of specified reports and the systems, processes and competencies that deliver the associated information and underpin the reporting organization's performance. Assurance includes the communication of the results of this evaluation to provide credibility to the subject matter for its users.

In other words, by assurance we mean that the management of the company needs to ensure that what it is doing is what it thinks it is doing, and in addition may wish to communicate this in a credible way to the stakeholders (inside and outside the company).

The working definition adopted in the benchmarking study points out two crucial aspects linking the concept of assurance with an overall CSR management system:

- The applicability to 'specified reports', which might be public or not, meaning that this definition applies equally to internal and external assurance;
- The requirement to cover underlying systems, processes and competences refers to the fact that assurance must be provided on the overall CSR management systems, not only on the contents of specified reports and associated information.

There is no doubt that the issue of assurance is a very controversial topic of the ongoing debate on CSR, being the field clearly still at its development stage⁸. No single agreed approach to providing CSR assurance exist, and in the practice organizations often seek different forms of assurance from different assurance providers, from traditional financial auditors to specialised CSR consultants, to NGOs and respected individuals.

Yet, it is widely recognised that without some form of verification using a generally accepted framework, any CSR strategy - and its underlying management system - will not be seen as credible by the stakeholders community.

The objective of the Munich Roundtable was to discuss a number of key issues concerning the role of assurance within a CSR management framework :

- ***The importance of CSR assurance***
(Which problems does assurance solves? Who assures - and towards who?)
- ***The diversity of approaches to CSR assurance***
(Methodologies, Standards tools and practices currently adopted across Europe)

⁸ For an overview of the main issues involved in the debate on CSR and sustainability assurance see FEE (2002) and AccountAbility (2003b).

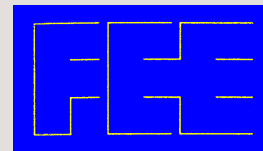
- **Common issues in current CSR assurance practices**
(Assurance providers' independency; skills and competencies required)
- **The role of CSR assurance for Organizational learning and innovation**
(Lessons learned by companies approaching CSR assurance and example of business strategy innovations influenced or driven by assurance).

5.2 Summary of the interventions

The morning session of the roundtable was aimed at presenting the various approaches to CSR assurance applied - or currently being developed - by a range of "assurance practitioners", both members of the CSR management frameworks participating in the project (such as Josef Wieland from VMS, Nicole West from AFNOR and Giovanni Bogani from Q-RES and Jeannette Oelschlagel from AccountAbility) and technical experts from assurance providers organizations (such as Lars-Olle Larsson, KPMG-Sweden and Chair of FEE Sustainability Assurance Group and Michael Fahrbach, KPMG-Germany).

All the interventions are summarized below.

Lars-Olle Larsson
Chair of the European Federation of Accountants (FEE)
Sustainability Assurance Group,
KPMG Ways towards Sustainability Assurance



Ways towards Sustainability Assurance: The European Perspective

In FEE's vision of a sustainable future, sustainability reporting is as established as financial reporting is now.

Corporate sustainability reports allow stakeholders to assess with confidence the extent to which private sector corporations actually contribute to the evolution of equitable and sustainable communities and societies.

FEE, in its Call for Action Paper "Assurance for Sustainability", aims to facilitate progress and calls on standards setting bodies to accelerate the development of standards relevant to assurance.

www.fee.be

FEE Call for Action :

- We call on IFAC and AccountAbility to co-operate and not to compete so as to move speedily to provide high quality and usable standards for assurance on sustainability
- We call on GRI to continue to recognise the importance of assurance and to maintain expertise in this area so as to be able to assist standard setters for assurance
- We call for proper consideration of assurance issues when determining the form and content of the GRI Guidelines and its sector supplements to ensure that the nature of indicators and other disclosures does not preclude assurance.
- We call on reporters to meet the information needs of users in communicating reporting criteria.
- We call on investor organizations to give due weight to the presence and nature of assurance when drawing up their criteria, such as for inclusion or rating.
- We call on those funding and carrying out research to address the provision of assurance reports on sustainability reporting as a matter of priority.

Ways towards Assurance for Non-Financial Information

1. Assurance standards for non-financial information

Approach: IFAC Code of Ethics for Professional Accountants

Characteristics of ISAE 3000:

- “Umbrella” standard for assurance engagements for information other than historical financial information
- Distinguishes two types of assurance engagements
- “reasonable assurance engagement”
- “limited assurance engagement”
- Assurance provider is obliged to assess the suitability of the criteria to measure or evaluate the subject matter
- Three party relationship (assurance provider, responsible party and intended user)

Defining suitable criteria is crucial. Characteristics of criteria are:

- Relevance - relevant criteria contribute to conclusions that assist decision making by the intended user
- Completeness - criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted
- Reliability - reliable criteria allow reasonably consistent evaluation or measurement of the subject matter
- Neutrality - neutral criteria contribute to conclusions that are free from bias
- Understandability - understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations

How to find suitable criteria:

- “Shopping” approach
- GRI
- SA 8000, ISO, FSC
- Global Compact
- “Customize” approach
- Select suitable criteria from a set of criteria
- “Individual” approach
- Define your own set of criteria

2. Overview of approach

Step 1: Planning

- Objective: Plan
- Activities:
- Develop an assurance strategy

- Obtain an understanding of and identify risks related to the entity's business, industry and environment, its policies and practices, its performance
- Obtain a preliminary understanding of entity level controls and fraud risks, and changes since prior period
- Assess suitability of criteria
- Develop assurance approach

Step 2: Controls

- Objective: Understand reporting systems and evaluate controls
- Activities:
 - Evaluate the design and implementation of entity level controls
 - For assurance objectives
 - obtain an understanding of reporting systems
 - evaluate the design and implementation of relevant controls
 - test the operating effectiveness of selected controls
 - Assess risk of significant misstatement

Step 3: Substantive Testing

- Objective: Perform substantive procedures
- Activities:
 - For assurance objectives: Perform appropriate substantive procedures by means of analytical procedures and tests of detail, then conclude

Step 4: Completion

- Objective: Form an assurance opinion
- Activities:
 - Perform an overall review of sustainability report
 - Evaluate assurance results
 - Form an assurance opinion

Nicole West West
AFNOR, France

"CSR Assurance in France"



The objectives of this presentation is first to present the general approach adopted by the AFNOR Guide SD 21000 with regard to Assurance and then to enter into a few details of the social evaluation report which a large number of companies in France have to annually produce.

Guide SD 21000 helps top management to define a new vision, values and principles taking account of sustainable development.

When an enterprise decides to implement sustainable development and defines an action plan to improve into the consideration of the various stakes, it is of course important for the management to follow the progress made. Along this line SD 21000 recommends self evaluation and encourages analysis of the impact for the enterprise. But all along the preparation of SD 21000 and during the wide consultation before its publication it has been clear that in France, enterprises do not wish certification by third party to be implemented for sustainable development. Therefore SD 21000 cannot constitute the basis for certification.

However several laws in France request a number of companies to evaluate and report on their social and environmental aspects.

First, all the enterprises with 300 employees or more are obliged by law (n° 77 769 dated 12/07/1977) to prepare each year a social evaluation report. Secondly, each enterprise listed on the money market is subject to the NRE (Nouvelles Régulations Economiques - New Economic Regulations) law (item 116 of law n° 2001-420 dated 15/05/2001) and must publish an annual report on social, economical and environmental aspects, i.e. where they stand and which actions it has taken in favour of sustainable development.

The social evaluation report must be submitted to the labour/management Committee, it is discussed during a labour/management Committee meeting. It gives established facts and is not a prospective document. Its various items are defined in the law and it must therefore contain information on:

- Staff distribution according to position, age, sex, seniority, nationality
- Distribution of new employees/departures, of salary/salary increase
- Employment of handicapped people
- Importance of sub-contracting
- Training effort in favour of the employees
- Hygiene and safety : accidents, absenteeism,

The social evaluation report only gives a photography of the social situation in the company but an analysis of the facts may be a very important tool for a social policy as it enables to see clearly any unfairness towards certain categories of employees, any problem with regard to hygiene and safety if the number of accidents or absenteeism is too high or unduly increases,...

The annual report on sustainable development due by a number of companies, as mentioned above, in application of the NRE law, contains those social elements but in addition also gives the actions taken and commitments in favour of the environment and gives more economic aspects in particular with respect to shareholders. It is presented to the Board of Directors during the enterprise annual General Assembly. The law leaves the enterprise free to ask for independent assurance or not. In most of the companies and it is in particular the case of Schneider Electric, which stated its own experience, it is their own auditor who certifies the content of this annual report.

As a conclusion it can therefore be said that in France SD 21000 recommends self evaluation and the law implies detailed and clear reports on social, economic and environmental facts which are a good basis for a policy of progress.

Josef Wieland

ValuesManagementSystem^{ZfW}, Germany



ZfW – Zentrum für Wirtschaftsethik gGmbH

ValuesManagementSystem^{ZfW} (VMS^{ZfW})

ValuesManagementSystem^{ZfW}:

A New Standard for Values Driven Management

1. Sources of management standards of conduct

Up to now, we find three sources of moral standards of conduct for economical practice in Europe all of which still are in force and of importance. In the first place, there is the individual self-binding or self-regulation of persons by tradition and belief. Secondly, the collective self-binding or self-regulation of companies by collective contracts. And thirdly, the collective external binding or external control by law and governmental enforcement.

Ethics management systems and values programs constitute a fourth form which receives rising attention in Europe: Corporate and managerial self-binding and self-regulation by the company and their internal (organizational) and external (public) control.

2. Core subjects for integrative systems of ethics and values management

The first area in this context is the "Corporate Governance". Essentially it emanates from new developments in law and legal practice regarding compliance and risk management. The common core of all these developments is to emphasize the corporate duty to implement a compliance and risk management that is both preventive, comprehensive, and sustainable.

Preventive means it does no longer concern the mere detection of offences but first of all their prevention. Comprehensive means it does no longer concern just the control of numbers and processes but the enabling of upright conduct. Compliance and risk rather belong to the behavioural sciences than to law. Sustainable means it does no longer concern the introduction and control of processes, but the promotion of a constantly feasible and developing practice.

Prevention, comprehensiveness and sustainability are valid criteria to indicate the effectiveness of ethics or values management systems that are based on standards of good conduct and make them "living documents". As a display of collective moral commitment, they influence the organization's internal conduct and the ensuing risks by controlling risk perception and risk selection. All experiences show, however, that perfect and conflict free conditions can not be reached. Implementing a values management system is a permanent process of individual and organizational learning and development which is dominated by conflicting aims and which does not take a turn for the good but for the better.

The second area could be called "Good Corporate Citizenship" and "Corporate Social Responsibility" as part of it, that is the socio-political responsibility of companies in those regions and countries they are operating in

To put it briefly, Corporate Social Responsibility is about creating values driven management policies in order to deal with social and ecological challenges. Corporate Citizenship aims at the moral legitimization of a corporation as collective actor in a (local or global) community, with rights and duties. Of course, Corporate Social Responsibility should always be part of Good Corporate Citizenship, but this holds not true the other way round. I would like to argue that Corporate Citizenship is the more comprehensive and therefore dominant concept. It is the emergence of a real 'world economy' with global markets and world-wide value chains that makes companies face questions of social and ecological minimum requirements that apply internationally, e.g. the handling of child, prison or slave labour, the breach and enforcement of human rights, and last but not least the fighting of corruption. As a corporate citizen, companies have to develop business policies for these questions that once more have to meet three criteria: feasibility, credibility, and sustainability.

Feasibility means not to give any unrealistic promises, inside and outside the company, the failure of which would affect the company's reputation. Credibility means adequate communication of problems and conflicts occurring with the implementation of such standards. Sustainability means to place one's stakes on developing processes and not on short-winded actionism.

Finally there is the area that might be called "Integrated Quality Management". It includes everything concerning the quality standard ISO 9001 ff, the environment standard ISO 14000 or the EFQM standard. Ecological standards of exploitation and recycling of resources, and the avoidance of pollution are closely related. This holds also true for other social standards like SA 8000. All these systems, however, refer to the quality and integrity of corporate processes - even if the aspects are different. And there is another common feature: Experience shows that it is not the problem to establish these systems formally, but to fill them with life and dynamic in the day-to-day business. Quality management systems do not only deal with organizational structures but also with organizational and individual behaviour. This, however, means nothing else but that apart from control and certification, first there have to be economic and moral incentives for the individual's compliance with rules. The quality and integrity of management systems primarily are not the product of control and audits, but of the corresponding component of conduct which leads to the actual realization of these systems. This can not be done without values, without individual identification with a company's aims and values, without motivation and commitment, or without acceptance of responsibility.

3. Idea and concept

There is a need and a demand for agreed-upon criteria for good management behaviour. The ValuesManagementSystem^{ZfW} (VMS^{ZfW}) is a result from the cooperation of the Center for Business Ethics (Zentrum für Wirtschaftsethik - ZfW, the research institute of the German Network Business Ethics (Deutsches Netzwerk Wirtschaftsethik - DNWE) and a number of companies and economic associations. For one thing, the characteristic feature of this standard is that it resulted through and from the long years of practice of the involved companies. At the same time, however, it is based on theoretic reflection and on a conceptual classification in the New Economics of Organization and the Ethics of Governance based on it.

So it is the basic idea of the VMS^{ZfW} that actors need formal and informal rules and structures to realize sustainability in the moral demands on a corporation's economic, social and moral identity and reputation. Moral aspirations and rules that materialize in governance structures, that is institutions and organizations, are the structuring environment of individual actors' moral actions. It can emit incentives or disincentives that either promote or block moral acting. According to this, the VMS^{ZfW} is constructed in an incentive-sensitive way and aims at facilitating and promoting moral acting in organizations.

Ethics standards can refer either to a performance that is described exactly or to the development of a process. Performance standards in the field of corporate ethics usually attempt to set up objective indicators for an organization's moral performance. In contrast, process standards try to define the organization's basic values, concepts, structures, routines, and instruments connected to them, and their interaction. They are guided by the assumption that the implementation of defined basic values depends on the process-related structures, but that it is impossible to define the detailed moral performance of an organization or of its transactions as credible data. The VMS^{ZfW} doubtlessly is process oriented.

Standards need to be validated by an audit. Usually, performance standards try to organize this task by setting up objective ethics indicators and by verifying them via documentation and stakeholder perception. In contrast, the audit process developed for the VMS^{ZfW} by the Center for Business Ethics (ZfW) is based on the documentation of the systematic process and its assessment by members of the organization. This means, the audit investigates both the existence of formal structures and "living documents" (i.e. their realization in day-to-day business), and the atmosphere of the moral process. It can be carried out either by the company itself or by external auditors.

Performance standards that are based on indicators assume that information on moral processes in the company can be marked with the predicates completeness, relevance, and reliability. The VMS^{ZfW} acts on assumptions that are directly opposed. Information on moral aspects of economic transactions are always subject to incompleteness, uncertainty, and ambiguity. This reflects that companies are not highly hierarchic organizations that have an informational 'Archimedean point' which is apt to survey the entire spectrum. This also reflects that the moral aspect of an economic transaction can not be assessed only with regard to its moral quality - let me refer to the example of the phenomenon corruption. Therefore the

valuation of corporate moral processes or their performance turns out to be very restricted and, above all, does not make any statements on the moral quality of a company.

Another theoretic cornerstone of the VMSZfW is that it conceives the company to be a collective actor whose virtue constitutes itself exactly by the fact that it stands out against the virtues or vicious habits of its individual members. The basic values of the VMSZfW therefore are not the least common denominator of all organization members. Rather, they are those values of the organization which it expects compliance with by its members, and on the basis of which it wants to arrange its internal and external transactions.

The values management system developed by the ZfW in cooperation with companies and organizations is based on the moral self-binding and self-control of corporations. Companies are the owners of the process because they are the ones who voluntarily implement it and therefore have to take the consequences, too. This applies as well for the audit concept already mentioned. Ethics standards that are based on the assumption of corporate external moral control (colloquial: by the society, the entirety of all rational actors, of all persons involved, of all those eligible for discourse, etc. pp.) usually attribute the execution of the audit to NGOs or NGO-like audit institutions which then examine the company on behalf of the society. In contrast, the VMSZfW emphasises the basic role of self-control, while external control may enhance credibility.

The VMSZfW is structured dynamically, and the success of its implementation is assessed by the quality of the process of its internalization. Progress in this context refers to an audit process that is based on management by objectives. This differs the system from attempts to measure something like moral advance through comparative static comparison of indicator performance per period.

The values management is designed in a way that it may be, and is, applied by small, medium-sized and large companies. Today, both medical practices, construction companies and global players have implemented the VMSZfW. This gives evidence of the fact that the resources which are to be expended are specific and adequate, and the bureaucracy is limited - the system, however, is highly effective.

To sum up it may be said that the VMSZfW defines the basic requirements and constituents that an ethics management has to meet if it is to be accepted as a company's serious and credible effort. This does not exclude best practices or benchmarks but they do not make a static reference point of branches or even of all companies. All aspects developed here, especially the rejection of a performance standard, argue against the fact that this is possible at all.

Giovanni Bogani
Coordinator of the Q-RES Normative Group, Italy



CSR Assurance in Italy: The Q-RES validation process

Even if CSR is more and more known in the Country, the approaches are very diversified

- There are a number of Social reports and communications sometime not regularly issued , very few of them are verified by independent third parties
- Due to the diffusion of the Social accountability SA 8000 standard, also for the support given to it by some Regional Public Administrations , some companies confuse CSR with part of it , since this is dealing only one category of stakeholder
- The Italian Government approach is based upon an accounting report (a self-declaration questionnaire including 100 indicators inspired to GRI and covering 8 categories of stakeholders)

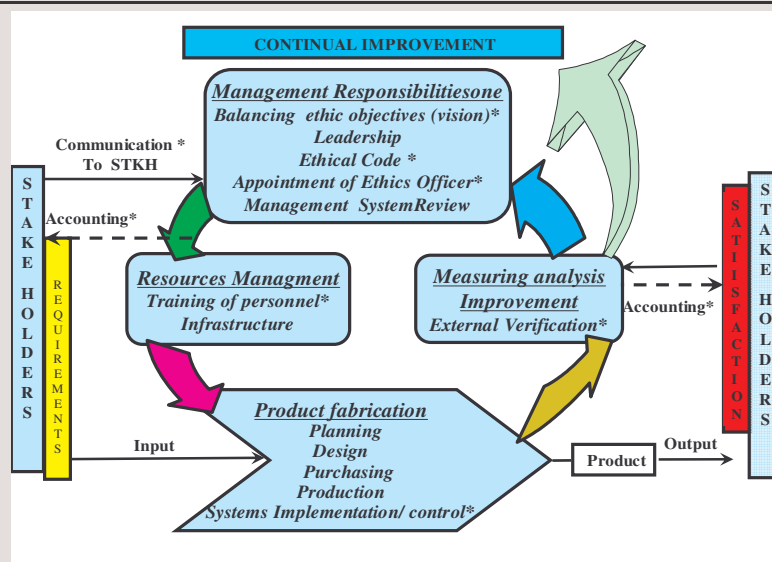
The Q-RES approach is the only Italian one based upon a General Management System including the requirement of a third party verification/certification ("built in" in the Model) and compatible with any form of accounting.

It is useful to recall the six tools used to establish the Q-RES System:
(part A of the Q-RES Standard)



The top management leads the process, diffusing the Ethical vision, writing a Code of ethics, making it known and understood in the organization by training actions, implementing and controlling the implementation in the operations, communicating to the stakeholders by means of social reports, voluntarily submitting the system to an independent audit to ensure effectiveness of the System itself.

When the system is in place it is necessary to implement, maintain and improve it: the best way to do this was individualized in the adoption of the ISO 9004 Model (oriented to the stakeholders, well known to some hundred thousands companies in the world): the typical ISO model of the next picture shows that the six tools used to establish the system are easily incorporated in the implementation model (see the asterisks marking the tools)



Any organization seeking reputation needs high credibility of all communications and reports issued to the stakeholders: the credibility will be very high for all the stakeholders if an independent and professional verification/certification (upon voluntary basis) will be made.

To obtain the maximum reputation, Bodies performing verifications/certifications must be highly reputed and they will be accredited/controlled to achieve homogeneous behaviours versus competitors and clients. People employed by the Certification Bodies for the assessments team shall be specifically qualified/certificated since the results of the verification are strongly dependent upon the auditors skills.

The part B of Q-RES Standard is conceived in analogy with all MS standards to allow implementation via the Plan- Do- Check- Action cycle, internal assessment and 3rd party auditing: there is a two stage control of the behaviours of the organization.

A Q-RES System can be also built as a sum of different Management Systems dealing each one with specific categories of stakeholders (e.g. ISO 9001 for Customers, ISO 14001 for Environmental issues, OHSAS 18001 and SA8000 for workers, etc): for this reason Q-RES is compatible with all MS standards and, in case certifications exist, these are very useful to simplify the verification work. It is clear that in any case, even if an organization is a collector of MS certificates, it will be necessary to assess the implementation of all the Q-RES instruments and particularly the system to balance the interests of all the stakeholders. Q-RES is compatible with diverse accounting/reporting systems since it does not specify requirements to exclude particular accounting methods.

As mentioned before the competence of all the assessors is of utmost importance for the credibility of the verifications and to deliver added value to the audited companies. The assessment of the compliance to the Q-RES standard is not easy and requires always a multidisciplinary team. A training programme is necessary to ensure an adequate professionalism and skills; it is to be remarked that the same should be made for System Managers and for System Consultants: as for all the Management Systems the professional roles requested to operate the certification " filière" are three : Consultant, Manager and Assessor.

Q-RES is a standard suitable for excellent organizations: at present it is not likely that it will be massively adopted. The interesting feature of the Standard is that it can be implemented gradually and in a flexible way, so it is likely that some companies will approach Q-RES progressing through a multiple Certification of Management Systems. Till now, companies implemented some of the instruments described in part A of the Standard. Since the Standard is new and we need to verify difficulties in the approach followed, a validation process has been initiated and 4 pilot companies accepted to implement the model (it is expected that the number will be increased soon). The validation will require about one year work and will give elements to improve the standard and to train the first assessors. It was decided that, all along this pilot phase, the Q-RES research team will maintain full control of the activities and will employ assessors qualified by accredited certification bodies operating in all the MS certification schemes, to ensure a very high competence level.

The validation process is based upon few simple principles:

- Companies participating to the validation phase to establish and implement a system in compliance with the standard
- After a proper lapse of time (3-4 months) an external verification is performed of the implemented system (as much as possible in accordance to EN ISO 19011/ 2003 guidelines)
- Check lists are used, based on all the requirements included in Q-RES Std.: the relevant findings and all the objective evidences are collected (the preparation of proper check lists will be a by product of the activity)
- The objective of the validation is to verify the applicability of the standard and to point out eventual modification needs to be proposed for a revision of the Standard.

It is expected that audited companies will benefit of the added value of the independent review and will obtain a professional gap analysis which will help them to decide further steps for implementation and improvement. The validation will give strength to Q-RES giving objective evidence of its applicability.

AccountAbility 1000 Assurance Standards - Accountability for sustainable development

Having started off with a greater focus on “accounting”, or data quality, the interest in CSR assurance has quickly shifted towards a more complex concept focusing on what really matters to stakeholders i.e. stakeholder-based materiality in order to handle the complex issues that sustainability raises. While the value of accuracy focused assurance to ensure reliable and comparable data for management and information users still remains, stakeholders expectations have clearly shifted towards assurance processes that go beyond assessments of accuracy to exploring the quality of processes such as stakeholder engagement, organizational learning and innovation as well as processes by which the organization ensures strategic alignment with key stakeholder expectations.

In March 2003 AccountAbility launched the first international assurance standard that advocates a reassessment of stakeholder-based materiality. Following the AA1000AS an assessor is expected to assess an organization’s performance against sustainable development commitments, policies, and strategies as well as stakeholder expectations and behaviour using three principles core to assurance.

The AA1000AS provides generally applicable principles for assessing, attesting to, and strengthening the credibility and quality of organizations’ sustainability reporting and associated management processes, systems, and competencies. It provides guidance on the assurance process for the assessor as well as the reporting organization.

The 3 principles of materiality, completeness, and responsiveness provide the framework within which an assessor can assess the report and related sustainability management processes.

- *Materiality* requires indicating how one defines which stakeholder issues are material to one’s business. For example compliance with law, industry codes, internal policy, or stakeholder expectations. These elements may vary across organizations end-markets according to regulatory, cultural, or geographical contexts.
- *Completeness* involves indicating how one: understands and measures one’s performance, impacts, and stakeholder views relating to identified material issues. This includes performance relating to organizational activities, products, services, sites, subsidiaries etc.
- *Responsiveness* requires indicating how one responds to material stakeholder concerns and interests in a timely fashion, and how sufficient resources are allocated to implement related policies, commitments etc.

Key to the provided guidance is the notion of stakeholder engagement and its role in both sustainability management and related assurance processes. Stakeholder engagement is at the core AA1000AS. The reason for this is two-fold: firstly, the standard is built on the belief that accountability processes need to be tailored to embrace issues that are specific to diverse organizations, their business sectors, stakeholders and business strategies and models. Secondly, because good quality stakeholder engagement processes can powerfully inform internal decision-making and enable learning and innovation.

The AA1000AS provides guidance to assessors on the content of public assurance statements. Along with issues such as the independence, impartiality and competencies, the standard requires the assessor to provide a conclusion on whether the organization:

Provides a fair and balanced representation of material aspects of the organization’s performance for the period in question (i.e. materiality).

Has effective processes in place for: identifying and understanding activities, performance, impacts and stakeholder views (i.e. completeness).

Has effective processes in place for: managing aspects of sustainability Performance and responding to Stakeholder views, including any significant weaknesses in the underlying organizational processes, systems and competencies (i.e. responsiveness).

Additional commentary should be provided including the progress since the last report and suggestions for improvements in reporting, and associated processes, systems & competencies for the next cycle.

Assurance Provider Competencies

Recognizing a gap in standards governing the emerging profession of sustainability assurance, AccountAbility and International Register of Certificated Auditors have partnered bringing together their respective expertise to develop a international program for practitioners, both internal and external to an organization whose performance is being assured, including but not restricted to those explicitly using the AA1000AS. The Certified Sustainability Assurance Practitioner Program provides the first multi-stakeholder defined professional competency framework in this area and supports harmonisation by providing practitioners a basis for benchmarking and individual certification.

AA1000AS and its relationship with other Frameworks / Standards

AA1000AS, designed to be a platform that can embrace other frameworks thus allowing and encouraging convergence, is a principle-based standard that does not advocate normative performance criteria, but rather emphasises the importance of processes that should in place to identify, understand, and respond to material issues. It provides a platform onto which the various specialized frameworks such as ISO 14001, SA8000 or Greenhouse Gas Protocols can fit to assess, measure, and manage specific sustainability performance issues, identified though stakeholder-based materiality.

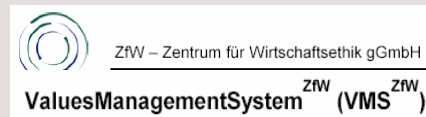
In the afternoon session, we examined 4 case-studies concerning the approach to CSR Assurance of European companies. The presentations pointed out as well how the issue of assurance helped their organizations to introduce changes and innovations in their management processes and styles.

Lothar Camek
Bilfinger Berger Civil, Germany

Stephan Grueninger, KPMG and VMS



**Ethics Management Systems and their Auditing:
Experiences with Values Programs in the
Building Industry**



Concepts of Ethic Management Systems and Ethic Audit Systems

Every ethics management is based upon definition and codification of those company values that determine its identity and structure its decisions. Such codes of ethics or codes of conduct have been standard for a long time in the international business and are demanded by many international organizations such as the International Chamber of Commerce (ICC).

Codified values have to be communicated in the company (intra team), among companies (inter team) and with regard to the society (extra team). Communication is the crucial medium to animate standards of conduct. Yet this is less a matter of information and PR but of something we want to call 'institutionalized communication'. Institutionalized communication is distinguished by the fact it is integrated into the operative business and therefore has consequences for the routine business.

The next step, the implementation, can be carried out and audited via compliance- and/or values programs on the one hand. Compliance programs strongly focus the legal aspect of business decisions and employees' acting. Usually they consist of informing the employees about their legal duties and the company's professed intention to have them fulfilled. Especially in the context of prevention of white-collar crime, this form of implementation plays a strong and useful role. Values programs, on the other hand, aim at the values-oriented self commitment and self control of the company and its employees. Along with codes of conduct and their communication, topics like trainings, recruiting methods, development of "ethics barometers" via bottom-up assessments and many others belong to a values program. Today there are two different versions of EthicsAuditSystems, analogous to the distinction between "third-party-enforcement approach" and "self-governance approach" already introduced. Via external control, they try to evaluate the ethical character of an organization by groups outside the company, e.g. NGOs. Via systems of (external audited) internal self control the existence and effectiveness of the implemented values program is evaluated by documentations and surveys. Three years ago, the Konstanz Institute for ValuesManagement (KleM) developed such an audit system and is very successfully employing it in the construction industry and other lines of business.

The fourth step is the organization of an EthicsManagementSystem. While "ethics officers/offices" play an important role in the US context, German-speaking areas prefer the functional integration into quality management, internal audit departments, communication departments or as a position directly reporting to the management. All these possibilities are productive, provided that both models can only have an effect and be viable as long as they are a top management concern.

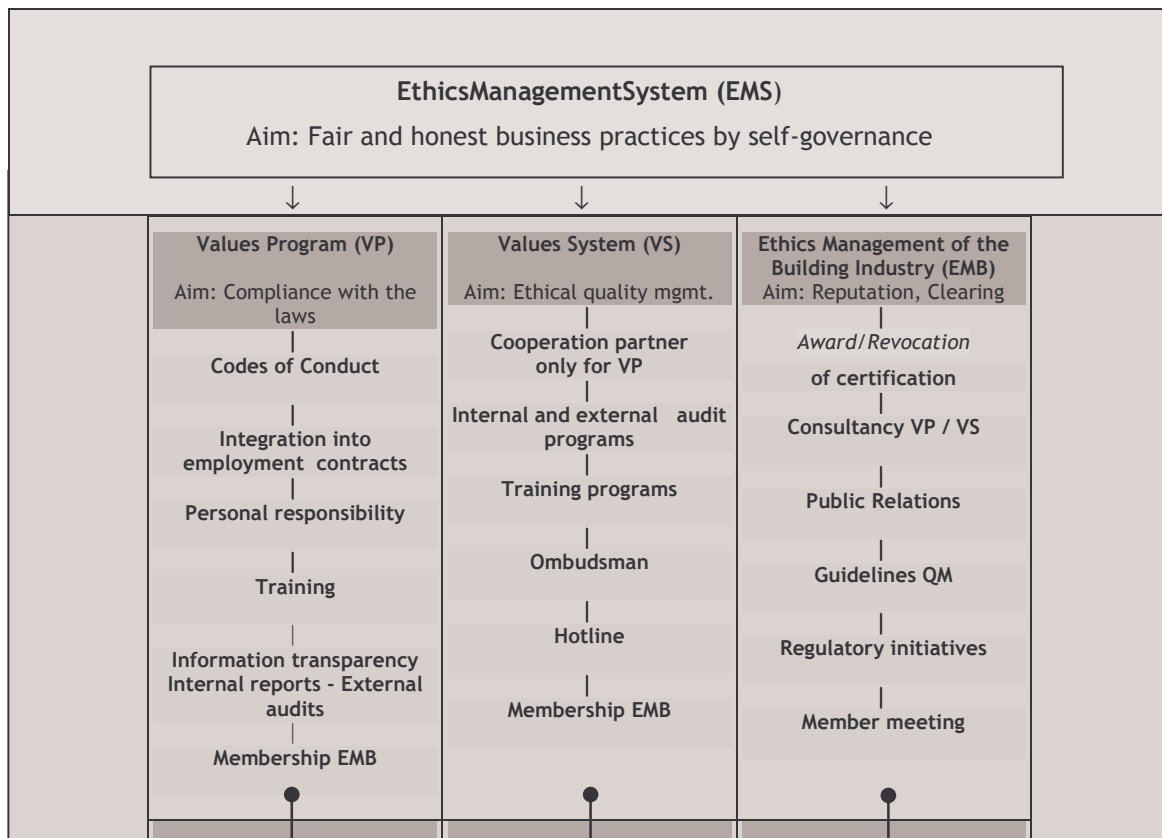
Experiences with Values Programs in the Building Industry - Results of an Empiric Study

Pulsed by the Association of the Bavarian Building Industry and oriented to US experiences, in 1996 approx. 40 member companies started to implement an EthicsManagementSystem (EMS) specific for the building industry. Mandatory elements of the values programs are: i) setup of codes of conduct, ii) integration into employees' working contracts, iii) high-ranking public responsibility for implementing and enforcing the values programs, iv) provision of appropriate trainings and v) information transparency including acceptance of an external, independent Ethics Audit. The auditing process is carried out by the "Ethics Management of the Building Industry" (EMB), an association that was especially founded for this purpose and that determined the standards of the audit. One of the prime aims of the initiative and of the program is to prevent illegal and undesirable practices in placing and executing (public) contracts in the long run. The EMS of the Bavarian Building Industry therefore has already attracted great political and public attention.

Figure 1 illustrates that the EMS rests on three pillars. The systematic core of the agreement are the mandatory components of the values programs, as described above (cf. left pillar). The EMB member companies need to have them implemented and enforced within a year after joining the association. The codes of conduct (i) represent a binding letter of intentions and aims and determine the values that rule a company. They can be seen as standards that are the basis for a cooperation management with public and private principals, suppliers, employees and other relevant groups which is fair and full of integrity. Must-be criteria that have to be described explicitly in the values programs are compliance with the law, denial of illegal employment practices and the expectation of business partners (e.g. sub-contractors) to have and carry out values programs as well.

An essential measure to operationalize the codes of conduct in routine business is their integration into employment contracts (ii). In detail this means that a company's commitment to particular standards of conduct has to be communicated to the employees, that the consequences of the standards have to be put down in the operating instructions of all relevant employees and/or that a corresponding stipulation has to be included into their employment contracts. This is to make unmistakably clear that the rules of the EMS and the values of the company determined in its values program have to be observed and that deviating behaviour will neither be tolerated nor tacitly expected.

Fig. 1: The three pillars of the EthicsManagementSystem of the Building Industry



The high-ranking personal responsibility (iii) is necessary for two reasons. First the introduction, implementation and advancement of the values programs have to be paid attention in an organization. Then it is mandatory for the management to make the decisions needed in ethical conflict situations - and to disclose the reasons. The latter will generate security of action for the employees and at the same time provide against morally "grey areas" to become subjects of economizing strategies. For executive duties this means not only the specification and checking of aims agreed upon is one of the relevant matters (Management by Objectives) but also the explanation, that aims are only to be achieved by a defined set of means (Management of Means). The employees' duty to inform their superiors in situations of problematic decisions thus prevents employees from acting illegally on the assumption they are supposed to do so - while such an action never was explicitly demanded by the management or other superiors. Furthermore the management members' integrity becomes transparent to the employees by this mechanism. So the management has the possibility and duty to actively observe their intended role model.

In order to create an ethical sensitivity and acquire decision competency in situations of moral conflicts, responsibility- and task-specific courses and trainings (iv) have to be established for employees. They should provide general basic knowledge in the field of business ethics but as well and in particular deal with case studies from the routine business, that are apt to illustrate the practical consequences for the employees arising from the codes of conduct. A result of such trainings can be the development of "rules of thumb" that may be regarded to be a rough guideline for the employees' conduct in moral conflict situations.

Finally there is the internal and external information transparency (v) which is meant to emphasize and promote the seriousness, trustworthiness and credibility of the values programs. Elements of internal communication may be regular discussions with employees, organization of internal reporting systems, publications and in-house magazines dealing with special aspects of the subject and so on. Mandatory is the acceptance of an independent external Ethics Audit that reviews and (where appropriate) confirms the implementation and enforcement of the values programs. This procedure is carried out for the first time once a company has issued its values program according to the EMB guidelines and has reported this to the association (certification audit). At the end of one year the audit procedure is repeated (repetition audit) and for the future, the programs are regularly reviewed every three years (verification audits). This takes us to the question of the external verification of values programs. As already mentioned, we developed an audit method at the Konstanz Institute for ValuesManagement that determines in a two-step process if and how companies realized corporative ethics programs. This EthicsAudit consists of a "documentary" and a "validating" part. The first one is conducted along a questionnaire that the companies send back to the auditors before the audit takes place.

This questionnaire is designed in a way that provides first clues as for the way a company has realized the particular mandatory components of the EthicsManagementSystem in its values program. So the questions refer to specific regulations with regard to co-operation partners (e.g. public and private clients, employees, suppliers), control- and reporting systems, compliance components, incentive systems, trainings, as well as to channels and media for internal and external communication of the values program. On the date of the on-site audit first of all the allegiance to the truth of the data stated in the questionnaire is reviewed. Relevant documents have to be submitted, such as the written values program including standards of conduct, internal work instructions, training programs, agendas of management conferences, minutes on relevant decisions, materials of the PR work and so on. So the documentary part of the Ethics Audit conduces to the verification as regards the establishment of a values program.

In contrast, the validating part of the EthicsAudit conduces to gain an impression about the realization of the values program in the routine business. Members of the executive board, managers, employees working in "critical" areas (e.g. sales, cost accounting, purchasing, site supervision) and randomly selected workers are interviewed for this purpose. In a final talk with the management the results of the EthicsAudit and proposals to advance the company-specific values program are discussed.

Conclusion

Business ethics in the age of globalization of markets and organizations is a strategic and operative management task. It belongs to "good corporate governance" and is an international standard in strategic management. Governance ethics emphasizes the importance of constituting organizational structures in the company as a medium to stimulate individual moral conduct. So it is in accordance with the development of national and international law that more and more holds company bodies responsible - via legal figures like management- and executive board's liability or organizational negligence - for the conduct of the company and its employees. The empiric study in the Bavarian building industry shows that such management instruments can also be used to develop corporate culture and strategy. The results furthermore support the governance ethical thesis that moral discourses in and between companies can only be achieved by a previous instrumentation of business ethics.

- *CIS and The Co-operative Bank came together under Co-operative Financial Services (CFS), April 2002*
- *Seven million customers.*
- *Assets under management - £33.5 bn*
- *More than 14,000 UK staff - including CIS' 3,000 home service Financial Advisers*
- *Previously, CIS and the bank had excellent reputations for Corporate Social Responsibility and Sustainability. Going forward, Chief Executive, Mervyn Pedelty wishes to see CFS pursue highest common denominator*
- *Major delivers will be i) ecological sustainability, ii) stakeholder dialogue and iii) warts and all reporting*

In the financial sector CR needs to be focussed on the expectations and behaviour of the investors.

- ** 36% of current account customers state ethics as the reason for joining*
- ** 30% of bank's total profits attributable to 'ethical' customers (c. £40 million)*

Since expectations and behaviour change over time with society one needs a flexible approach that helps picking up on the (current) material issues institutionalised or just emerging to manage them and respond in an adequate manner as expected by our stakeholders including our.

As a process standards, the AA1000 Assurance Standard offers the framework for such a flexible approach with its 3 principles - materiality, completeness & responsiveness and stakeholder engagement at its heart, and more is specifically designed to be consistent with, and to enhance, the Global Reporting Initiative Sustainability Reporting Guidelines, as well as other related standards an organisation uses issues identified.

The Co-op Bank (part of CFS) applies processes of stakeholder engagement on a large-scale
The Coop bank send out questionnaires to most of their customers asking them for their opinion on how the bank should invest their money in their name i.e. asking them for their preferences concerning the investing criteria to be adopted by the bank. - **"You have to let adults make adults decisions."**
Co-op bank launched its customer-led ethical policy in 1992, which is subject to an ongoing revision (1995, 1998 and 2001)

- *Materiality: how one defines which stakeholder issues are material and those, which are not material, to one's business; for example compliance with law, industry codes, internal policy, or stakeholder views. These elements may vary across organizations end-markets according to regulatory, cultural, or geographical contexts.*
- *Completeness : how one: understands and measures one's performance, impacts, and stakeholder views relating to identified material issues. This includes performance relating to organizational activities, products, services, sites, subsidiaries etc.*
- *Responsiveness: how one responds to material stakeholder concerns and interests in a timely fashion, and how sufficient resources are allocated to implement related policies, commitments etc.*

The co-op bank views robust assurance as key to underpinning sustainability related performance, not merely a means of improving the credibility of reporting, but also of raising the effectiveness of related sustainability management/ accountability processes thus ultimately of improving performance and uses the AA1000 Assurance Standard.

(1) Internally - to & inform their accountability management processes, which inform decisions on disclosures and provides guidance on internal assurance

(2) Externally - through its application by a third party not only checking on data accuracy but assessing the quality of processes such as stakeholder engagement, organisational learning and innovation as well as processes by which the organisation ensures strategic alignment with key stakeholder expectations.

The ongoing and open dialogue with our stakeholders and external assurance constantly challenging us on and assessing our impacts and related performance helped us to become who we are and what we stand for - *UK general public rank 1st as 'a financial provider who takes ethical and environmental issues into account' [NOP, 2004].*

...and our success speak for us - The Co-op bank is UK MPs cite most when asked to 'name companies who best demonstrate the principles of CSR' [BPRI, 2003] and has won many awards for it reporting over the last since 2002.

Awards:

CIS

- UK Sustainability Reporting Awards (SRA), 2002 & 2004 -Winner,
- UK Environmental Reporting Awards, 2003 - Runner up

The Co-operative Bank

- UNEP Global Benchmark, 2002 - Ranked First,
- European SRA, 2003 - Overall winner,
- UK SRA, 2002 - 2004 - Overall winner

Co-operative Financial Services

- UK Sustainability Reporting Awards, 2004 - winner and joint winner Electric media commendation.
- UNEP Global Benchmark, 2004 - Ranked First.

Claus Frier
Novozymes, Denmark



Novozymes modular approach to CSR Assurance

The approach taken by Novozymes to CSR Assurance is a 'modular approach', which can be synthesized as follows:

"we talk with different people to get the right assurance".

The basic idea is that in the field of CSR Assurance different skills and competencies are needed, and different organizations can provide the best answer to different questions.

Therefore, the modular approach by Novozymes to CSR Assurance is articulated as follows:

- When it is about seeking assurance over hard DATA and FIGURES => Novozymes relies on the work of professional ACCOUNTANTS;

- | | | |
|---|----|---|
| <ul style="list-style-type: none"> • For assurance over social, ethical and, with environmental ISSUES that are crucial the in the different business activities | => | Novozymes seeks the dialogue the representatives of all relevant STAKEHOLDERS involved; |
| <ul style="list-style-type: none"> • When it is about assurance over the MANAGEMENT SYSTEMS, concerning the overall CSR strategy | => | Novozymes asks the opinion of CSR EXPERTS. |

Roberto Zangrandi
Enel, Italy



CSR Assurance & Organisational Learning

Enel is the largest provider of electric power in Italy, thus enjoying a particular exposure and often a controversial perception in the stakeholders community. Its approach toward CSR, although recent, has been based on strong commitments and material deeds.

We set up 230 CSR KPIs that are currently implemented; 76 derived items have been converted into specific CSR targets and included in the 5-year rolling strategic and industrial plan. CSR reporting and the relevant scoreboards have been implemented with a network of 50 key data-owners and over 200 data providers.

A Human Rights and Corruption fighting policies for domestic, international and overseas subsidiaries are currently under implementation.

We steadily monitor integrity and consistency of requested and collected data through a rigid data-owner's manual and a homogeneous data collection over time, assuring comparability of single data and aggregations. We seek consistency in new KPIs selection and relevant data collection procedures channelling the CSR data through a cross control at BU, divisional and corporate level. Thanks to this approach, we reached a strong integration between CSR design and CSR control, granting our structure a high adaptation ability in the perspective of changing standards (rating agencies, supranational bodies, etc.).

Based on our experience, we prefer to avoid fantasy, green wash and window dressing. We are able to report the facts, look for facts within the organization, track results, identify the influencing actors, involve them in larger plans and strategies.

As a consequence, assurance is made of dependable processes, tested procedures, shared knowledge, understandable targets and respect for the individual roles and abilities: then control is easier and effective. We also are positive about the fact that Chairman's, CEO, BoD, Management Committee's commitment is basic and must be sought and maintained. If the top spreads the word, the lower levels will react beyond expectations and over a longer span of time.

This is the reason because we started in 2005 a comprehensive training schedule for over 4,000 middle managers.

Issues we are facing are:

Strong separation between the most efficient and fast paced companies and the ones approaching CSR at slower rate: this may affect mainstreaming of CSR among purveyors, clients.

The consequent two or three tier approach to CSR might ignite different auditing approaches thus threatening a reliable assurance environment or simple and basic comparisons: we think of mainstreaming also CSR implementation techniques, but a strong set of recommendations might frighten the SME thus discouraging adoption of consistent CSR practices.

Larger corporations, more dependent from the SRI Funds and rating agencies, might feel entitled to elaborate own ways to perform CSR and international or common standards move faster than national ones or than corporate processes.

5.3 Conclusions on future of CSR Assurance

As already noted in the benchmarking study, there is some divergence between the five frameworks with regards to CSR assurance. The approaches can be summarized as follows.

The AA1000 Series includes a specialised "assurance standard" that in many ways goes to the heart of its values and orientation, by defining the key assurance principles of Materiality, Completeness and Responsiveness, and also includes specific requirements concerning the independence, impartiality and competencies of the assurance providers.

SIGMA's approach to assurance is in many ways similar to the AA1000 approach for the simple reason that it has formerly adopted the AA1000 Assurance Standard as the "Intel Inside" approach to assurance it advocates.

SD21000 does not really deal in detail with this subject, indeed it is based on self assessment and does not give guidance on how to perform it, even if it seems obvious that somebody in the company should be in charge to check that the action plan prepared by the Board. No external (third party) verification is planned in SD 21000 as the French companies insisted on the fact that they considered certification process as inadequate for sustainable development and objected to any kind of certification.

VMS 's approach to assurance is based on self-governance which emphasizes the key plaid by the organizations who voluntary adopt a self-binding CSR management standard like VMS. Nevertheless the existence and effectiveness of VMS within an organization can be verified by an external auditor on a voluntary basis

The Q-RES approach to assurance is twofold. In the Q-RES guidelines the framework defines "excellence criteria" and "auditing evidence" for the external verification concerning the adoption of Q-RES management tools. In the Q-RES model it defines a CSR management system based on a ISO-like model that can be certified by independent third party.

Despite this divergence, all approaches agree on the fact that some form of assurance is needed in any CSR management framework, to ensure the credibility of CSR commitments and practices towards the organizations's stakeholders.

The discussion raised at the Roundtable pointed out a number of considerations concerning risks and opportunities of CSR assurance:

- **Verification of corporate reporting or assurance over business management systems?** Very often CSR assurance is mainly intended as verification of (published) CSR, social, environmental or sustainability reports, i.e. on providing a qualified statement on the reliability of reported non financial information and its conformity with recognized reporting standards, such as the GRI (this is the approach presented by FEE). Another approach is to think at CSR assurance as dealing as well with the underpinning management systems that are aimed at improving the overall organization's performance, including its social and environmental performance (this is the approach presented by Q-RES, VMS e AA1000AS);
- **Auditing the CSR processes or the performance?** Linked to the above issue is the problem of whether CSR assurance is about auditing the process and systems in place, or auditing the levels of resulting performance. Q-RES, VMS, SD21000, SIGMA and AA1000 are all general CSR management framework, therefore they are process-oriented: there is no 'certification' of levels of performance according to this

frameworks, although other CSR standards (more specific on a single stakeholder or single area of CSR issues, such as SA8000) may require assurance over specific levels of performance resulting from corporate activities;

- **Quality vs. quantity of reported information** - Participants agreed that there is a general issue concerning the quality of CSR and sustainability reporting: as someone noted “*we reached a point where the quantity of reported information is incredibly vast, but the quality of this information needs to be increased significantly: companies should disclose less but of the right quality*”. To point out what is meant by ‘quality’ of information, the concept of *materiality* was reaffirmed: “*information required by the stakeholders for them to be able to make informed judgements, decisions and actions*” (quoted from AA1000AS). Other comments highlighted the importance of stakeholder engagement for meaningful reporting: “*Corporations likes to communicate with stakeholders but to communicate effectively it is not enough to say something, it is essential to share something with someone else*”;
- **Standardization:** The emergence (or convergence) of standards for CSR assurance can be beneficial, by increasing transparency and comparability of assurance practices, and enabling a wider adoption of common approaches, but some participants also noted that standardization bears with it the risk of stifling innovation and limiting the development of company-specific approaches;
- **The role of stakeholders in CSR Assurance:** One of the key challenges for CSR assurance was identified in the need to balancing out the power and influence of stakeholders where, because some stakeholder voices may be louder than others (eg media vs community group), certain issues are seen to be more material than they actually are, while others are not considered important. Nonetheless, assessment of materiality to stakeholders must form the basis of determining scope within CSR assurance;
- **Compliance and values-based orientation:** A key concept, reaffirmed in the concluding remarks by Josef Wieland, is that CSR Assurance needs to include both an orientation towards *compliance* (of processes and management systems) and an orientation towards *values* (diffusion of a corporate culture based on a shared identity and core CSR values). The implementation of an effective CSR management framework means that CSR values are used as a guide in strategic decision-making processes of the firm.

6. Stakeholder Engagement and Workers Participation - The Rome Roundtable

6.1 Introduction

The fourth European Business Ethics Roundtable was held in Rome on the 12th November 2004, hosted by ENEL, the leading Italian electricity company, which is a member of the Q-RES Project. The meeting was very well attended, with over 35 participants representing European individual businesses, industry associations, trade unions, consumer associations, environmental organizations, human rights associations and the academia.

The title of the Roundtable was

CSR Standards for Sustainable Development:

Focus on Stakeholder Engagement and Workers Participation

Simone de Colle introduced the main themes to be discussed at the roundtable by addressing to the audience four key questions concerning Stakeholder Engagement:

- **Why is Stakeholder Engagement crucial for a CSR business strategy?**
(When and why organizations engage with stakeholders)
- **What are current corporate approaches to Stakeholder Engagement across Europe?**
(Which methodologies, practices and management tools are applied)
- **What are the fundamental issues in Stakeholder Engagement practices**
(Who are - and who represents - the organization's stakeholders? Will they trust it?)
- **How can Stakeholder Engagement help improving business strategy?**
(Organizational learning and innovation)

Lorenzo Sacconi contributed to stimulate the discussion with a presentation focussing on the role of multi-stakeholder dialogue and participation within a strategic CSR management framework at company and societal level.

Lorenzo Sacconi
Q-RES, Italy



The role of multi-stakeholder dialog and participation
within a CSR strategic management model at Company and Societal levels

Let me start by asserting two basic propositions about CSR:

- CSR can be defined as an *extended model of corporate governance*: a multi-fiduciary model of the firm;
- The voluntary nature of the mechanism of implementation of CSR is based on *explicit self-regulation and reputation*.

The nature of CSR as a model of extended corporate governance extends the concept of fiduciary duties from a mono-stakeholder setting (where the sole stakeholder relevant is the owner of the firm) to a multi-stakeholder one in which the firm owes fiduciary duties to all its stakeholders (the owners included).

The endogenous incentive pushing a corporation to voluntarily comply with the CSR model of governance is *reputation*: it is the main motivational drive to comply with CSR fiduciary duties. Reputation is a crucial intangible asset of the corporation, as it reduces transaction costs in the relationships with its stakeholders. Reputation and trust are self-enforcing mechanisms for social norms, because respecting norms induces reputation.

But reputation is a fragile social mechanism. It involves a cumulative process of beliefs changes and learning concerning the firm's compliance with pre-announced commitments:

- Stakeholders update their beliefs over the possible "types" of the company seen a long run player;
- One of the long run player's strategies is the "CSR" type in order to support reputation;
- After some learning the stakeholders will trust the firm;
- Then the best response of the firm is to continue supporting his reputation.

To enable the reputation process, the firm should announce verifiable and unambiguous commitments to be carried out by specific actions: stakeholders must be able to verify whether any possible commitment of the firm has been complied with or not.

Therefore, there is a demand for self-regulatory *explicit standards of CSR*. There is a need for Voluntary CSR social norms: they must be explicitly stated and not merely discretionary. But "Explicit" do not means enforced by the law: it means that they must be acceptable to both firms and stakeholders. Stakeholders' consensus may be elicited by a shared standard based on social dialog. Then CSR standards can be self-imposed by the firms themselves (voluntary but not discretionary).

Thus a CSR standard becomes a self-enforcing norm based on reputation effects. If the standard is correctly applied, reputation increases, on the contrary reputation decays or even vanishes. A loss of reputation is an effective punishment to the company.

Multi-stakeholder dialog at company level

The logic described above can be put in place with a multi-stakeholder dialogue both at the company and at the Societal level.

Within the company:

- Enunciation of the "social contract" stating the firm's fiduciary duties towards its stakeholders: if this statement is formulated on consultation with the stakeholders, the probability of its acceptability is enhanced and the parameters by which behaviour is assessed ex-post are known to both parties
- Internal implementation: The presence of external members on corporate board or committees enables the representation of the stakeholders' points of view and prevents divergence between the ex post assessments by the two parties;
- Social accountability: Dialogue with stakeholders identifies the areas of their effective interest for which account should be made, and therefore ensures the relevance of social reporting;
- Company level watch dogs: At company level both internal and external stakeholder and their representatives are in the best position to monitor and signalling company compliance by using voice, which influences also stakeholder willingness to exit;

Multi-stakeholder dialog at societal level.

The next stage in CSR is the emergence of civil society intermediate bodies able to promote a social dialogue aimed at:

- Creating a broad consensus on CSR standards;
- promoting independent verification of compliance with those standards by means of appropriate monitoring and certification methods;
- Enabling lower level 'watch dogs'.

There are several reasons why we need multi-stakeholder bodies of the civil society:

- Public statements of standards are needed to define a common benchmark against which different companies may be compared;
- Stakeholders may not possess the relevant information or the relevant reference criteria and knowledge to judge the firm's behaviour and communications;
- There is an obvious risk of collusion between audit agencies and the firms that this same agency should subject to its scrutiny;
- Social institutions should be designed in such a way to provide incentives against collusion and conflicts of interest.

With regards to the organizational form of multi-stakeholder bodies, the following characteristics can be pointed out:

- non-profit organizations;
- a broad base including business associations representing each type of enterprise (for-profit, cooperatives, non-profit);
- the representative of principal stakeholders: trade unions, consumers, environmentalist associations, professional associations, non-profit associations advocating human rights and social welfare, local authorities;
- support by a network of rigorously independent research centres (Universities).

Two recent Italian pilot experiences of multi-stakeholder bodies are worth to be mentioned:

- Regional level: multi-stakeholder observatory on CSR (Trento);
- National level: inter-university centre ECONOMETICA, operating as the basis for multi-stakeholder forums and as an independent monitor on best practices, guaranteed by the involvement of the scientific community.


Conclusion.

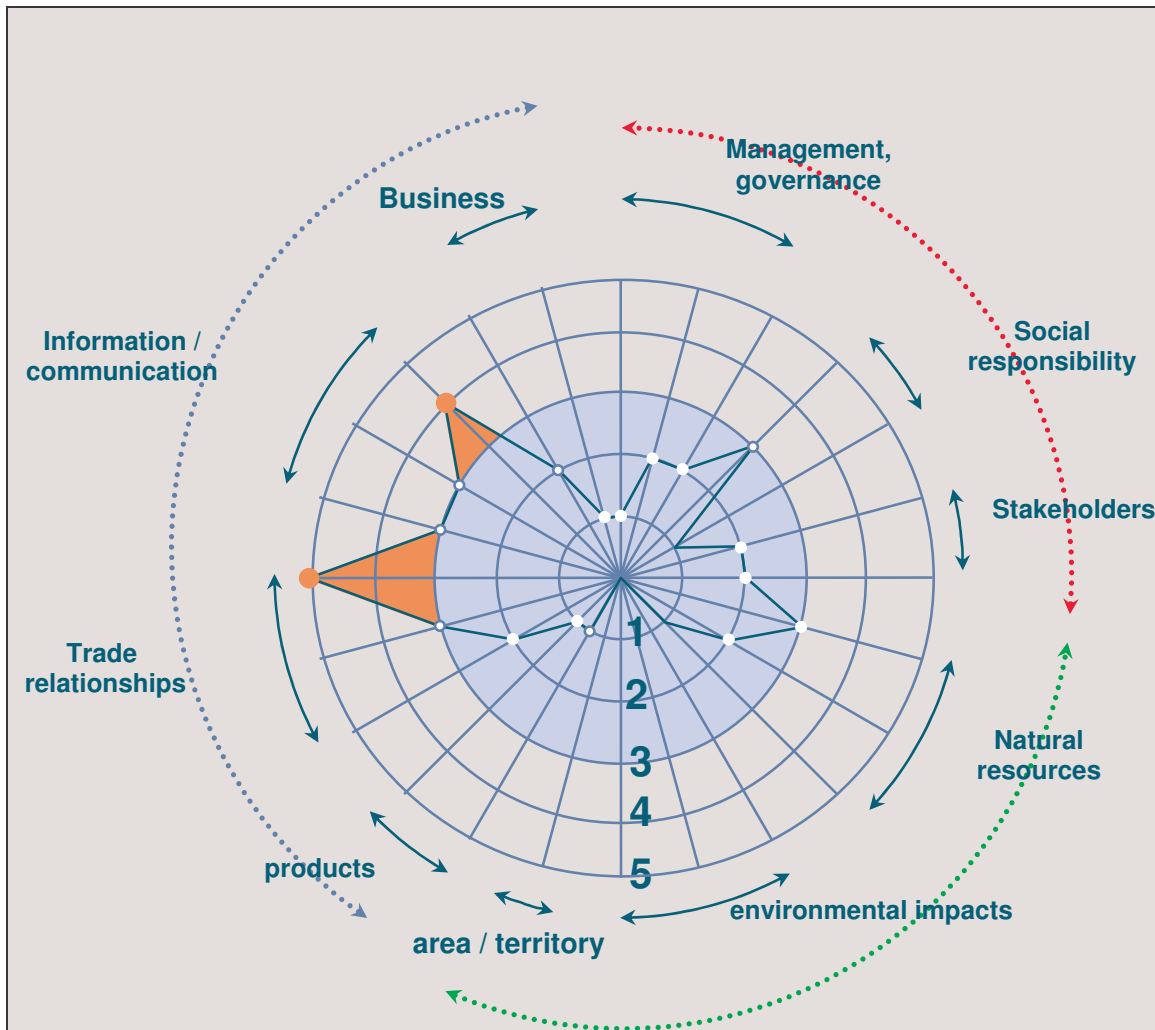
Multi-stakeholder dialogue on CSR can be facilitated by the creation of civil society institutions endowed with competence, moral authority and independence, considered widely representative of the interests at stake.

This would also lead to strengthening those intermediate social bodies that underpin a modern economic democracy and a democratic society in general

6.2 Summary of the interventions

The morning session was devoted to present four company case-studies presenting concepts, approaches and methodologies applied by corporations in France, Germany and Italy (2 case-studies). Below a summary of the presentations.

<p>Bernard Haesen Produits chimiques de Loos, France</p> 				
<p>Produits chimiques de Loos : engaging with corporate Stakeholders according to the SD21000 methodology</p> <p>Produits Chimiques de Loos is a subsidiary of Tessenderlo Chemie, with 230 employees and located 2 miles from downtown Lille since 1823. This enterprise is the only Seveso plant in the Lille suburb.</p> <p>All the work we made with AFNOR is based on a list of 32 stakes of sustainable development, including stakes on stakeholders (now their tool considers 34 stakes), considering 5 performance levels and 5 degrees of initial importance. the first step, we have given for each stake a degree of importance added to the form which already contains the level of performance.</p> <p>For example: « Relationship between the stakeholder's expectations and the enterprise policy»</p> <p>Performance:</p>				
1	2	3	4	5
Only the expectations of costumers are considered as significant stakes for the enterprise	Identification of the influence of the stakeholders requirements on the enterprise activity and reciprocally of the impact of the enterprise activity on the stakeholders	Integration of the stakes supported by stakeholders on the plurianual programme of the enterprise according to the degree of urgency, the feasibility and their impact on social, economic and environmental aspects	Take care of the complementarity and consistency between the stakeholders expectations and the enterprise policy	Development of partnerships with stakeholders « Win-win » strategy, trust atmosphere between the enterprise and the stakeholders, benchmarking
<p>The initial Importance [1; 5]</p> <p>All this analysis of the enterprise's practices allows a presentation of the firm performance on the various stakes:</p>				



The second step of this diagnosis tool is based on the reflexion on a list of around 35 stakeholders considering 5 degrees of importance and indication of which stakes are of importance for each stakeholder on basis of their expectations.

To study the consideration of stakeholders, there are 2 general possibilities:

The quickest one: estimation of the stakeholders' expectations on the basis of the enterprise knowledge.

The best one but taking more time: meeting the stakeholders to determine which are their expectations and the stakes which are corresponding to those expectations.

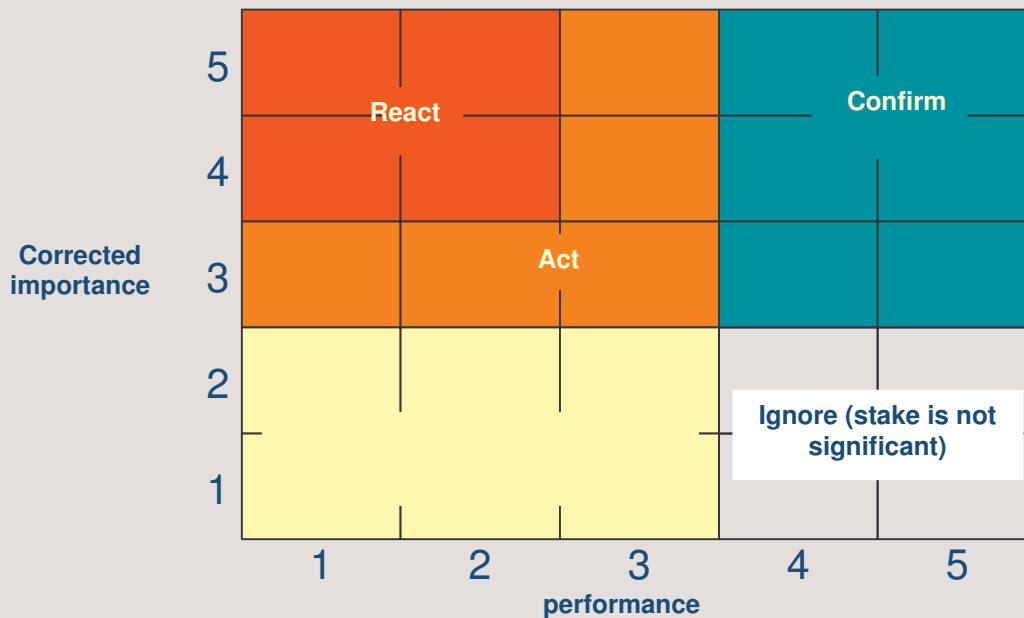
The method we used was first the simple estimation, but we planned for the future (in the action plan) meeting with our stakeholders to determine more precisely their expectations.

Then, according to the SD21000 guide, each stake importance is reviewed and if necessary corrected according to the stakeholder's expectations and importance. In this hierarchical mechanism there are 2 types of corrections:

The correction of the stakeholders importance : if a stakeholder supports many stakes and was not considered very important in the first evaluation, it may be appropriate to increase the stakeholder degree of importance.

The correction of the stakes importance : if a stake, which is not considered as very important for the enterprise, is important for several stakeholders which are very important for the enterprise, it is necessary to correct the initial stake importance

We can then cross-check (balance) the corrected importance of each stake with the performance and determine if this stake is a priority or not, as shown in the next figure.



Our results are that we have corrected 4 importance degrees:

2 stakes importance (staff transportation from 1 to 2 and biodiversity from 1 to 2)

2 stakeholders importance : ADEME - the Environmental and Energy French Agency - from 1 to 2 and territory communities from 2 to 3.

We identified the stake "identification of stakeholders" as a significant stake and fixed an action plan with UIC, environmental NGO's, town hall, media, neighbourhood, "navigable ways", DRIRE, ADEME, Tessengerlo group

In a second step we will meet the stakeholders to determine more precisely their expectations (validation of our first estimations) and to express our own expectations with regard to them.

The main lesson we learnt from experimenting the AFNOR tool is that the stakeholders' engagement is a real need in order to implement sustainable development.

Andrea Mantero
Coop Consumatori Nordest, Italy



Stakeholder Engagement in the development of the code of ethics

Coop Consumatori Nordest (CCNE) has developed many experience about stakeholder engagement.

In 2001 we adopted Chart of Cooperative Values: This chart has a multi-stakeholder approach; within the structure we can recognize all the different trustees who constitute CCNE.

In 2001 we established the Value and Policy Commission: in 2001 (a new organism with the precise task of verifying the coherence between the values set out in the Chart, the corporate strategy, and economic and social results.

This Value and policy commission is made up of 5 democratically elected associates members and three independent representatives from associations external to CCNE (such as consumers

organizations or citizenship networks). The presence of these three independent figures guarantees impartiality in the commission's work.

But we have a more operative phase consisting of empirical research into the values of Coop Consumatori Nordest with the final aim of developing the Chart of values into a Code of Ethics following the guidelines of the Q-res project.

We wanted to investigate:

- How values are expressed through formal and institutional documents
- How values are perceived by the management and by the stakeholders
- And finally to identify ethically critical areas between CCNE and its stakeholders

This research was carried out by means of an in-depth interview of some key internal and external figures. The interviews involved a sample of 60 people representing the different types of roles inside and outside the company. The interview covered five main areas:

- Perception and evaluation of the mission
- Identification of relevant stakeholders
- The conception of cooperative social responsibility
- Analysis of critical decision-making areas
- Analysis of expectations related to the introduction of the Code of Ethics.

The interviews provided us with some extremely interesting material with which to put a company ethical code in place.

We were able to identify how the level of social responsibility in CCNE is currently perceived, who the recognised stakeholders are, and which are the critical areas to be brought into line to implement an ethical code which is both effective and 'embedded' within the organizational reality of CCNE.

Also in this phase we have tried to give voice to the relevant stakeholders, individuating the key ethical issues involved in the relationship between CCNE and the Stakeholders. To do this we formed five multi-stakeholders focus groups which discussed the following themes.

- Relationship between CCNE and associate members
- Relationship between CCNE and employees
- Relationship between CCNE and the Community
- Relationship between CCNE and the consumers
- The role of the management

The participants in these focus groups were chosen as experienced people (both from within the company and stakeholder representatives) who could bring specific knowledge within the theme of each focus group (for example, the director of human resources took part in the focus group relative to employees, the commercial director in the focus group relative to consumers). In the same group were the legitimate representatives of the stakeholders (for example trade union representatives in the employees focus group, and representatives of consumer associations in the consumers focus group).

The participants of the focus group worked on a grid which correlated the following :

- The principles and values outlined in the List of Cooperative Values,
- the critical areas identified as a result of the interviews
- the indicators of the Social balance.

The participants discussed whether the critical areas needed to be brought into line or not and which were the principal elements that should be contained within the norm. Finally they were asked with which procedures these norms should be periodically verified and evaluated.

The result of these five focus meeting was twofold:

- Precise, competent and effective directions for the drafting of the ethic
- An effective and constructive dialogue which facilitated an exchange of information and opinions, from different areas of interest.

Otto Geiss/ Karena Purper
Fraport AG, Germany



Mediation and Communication as a Stakeholder Dialogue
Fraport AG, Germany

In the context of expanding the capacity of their airstrip system, Fraport AG / Frankfurt Airport Services Worldwide are planning to build a new runway. Along with building the new airstrip North, the airport expansion plans at the same time include building a third arrival and departure terminal in order to manage the rising streams of passengers.

With its enormous investment volume of approx. 3.3 billion Euro, the expansion of Frankfurt airport, to be realized in 2009/2010, at present is one of the largest construction projects in Germany.

The introduction of a values management system was decided in 2003 with the aim to secure all business relations and processes, internally and externally, to be transacted with fairness and integrity. So the focus of the Fraport values management system is to prevent corruption in the context of the corporate risk management (as defined, e.g. by KonTraG and TransPuG).

The values management system primarily concentrates on all stages of the expansion program but as a matter of course applies as well for all business processes of Fraport AG, as a declaration of basic values. Its visible core is a defined and published code of conduct that describes and summarizes the three central aspects: compliance with the law, gift giving and receiving policy, and loyalty towards the interests of the company.

In order to communicate and implement the values management system, a 2 years' project was initiated; all in all the implementation is to take a time of 3-5 years until the values management system will have become a natural "fix part of the company culture". So it is not just a matter of writing down and announcing some standards but of achieving a noticeable mental change of behaviour.

Organising the implementation

The Fraport AG code of conduct was developed by an internal task force ValuesManagement that consisted of executives of the departments that were involved in the expansion, and of specialists. Then a project group to implement the values management system was established the head of which was allocated to the internal auditing.

Implementing the values management system meant to break with all previous experiences in the building industry and to change the mental attitude towards employees' self responsibility. In this context, the following measures were taken:

- Fraport AG becomes a cooperative member with Transparency International Germany as well as an active member in the ZfW (Zentrum für Wirtschaftsethik, Center for Business Ethics) Committee for ValuesManagement (AfWZfW).
- Performing a corporate risk screening in order to identify especial exposed areas in the process of awarding and realization
- Including an anti-corruption formula in consultancy contracts
- Development of the Fraport codex of values "Values Management system. Fraport AG Standards of conduct/ rules for dealing with gifts and bonuses"
- Inclusion of integrity clauses in the expanded contract conditions for suppliers, architects, and engineers

- Policy & procedures regarding ban from contracts for contractors
- Integration in existing instruments (guidelines, instructions, work contracts etc.)
- Realizing a communication concept (intense training of top management and multipliers, information for relevant areas, online surveys, external and internal media presence etc.)

Values management in the context of the Fraport expansion program means to:

- bring the “forbidden” topic corruption out of the dark and make it a matter of public discussion in the company
- broadly inform employees, sensitize them for the subject and generate an awareness of wrongdoing
- provide new mental models for “different conduct”
- install ways to fill this new conduct with life in everyday business.

Implementing a values management system holds some factors of success and risk that can be subsumed in the following aspects:

- a. Cultural “starting position” of the company
- b. Pressure to act in view of the changes
- c. Distinguish affected and involved employees
- d. Management tasks

The concrete tasks for the management in such a change projects turn out to be

- provide orientation and certainty of behaviour
- generate effective ways for communication
- develop employees’ creativity, commitment, and potential
- secure sustainable realization
- manage resistance and crises
- lead all the way through the change process in an intelligent and courageous way, etc.

The board of directors’ and top management’s task is to initiate changes, to take the responsibility for them, and to sustain them. With Fraport, there were two stages of realization: 1. Focus on the top management; 2. Focus on the third and fourth management level. Along with area specific communication, the values management is systematically anchored in the company by management qualification via information and training.

e) Information and communication

Fraport developed a special communication strategy to impart the very abstract content in a rather short period to a large and heterogeneous corporate public. The target groups included top executives and academics as well as assistants and workers - and each target group needs an adequate way to be addressed. For this purpose the abstract standards were transferred into case studies taken from the practice. A catalogue of values management FAQs was published in the intranet and handed out in trainings.

f) Sustainable implementation

Realizing the values management system successfully means that it must be easier to act according to the aspired standards than against them, once the system has been introduced. The corporate processes have consequently to be checked as for gaps and holes in the system, existing grey areas have to be identified and cleared, possible incentive structures have to be eliminated. The subject has to be dealt with and discussed about in the company in a transparent and open way.

In the course of the implementation project, the following measures were realized and put into practice:

- Inclusion of a declaration of integrity in the contract terms for suppliers and architects
- Inclusion of an anti-corruption formula in consultancy contracts
- Policy & procedures regarding ban from contracts for contractors
- Integration in existing management systems and in the existing quality management; systematic monitoring and coordination of relevant processes, procedures, instructions, and instruments
- Integration in the public procurement regulations as well as in a manual for project leaders in the construction industry
- Area specific processes of realization
- Self-evaluation system for suppliers; communication to suppliers
- Development of a concept to successively transfer the Fraport values management system to the relevant subsidiaries

Because implementing a values management system gears at a sustainable change of attitudes and behaviour, the project altogether implies very high effort and expenses in communication. It is a matter of turning the topic of corruption into a public discussion inside the company, and to get into contact with a sufficient mass of relevant persons in a manageable period of time. The persistent and well synchronized communication was the first pillar in this project, the second was the consequent and sustained implementation into all relevant systems and processes.

Franziska Cuter
Unicredit, Italy



Stakeholder Engagement at Unicredit

UniCredit was born in 1998 from the aggregation between Credito Italiano, Rolo Banca 1473, Cariverona, Cassa di Risparmio di Torino and Cassamarca; during 1999 the Group aggregated Cassa di Risparmio di Trento e Rovereto and Cassa di Risparmio di Trieste.

UniCredit is the leading banking group in Italy in terms of market capitalisation (over €28 bn as at mid February 2004); in Europe is one of the first bank groups in terms of efficiency and profitability. Currently UniCredit is the largest Occidental Banking group in Central and Eastern Europe. The Group can lean at a global level on a more than 4.500 branches with more than 70.000 employees.

At UniCredit we have undertaken a concrete listening and dialogue path for several reasons:

- In order to define the expectations and the needs of the various stakeholders,
- In order to establish better relationships based on mutual legitimation,
- In order to estimate the impacts of our initiatives in terms of sustainability,
- In order to support the development of new ideas and proposals.

Our initiatives aimed at increasing internal listening and dialogue include:

“TO LISTEN IN ORDER TO GROW”, business climate surveys lead annually in order to define employee satisfaction levels and identify critical areas for intervention.

“MAIL BOX OF THE CHIEF EXECUTIVE OFFICER”, communication channel through thematic forums with the top management of the Group.

"LABORATORY OF THE VALUES", project with the aim to translate the Group's Values into concrete behaviours. More than 1.500 employees have been involved.

"CODE OF CONDUCT". The development of the Code involved all the levels of our organization, not only the top management, president and members of the board of directors.

With regards to the relationships with external stakeholders, below are some examples of projects and policies put in place by UniCredit with the different stakeholder groups.

CUSTOMERS

"CUSTOMER PROJECT": to increase the Customers' satisfaction. The plan has been starting since 2002 and has one triennial duration through an extensive market research. Interviews to 120.000 people (90.000 retail customers and 30.000 other bank customers).

"WEEK IN THE BRANCH": meeting opportunities with the customers in order to speak about their relationship with the Bank and in order to illustrate our mission and values. They have been collected beyond 125.000 questionnaires.

BOND CIRIO COMMISSION: the Commission was instituted in December 2003 in order to examine customers' positions possessing Cirio's Bond and to propose possible compensation. This initiative actually served as the beginning of formal institutional relationship with consumer associations.

LOCAL COMMUNITY

"ITACA PROJECT": research on the socio-economic changes in strategic areas realized through interviews and forum with specific local actors. The project has the aim to support the Bank geographical presence.

LOCAL COMMITTEE: advisory organism composed from a variable number of external members expression of the entrepreneurs, third sector and culture world. Internal members are also present. The local committees are sort of permanent laboratories and discussion platform designed to initiate local coalition programs.

COLLECTIVITY

"TRANSPARENT CONTRACTS": plan started in 2002 with collaboration by Cittadinanzattiva (movement for the protection of citizens rights and for the promotion of the civic participation) with the aim to improve transparency and service quality in the bank-customer relationship. Revisited 3,5 million bank current accounts and now we are analyzing the mortgage contracts.

"OBJECTIVE BARRIERS": we have supported and financed this campaign in order to overcome architectural barriers. According to this project we realized a branch prototype also with the advice of disabled associations.

UNIDEA: private Foundation that realizes charitable projects in developing countries, in central and eastern Europe and in Italy, cooperating with NGOs active in social-assistance field.

INSTITUTIONAL INVESTORS

Mono-stakeholder meetings and Individual meetings.

We realized a research on the importance of CSR in investment strategies of Italian institutional investors.

SUPPLIERS

Mono-stakeholder meetings to involve suppliers in the process of improvement of the environmental performance.

We have realized a register of suppliers, qualifying them according to standards in the matters of environmental and safety.

The Afternoon session hosted a Panel discussion among a wide range of stakeholder representatives. Being "Stakeholder Engagement" the theme of the Roundtable, we aimed at providing to our European group of business representatives a real opportunity to engage in a direct dialogue with a number of representatives of consumers associations, human rights organizations, trade unions, environmental organizations and other NGOs represented in the audience.

The contributions from the panellists and the discussion with the audience provided to be a very valuable and lively experience. Below the summary of the interventions.

Léon-Christophe Etilé

Friends of the Earth, France

**Stakeholder engagement, Social dialogue
& CSR as self-governance**



Our common goal is to improve business practices, to increase positive impacts and reduce negative impacts on society and environment. Improving business impacts requires changes in companies' core business activities, throughout the supply chain, and in the consumption of its products or services. It also requires responsible behaviour to be internalised in corporate governance, strategy and business models so that businesses meet the standards.

We agree that voluntary instruments are the necessary first step for levelling the playing-field. But our position is that voluntary initiatives are not enough to reverse the unsustainable impacts of corporate activities or to meet the standards set by existing agreements such as the ILO declaration, OECD guidelines, the Millennium Development Goals and human rights treaties. We are more in favour of third party certification for better transparency but enterprises still refuse it.

CSR companies shall ensure internal strategic coherence, cross-departmental and all locations where they are operational. And this must be based on common objectives, targets and benchmarks. The business case for responsible behaviour must be created and supported by public intervention. The role of public authorities - including the EU institutions - is in our view essential.

The identification of the appropriate stakeholders is a crucial component and should not be exclusively in the hands of enterprises. This must also include consumers' or affected communities' representatives, etc. and stakeholders ought also to identify themselves. Furthermore we consider that only those approaches to responsible behaviour, elaborated in concert with all stakeholders, will bring sustainable results.

CSR initiatives need to be based on an assessment of their impact on the environment and society at large. This requires possibilities for stakeholders to hold companies to account for their impacts and duties.

Accountability requires high and consistent levels of transparency about business activities and products which cannot be achieved by voluntarism only. Stakeholders need meaningful disaggregated information about impacts of companies and products on human rights, society and environment. This implies mandatory social and environmental reporting, disclosure of payments and lobbying to public authorities. Reports must be based on common standards for all companies and there must be public access to information on company and product CSR performance.

For conclusion we think the role of stakeholders is essential and we need more accountability than responsibility which means that in our view self governance is not sufficient.

FoE positions on CSR and corporate accountability can be found at:

<http://www.foeeurope.org/corporates/Index.htm>

Stephanie Draper

Forum for the Future and SIGMA, UK



The UK approach to Stakeholder Engagement:

Reflections from a stakeholder perspective

- *a sustainable development charity*
- *work in partnership with business, local authorities, regional bodies and universities*
- *manage a portfolio of leading edge projects*
- *provide advice on issues as diverse as climate change, procurement strategies, sustainability accounting and the digital divide*
- *communicate what we learn with our partners to a wide network of decision-makers and opinion-formers*

Its Mission: To accelerate the building of a more sustainable way of life by taking a positive, solutions oriented approach

The focus of the presentation

The presentation gave an overview of stakeholder engagement in the UK. Overall, it covered:

- Stakeholder engagement in the context of SIGMA
- Overview of what I mean by stakeholders
- The drivers for stakeholder engagement in the UK
- Trends - the way stakeholder engagement is going
- What I would expect from companies as a stakeholder

Stakeholder engagement in the context of SIGMA

Accountability and stakeholder engagement are a central part of the SIGMA principles, alongside the management of the five capitals - natural, social, human, manufactured and financial capital.

Stakeholders are those groups of people that affect - or are affected by - an organisation and its activities

Throughout the process stakeholder engagement is highlighted as critical to moving the organisation forward towards greater sustainability - this is described in the over-arching SIGMA process model.

At the start of the process when an organisation is identifying its leadership position, it will need to engage with key stakeholders on what that position and future vision should look like.

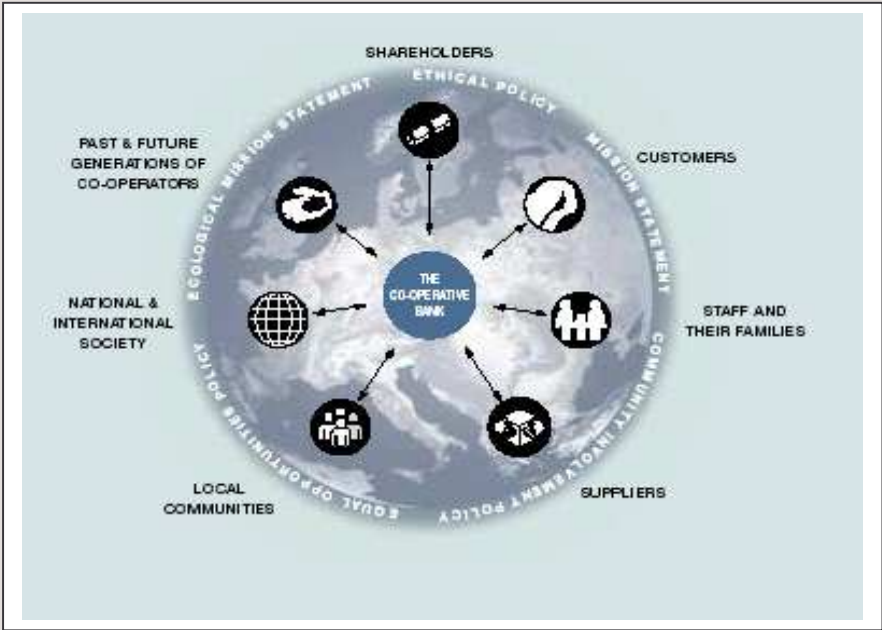
During the planning stage stakeholders, especially key internal people should be involved in developing the plans and ensuring that they are clearly deliverable and part of the delivery phase will involve a more in depth engagement process.

Finally, finding out stakeholder views will be key in understanding how well the organisation is doing in terms of sustainability.

These four phases may work in parallel or be addressed at the same time (so you don't have to keep going back to your stakeholders), but the core message is that an organisation that is values based and working towards ethics and responsibility must take their stakeholders with them.



The Co-operative Bank in the UK are still seen as the leaders in terms of their stakeholder model.



Why stakeholder engagement?

There are a number of clear reasons why talking and involving stakeholders is important, most are generic to all organisations (as outlined in AA1000) and others are specific to the UK environment.

1. Changes in regulation - e.g. Operating and Financial Review (OFR), UK Company Law Reform, Materiality Review.

"... recognising the role that all the company's relationships play in its success. Issues that are of significant interest to customers, to employees, to suppliers and to society more widely are, or will very likely become, matters of concern for shareholders too" (OFR consultation document, 2003, p15)

The focus will be on whether social and environmental issues (and those relating to key relationship with stakeholders) are relevant to their future success. It is still not exactly clear whether this will mean greater engagement with these issues as it depends on Directors assessments of relevance or 'materiality'. The other drivers of stakeholder dialogue are:

- Demands from SRI investors - e.g. EIRIS, BITC, SAM questionnaires
- Reporting standards - e.g. GRI guidelines, AccountAbility 1000 frameworks
- Peer pressure - e.g. BASF, Shell
- Licence to operate - especially project based (where community pressure is strongest)
- Reputation - voracious pressures

Ultimately, it is about **building better relationships**, which leads to innovation and better performance!

"Because we thought it was our job to persuade, too often we forgot to listen... We're now publicly committed to dialogue with people and groups who have a stake in the issue."

Bob Shapiro, former Head of Monsanto

Trends in the UK on stakeholder engagement

If you look at stakeholder engagement in terms of process - the steps that organisations take to understand the views of their stakeholders and take action and in terms of content - the sorts of things that companies are discussing with their stakeholder you get a set of trends of what is happening in the UK.

Trends in the process of engaging with stakeholders

Overall the Process Trends are:

- Regular engagements - trends developing for core groups (employees, customers are standard; suppliers, NGOs and government more ad hoc)

- Increase in stakeholder forums, leaders looking at governance structures, for regular input
- Strong reporting and transparency
- Some sort of assurance is required
- Moving along the spectrum of information to engagement and partnership
- Growing NGO partnership approach

Involving stakeholders in governance

Camelot and **BT** have a stakeholder based advisory boards (or stakeholder councils) as part of their governance structure.

Unilever's agricultural advisory board. Unilever's agricultural programme is advised by a group of experts from different stakeholder group.

Stakeholder engagement KPIs

Part of **Shell's** are measures of stakeholder perception of the quality of engagement.

The GRI guidelines ask for the following information to be reported (2002:p42):
 3.9 *Basis for identification and selection of major stakeholders. This includes the processes for defining an organisation's stakeholders and for determining which groups to engage.*
 3.10 *Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group. This could include surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures, and other vehicles.*
 3.11 *Type of information generated by stakeholder consultations. Include a list of key issues and concerns raised by stakeholders and identify any indicators specifically developed as a result of stakeholder consultation.*
 3.12 *Use of information resulting from stakeholder engagements. For example, this could include selecting performance benchmarks or influencing specific decisions on policy or operations.*

Verification and assurance

The AA1000S model was described (slides attached) and is certainly leading the pack in terms of assurance in the UK as it is the leading and most robust system and adds value to the companies using it in terms of understanding of the core material issues that will impact on a businesses future.

Assurance principles:

- inclusiveness,
- materiality,
- completeness,
- responsiveness

Co-op Bank involved **multiple stakeholders** in verification and assurance process - getting different views from different experts, as well as using the AA1000s framework.

Level of engagement

There are also a number of levels of engagement that organisations need to consider when embarking on such a process. Stakeholder need to understand what sort of relationship they are entering into and will act accordingly - it is critical to manage expectations in this regard. The spectrum ranges from provision of information, right through to empowering stakeholders to take over a process or a decision.

Trends in the content and levels with which companies are engaging with stakeholders

Organisations are becoming more focused and strategic about what they are engaging on and are also using engagement in a much more sophisticated way to inform their strategies.

- Expert stakeholder input into strategy/ reporting (e.g. Volvo and Diageo)
- Project specific consultation part of licence to operate (e.g. Skanska on specific construction projects)
- Issue specific consultations (e.g. Boots and chemicals)
- Focusing down on material issues (e.g. Scottish and Newcastle and alcohol)
- Sector wide stakeholder engagement approaches
- Starting to look at value added (eg Co-op, M&S - quantifying the financial benefits of some of their relationships)
- Link to economic sustainability (e.g. Novo Nordisk)
- Exploring the boundaries and responsibilities (e.g. Scottish & Newcastle)

Stakeholders dialogue on local issues

BASF set up community advisory panels at 57 different sites. The panels are made up of local stakeholders (neighbours, local groups, etc) and are a platform for dialogue on topics such as emissions, plant safety, etc.

Scottish and Newcastle

- Used sustainability accounting to quantify the social cost of alcohol
- Dialogue with stakeholders on this cost and who was responsible for it - challenging the boundaries
- Recommendations for the industry e.g responsible marketing, social off-setting

Sector wide initiatives

- Understanding the interconnectivity of sustainability issues
- Sectors looking for partners for solutions to key challenges e.g Cement and PVC stakeholder forum
- Creating a common understanding of long term challenges
- Collaborative forward looking approaches

Key things that I am looking for as a stakeholder

To finish, I reflected on what I as a stakeholder in a leading sustainable development NGO would look for from a company:

- A visible commitment to sustainable development
- Focusing on key issues
- Being responsible to stakeholder needs
- Building understanding through partnership
- Dialogue forms the basis for action
- Feedback **results** and demonstrate **transparency**
- Build and deepen **two-way** understanding and commitment
- Monitor and **report** on outcomes

Marigia Maulucci
CGIL, Italy



**CSR and Stakeholder Engagement:
A Trade Union perspective**

I think that CSR is facing a crossroads. We can go on with public debates, conferences and seminars that promote a better understanding of CSR concepts, tools and practices, and limit the misconceptions and instrumental uses of CSR that contaminate the debate. On the other hand, we can decide that it is time to go beyond the level of public debates, to activate the institutional bodies that can help to operationalize the CSR concept in practice.

What is the role of trade unions in facilitating this process?

The social dialogue and the relationships among the parties are the founding elements of democracy, both from an industrial, social or economic perspective.

In national contracts, the so-called first part - devoted to procedures, tools and rules for information exchanges and for elaborations of useful proposals for the negotiations, is dramatically out of fashion. In the relationships with the Government the social dialogue is basically reduced to the personal relationships between the premier and the citizens, normally via a mediatic process.

It is therefore extremely urgent to re-emphasize the theme of 'stakeholder relationships' in order to reconstruct a social dialogue in Italy.

The European trends come to our help, as they require, fortunately, information and consultation processes. In this perspective I believe that the theme of CSR should be discussed, as an element that can improve the quality of the relationships among the social parts, and adds value to the role of the different economic actors.

We consider that the key issue is the relationship between socially responsible behaviours that are chosen and the governance rules that are applied or, in other words, the how, when, where and with who of the process of decision-making.

To synthesize, for the trade unions it is extremely important to develop a legitimate space for shared decisions. Their specific orientation in the various areas addressed by CSR is a responsibility of the decision makers.

We believe that this role of trade unions can help a process of improving social dialogue and relations. This also means that through this process of dialogue it should be possible to discuss about which common aims the different actors should agree upon and also identify what are the intermediate objectives of this process, when, where and how should forms of feedback be enabled, what checks introduced, in order to verify step by step the coherence between the CSR principles and their implementations.

Emanuela Di Filippo

CISL, Italy



CSR as the “capability of the firm to dialogue with its stakeholders”

In my view today’s debate points out a definition of CSR that I would like to summarize as follows: CSR is the capability of the firm to dialogue with its stakeholders.

This definition contributes to clarify one fundamental ambiguity that often characterises the CSR debate, by stating clearly that CSR is not philanthropy or mecenatism.

In my view the definition of CSR given by the EU in the Green Paper is also close to this concept of CSR - despite some elements of vagueness. In fact, it states that CSR is the idea that the firm integrates social and environmental concerns in its business strategy *and in the relations with its stakeholders*.

This in my view underlines a ‘methodological’ characteristic of the CSR concept: it is not a new product or strategy, it is the method the firm applies to dialogue with its stakeholders.

This also answers one key question addressed to our discussion this morning: do stakeholders have a value ‘per se’ or only in an instrumental perspective (to maximise the firm’s profit)?

Clearly, if the firm accepts this view of CSR as capability of dialogue, only the former approach is possible. Only if stakeholders have value per se the dialogue can be a true dialogue and not a fictitious tactic - as often in reality happens.

From this definition of CSR as capability of dialogue at least three important implications follow:

- a) CSR is only true if it is integrated within business strategy: the concepts of CSR must interact with the formulation of business strategy, and influence the strategy decision making process.
- b) this in turn means that CSR must be a voluntary process: it is a process of cultural maturation of the management, it cannot be regulated, it is a choice by the management;
- c) But this does not mean that CSR must be self-referential: it is not the firm that can choose its stakeholders and their concerns;

We know from stakeholder theory that there are different categories of stakeholder, internal, external, primary, secondary etc. Clearly, the trade unions must be included in the stakeholder analysis.

In our view there are a number of key aspects that need to be considered when adopting CSR as a concept that influences and produces changes in the firm’s strategy:

- The quality and transparency of the information towards stakeholders: this is the basis upon which the dialogue can take place
- Valuing internal human resources: as a way to ensure better dialogue with external stakeholders
- Reconsideration of industrial relations: as a way to implement CSR tools within the firm, in a new, participative way.

We think that the EU multi-stakeholder forum is a good example to realize the approach of CSR outlined above: it is the right method to facilitate an effective dialogue among different stakeholders.

Laura Galli
Adiconsum, Italy



The role of Consumers in promoting CSR

CSR is often seen by corporations as a tool for social marketing. This is a limited approach of CSR, as well as the idea that CSR concerns only philanthropic interventions.

ADICONSUM is promoting a culture of CSR among consumers that looks at wider aspects of CSR, from product design and development to workers conditions, environmental protection, consumer rights, community involvement etc.

Consumers look favourably to many forms of CSR commitments by corporations (from the adoption of codes of ethics to SA8000 certification and the creation of ethical committees), providing that these commitments are serious, which also means that the companies are willing to undertake some form of monitoring by external, independent parties.

The key aspect is that all the CSR initiatives undertaken by the business world go beyond the pure level of public commitments, values declarations and statements - that's the risk of reducing CSR as a social marketing tool.

We do not have solutions to offer to such a complex problem, but we can offer our contribution to improve the quality of the debate and the quality of corporate CSR strategies.

The idea of CSR as a "social contract" between the firm and its stakeholders is close to our roots and in accordance with our culture of social consumerism and our experience of negotiations and approach to dialogue with the corporate world. This also implies that the firm should engage in a constant, structured activity of dialogue in order to negotiate and agree upon reciprocal commitments and identify ways of measuring the conformity of practices and results with them, and sanctions in case of non compliance.

A practical, not theoretical approach is needed, openly discussing the critical areas of corporate activities and the way the firm manages them. This implies transparency on objectives, methods, responsibilities, resources, decisions towards all concerned parties

It is also crucial that by stakeholder one means the organised representation of workers and consumers, key element : a true stakeholder engagement process cannot be achieved only through surveys, focus groups and call centres.

A CSR management system should therefore be based on the participation and legitimization of workers and consumers representatives - the model proposed by the Italian Ministry is not going in this direction.

A credible CSR management framework must rely on a rigorous process of verification, shared with most parties as possible and with a power to sanction in case of non compliance (which cannot be based on internal documentation only, but emerge from a process of stakeholder dialogue realized with clear, shared principles). Verification of conformity with stated commitments must be based on an independent, external control, resulting from a process in which all interested parties have a role to play.

We need to promote CSR with a credible, shared effort, based on clear rules. The consumers are certainly going to contribute to this process with concrete proposals and initiatives

Umberto Musumeci

Amnesty International, Italy

**CSR and Stakeholder Engagement:
The point of view of a human rights organization**

One of the key issues on the CSR debate is about the voluntary versus the regulatory approach. Some advocates the need of clear rules to require business organizations to be accountable for the social and environmental consequences of their activities, others argues that this would be against the principle of economic freedom.

The fact is that in the latest years we have seen the failure of a large part the Italian and international business world in complying with laws or - where laws are not clear or the public systems are not able to enforce them - in respecting basic principles of fairness and responsibility.

As a consequence, an increasing part of society - including some inspired business men - are convinced that successfully managing a corporation also means taking care of a number of social and environmental issues, such as worker health & safety, financial transparency, community involvement and environmental protection.

Some encouraging signals in this direction are represented by those companies - large corporations and SMEs - who voluntary adopt codes of conduct, publish social reports and sign voluntary agreements to respect and protect human rights and the environment. But sometimes this is not enough: the voluntary approach works only for those who are values-driven.

We must recall a fundamental principles, i.e. that it is the primary responsibility of the nations to support and protect human rights.

Yet a close collaboration among all actors is needed: Governments, NGOs and business world must cooperate in a more constant dialogue. It is true that there are conflicting interests on a number of issues, but it is also true that there are common interests among all parties.

This is the real issue to be faced in stakeholder dialogue.

Nowadays the term "Multi-stakeholder" is very commonly used in conferences, workshops and seminars. However, very often people talk about it, but not engage in real discussion.

The paradox is that many stakeholders are not even invited to participate in these public discussion: workers, indigenous communities, consumer associations, trade unions etc. are often not even represented around the table. Very often some stakeholders (usually the corporate world) speak on behalf of all the others - but this is a monologue, not a dialogue.

Fortunately, this is not what is happening today at this Roundtable.: I am very happy to participate in a real discussion with many stakeholders represented in this room, from a range of European countries.

We had some very good examples of stakeholder engagement experiences by a number of European organizations. The example of Fraport was particularly illuminating: it proved that it is possible to engage in stakeholder dialogue even when the corporate "Business case" is underlining conflicting (economic) interests with those of some stakeholder groups. How many Italian corporations act in such a way today, or would be willing to do it?

The active participation of workers to the promotion of CSR initiatives - and also in the monitoring of their design, realization and communication - would greatly benefit their efficacy. It would also contribute to develop a shared CSR culture within the working class, too often focussed primarily on the contractual aspects of their relationship with the firm.

6.3 Conclusions on the role of stakeholder engagement for CSR strategies

In the concluding remarks the participants pointed out a number of opportunities - but also some risks - for an effective realization of Stakeholder Engagement processes.

Below a summary of the key considerations and main issues raised:

- ***the centrality of stakeholder dialogue in the concept of CSR:*** dialogue has been indicated as one key element of CSR - that is, the ability of the firm to engage in dialogue with its stakeholders needs to be a key element of any CSR management framework;
- ***stakeholder as means and stakeholder as values:*** stakeholder management approaches emphasized that successful management includes an *instrumental* - or strategic - perspective on stakeholders: their interest and needs must be taken into consideration in order to improve the efficiency of the organization. On the other hand, CSR emphasizes that stakeholders have a value *per sé*: their interest and needs are legitimate, i.e are based on a moral value (e.g. fundamental human rights);
- ***improving dialogue and collaboration among NGOs:*** As Friends of the Earth (FoE) pointed out, it would be desirable to realize a coalition among NGOs - and hopefully with trade unions as well - in order to exercise a better influence on CSR business strategies - in France there are examples of such a 'social forum';
- ***ensuring inclusivity in the stakeholder identification:*** FoE noted that the identification of the stakeholders to be involved in a engagement process should not be seen as only the exclusive task of the company: there could be stakeholder groups who are not being involved in the dialogue with the company, but who would like to be involved - therefore NGOs and other stakeholder's voices should be raised towards the company, and the company should be open to listen to such voices;
- ***engaging with stakeholders in the CSR process, not afterwards:*** The consumer associations - but also some corporate case studies, such as Coop Consumatori Nord Est - pointed out the need for a more ***active involvement*** in the phases of the *development* of CSR strategies of the firm - not only in the evaluation (ex-post) of the impacts of their activities;
- ***voluntarism of approaches, but standardization of models (tools) applied:*** the management should be free to choose the more appropriate ways of pursuing the CSR of its organizations. But, in order to make these efforts recognizable by the stakeholders, there should be some agreement on the tools and models applied - standardization of voluntary agreement through social dialogue can help this process (agreement on the "best standards" to be applied);
- ***role of stakeholders in the compliance process:*** each firm is responsible for the choice of the specific CSR tools and standards applied; stakeholders should play a role in the process of external monitoring ("watch dogs") of the voluntary application of shared CSR norms and standards;
- ***the importance of stakeholders' representation:*** Consumer and trade unions emphasized that the crucial role of the organised representation of workers and consumers by trade unions and consumer associations: a true stakeholder engagement process cannot be achieved only through surveys, focus groups and call centres, excluding the voice of qualified representatives;

- ***win-win solutions are not always there - at least in the short term:*** The company case-studies demonstrated some good practices supporting the “business case” for stakeholder engagement. However, there were also examples of ‘realism’: in some cases, stakeholder engagement can be expensive, and imply lower profits in the short term. Other ‘benefits’ in these cases can be seen in the longer term, such as increasing the company social acceptance and legitimization, improving the stakeholders’ trust towards the company;
- ***the role of civil society*** - multi-stakeholder dialogue on CSR can be facilitated by the creation of civil society institutions endowed with competence, moral authority and independence, considered widely representative of the interests at stake;
- ***stakeholder engagement and governance*** - the adoption of a CSR perspective implies to manage the company in a way that is open to discuss the way managerial discretionality is used - particularly when dealing with the firm’s stakeholders. In other words, CSR concerns the governance of the firm. In this perspective we can understand how stakeholder engagement processes can provide a valuable support to an “extended” corporate governance model.

PART III:

CSR Terminology

by Emma Baldin

Introduction

The project main goal is to contribute to the convergence of existing CSR management standards by disseminating the idea of a common CSR Management Framework to handle CSR within any organization based on the Values-Process-Tools-Assurance approach, and promote, at the level of real business practice, (avoiding purely academic discussions) the sharing of knowledge and adoption of 'best practices'.

This Part, "CSR Terminology", contributes to the establishment of a common terminology in the CSR field; we believe that defining a common terminology is useful: for the partners - **CELE**, *The Centre for Ethics, Law & Economics* of LIUC University of Castellanza, Italy, **AFNOR**, Paris, **The Institute of Social and Ethical AccountAbility**, London, **The SIGMA Project**, London, **The FORGE Group**, London and **Centre for Business Ethics (ZfW)**, Constance (Germany), for reaching the project goal and its development but also for all those people who are interested in the development of a CSR European common Framework.

The work steps have been the following:

- collection of a list of 15 terms that partners regard as important in their model for a CSR glossary;
- choice of the terms included or excluded depends on the importance given to the partners and to the following criteria: terms mostly used, doubtful terms, their usefulness with regards to the development of a common CSR Framework; this has led to add more than 20 terms to the list;
- definition, references and examples or best practices concerning each term, in order to favour a better understanding whereas the definition gives raise to possible misunderstandings;
- work out of the definitions given and discussion of the different connotations of the terms;
- final work out of a document drawn up by all partners.

The list of terms is not exhaustive. We preferred to concentrate our search on a limited number of terms in order to examine closely some aspects instead of giving concise definitions.

When choosing terms, we tried to consider some guidelines and our purpose was to reach an agreement on the definitions that might respect peculiarities and differences among the different countries involved in the project.

In this glossary you'll find terms referring to basic concepts of CSR like Business Ethics, Stakeholder, Corporate governance, that, in some ways, define the limits of CSR, and terms referring to open issues at present in course of discussion at an international level by experts (for example Accountability, Assurance, CSR management system). The glossary also includes terms referring to tools/boards used in order to implement CSR within organizations (for example Code of Ethics, Ethics officer) or environments that are strictly related to a socially responsible approach in specific areas (for example Micro-Credit and Micro-Finance, Socially Responsible Investment).

Many of the terms are strictly related to an environmental issue (Environmental Capital, Eco-efficiency, Sustainable Development and Sustainability): concerning this, I'd like to thank our French partners, and particularly Karen Delchet and Nicole West, for having encouraged a discussion that enabled a better understanding of the complementary role of the environmental, social and economic aspects of CSR.

Probably at this point the reader will not be surprised to know that among the terms mostly discussed is the concept of Corporate Social Responsibility.

Working on a CSR glossary doesn't mean dealing 'only' with language. Each word hides concepts and concepts correspond, or should correspond, to theoretical approaches to a subject even when speaking about Corporate Social Responsibility.

Hereafter you'll find a list of terms. Each term has an explanation of its meaning which is based upon existing documentation produced in different European countries (see References).

CSR BASIC TERMS

Accountability
Assurance
Business Ethics
Code of Ethics
Compliance
Corporate Governance
Corporate Social Responsibility (CSR)
CSR management system
CSR standard and CSR Guide
Eco-efficiency
Environmental Capital
Ethics Officer - Sustainable Development Director
Key performance indicators (KPIs)
Micro-Credit and Micro- Finance
Social and ethical accounting, auditing and reporting
Social capital - Human Capital - Intangible Assets
Socially Responsible Investment (SRI)
Stakeholder
Substantive stakes
Sustainable Development and Sustainability
Values, Principles and Vision

ACCOUNTABILITY

Definition

Accountability is the duty to account. To account for something is to explain or justify the acts and omissions for which one is responsible to people with a legitimate interest.

Accountability is the obligation of an employee or anybody to assume the responsibility of some work or to report on the failure to act according to the authority which has been delegated.

It is also an organisational method that obliges the administrator to render accounts to demonstrate that he/she has managed or controlled, in accordance with certain explicit or implicit conditions, the resources entrusted to him/her, on the basis of parameters that he/she has previously accepted, or obligation imposed upon an administrator (manager, public administrator, etc.) by law, a ruling or a contract.

To discharge its accountability, an organisation will account for its acts and omissions. However, in addition to this accounting requirement of 'transparency', accountability also implies a broader obligation of responsiveness and disclosure. Therefore accountability consists of three elements:

1) *Transparency* concerns the duty to account to those with a legitimate interest - the stakeholders in the organisation. Transparency enables the stakeholders to obtain information which can be essential for discovering cases of fraud and for defending their interests.

2) *Responsiveness* concerns the responsibility of the organisation for its acts and omissions, including the processes of decision-making and the results consequent to these decisions. Responsiveness entails a responsibility to develop the organisation's processes and targets to support the continuous improvement of the organisation's performance.

3) *Compliance* means the duty to comply with standards to which an organisation is voluntarily committed, and rules and regulations that it must comply with for statutory reasons, regarding both organisational policies and the reporting of policies and performance.

An organisation's accountability is fulfilled by being transparent, responsive and by its compliance with appropriate rules; and by engaging with and accounting to stakeholders for its performance in these respects. Organisational accountability is based on effective engagement with stakeholders. In addition, accountability better enables an organisation to identify, evaluate and manage risks and opportunities arising from its impacts on and relationships with its stakeholders, such as customer and employee liability lawsuits and other issues affecting reputation and brand.

To be accountable is to be liable to be called to account. This practice is operationalised through the three-part definition of 'accountability':

1. Commitment to *identify* and *understand* its social, environmental and economic performance and impact, and the associated views of its stakeholders.
2. Commitment to *consider* and to *respond consistently* (whether negatively or positively) to the aspirations and needs of its stakeholders in its policies and practices; and
3. Commitment to *provide an account* to its stakeholders for its decisions, actions and impacts.

ASSURANCE

Definition

The assurance for an organisation is that its management needs to ensure that what it is doing is what it thinks it is doing, and in addition may wish to communicate this in a credible way to others, inside or outside of the company.

Assurance is an internal or external evaluation method that uses a specified set of principles and standards to assess the quality of a reporting organisation's subject matter, to establish confidence and credibility. This should include the systems, processes and competencies that underpin its performance. Assurance includes the communication of the results of this evaluation to provide credibility to the subject matter for its users.

Assurance refers to the satisfaction of one party (a stakeholder or an auditor) as to the reliability of an assertion being made by another party (the organisation or its auditors). To provide such assurance, an auditor may assess the evidence collected as a result of procedures conducted and express an opinion. The degree of satisfaction achieved and, therefore the level of assurance that may be provided is determined by the procedures performed and their results.

Assurance is to be distinguished from audit or verification in that 'assurance' is what you are trying to achieve, and audit and verification are two of many possible means of achieving this.

It is also to be distinguished from certification. Certification is a process that uses a specified set of criteria, principles and standards, and is carried out by a third party to attest that prescribed requirements have been fulfilled.

The assurance can include procedures of internal audit (self-governed by the organisation) and external verification (provided by independent third parties) aimed to raise the credibility of the system.

The content of assurance clearly varies enormously depending on what elements make up the provision of assurance (e.g. formal audit and verification, opinion leader statements, social engagement, etc) and where formal audit and verification is provided as part of an assurance process, how this is carried out.

BUSINESS ETHICS

Definition

Business ethics is an interdisciplinary research field that studies the set of principles and moral norms that regulate business.

In this field the philosophical reflection on the use of the moral language (meta-ethics) finds an application, as well as the normative ethics theories developed from philosophers and contemporary economists: utilitarianism, theories of rights, contractualism, conventionalism, communitarianism.

Business ethics is applied philosophical ethics, that is, one field in which philosophical ethics is applied to the analysis and the justification of a specific set of institutions, organizations, and practices of contemporary societies or individual decisions with respect to production, transaction and distributions of goods and services.

Business ethics can be conceived as organized in three levels:

Macro Business -Ethics, that is, the evaluation of fundamental economic institutions - such as the market, capitalism, a State economic policies - on the basis of the most important moral ethical theories;

Meso-Business Ethics, that is, the evaluation - based on the most important moral ethical theories - of organizations and companies, of particular contractual relationships in the market, of the proprietary and firm control settings, and of the moral legitimacy of the various forms of firm management.

Micro-Business ethics, that is, the assessment - on the basis of the most important moral ethics theories - of (a) particular choices made by decision-makers who are in charge of either professional roles, or of particular institutional or organizational functions, and (b) of the business management strategic criteria, as taken by the directory board, in relation to the rights and duties of the firm toward its stakeholders.

From the economic disciplines point of view, business ethics can be identified with the set of the normative statements formulated in the economics language not only for the purpose of public decisions, but also of private decisions that take place within markets and firms.

In this sense, philosophical ethics lies at the intersection of economics, jurisdictional institutions and organisations to provide an effective set of additional assessment criteria to the evaluation of contracts, property rights, and economic organizations. As such, it needs an intense interdisciplinary exchange with positive social sciences, economics and law.

The reflection on the role of the firm is widespread In all of the countries today, and for this reason business ethics, which is one of the bases of CRS, may represent a key to understand the reasons for the success or failure of an economic system.

CODE OF ETHICS

Definition	<p>Codes of Ethics are one of the main tools to implement social and ethical responsibility in the context of a business organisation. Their function goes beyond the role of the legal system, which guarantees the company hierarchical structure and defines its limits through legal protection of ownership and civil and economic rights.</p> <p>The Code of Ethics states the rights, duties and responsibilities of the company towards all its stakeholders. It contains behaviour principles and standards of conduct to fulfil the principles enriching the decision making processes and orientating corporate activity. The Code of Ethics expresses the “<i>ideal social contract</i>” between the company and its stakeholders which puts into practice, through principles and standards of conduct, the ethical criteria for balancing stakeholders’ expectations and interests. For this reason the Code of Ethics is a governance tool in the relationships between the company and its stakeholders and a strategic management tool as it guides decision making. Moreover, it is a source of behavioural rules for the company’s employees. The corporate code of ethics provides to external stakeholders a reference parameter on which they can reasonably form their opinions on the company reliability and reputation.</p> <p>The Code of Ethics may contain the following parts:</p> <p><i>Preamble:</i> the ethical vision and a complete list of the company’s stakeholders</p> <p><i>General Ethical principles:</i> ethical principles are abstract and general so that they may be applied to many different events, including unforeseeable ones. Principles require compliance and reciprocity.</p> <p><i>Specific Ethical principles:</i> specific ethical principles concern the relationship between the organisation and its stakeholders.</p> <p>Ethical principles define what fair satisfaction level (also in qualitative terms) stakeholders may legitimately expect; and they accordingly identify the responsibility that the company is willing to assume in catering to the expectations of each stakeholder group.</p> <p><i>Examples and standards of conduct:</i> examples and standards of conduct should be formulated only when careful analysis has been made of “critical areas” in relationships with stakeholders: in other words, issues and situations to do with opportunism or cases of unethical conduct. Examples and standards of conduct can be twofold: prohibition or preventive conduct standards.</p> <p>As to Code areas related to anticorruption and employees’ rights in suppliers, reference is made to the OECD-Convention rules recently transposed into Italian law on preventive actions and effectiveness of organisational models, and to the SA8000 standard.</p> <p><i>Implementation and control procedures:</i> the processes and organisational structures set up by the company for the purpose of implementing, auditing and encouraging compliance with the Code of Ethics.</p> <p><i>Implementation and control structures:</i> Corporate Ethics Committee / Ethics Officer. Implementation and control processes: Ethical training programmes tailored to employees’ functions and responsibilities / communication of the Code of Ethics to internal and external stakeholders / stakeholders’ reports on breaches / analysis of breaches by an internal, independent, ethics committee / reward and sanctions system / internal</p>
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	<p>ethical auditing system / social reporting: social and ethical accountability / external verification. <i>Revision of corporate policies and procedures</i> according to principles and standards of behaviour.</p>
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COMPLIANCE

Definition	<p>Compliance is the requirement to operate in accordance with statutory or regulatory guidelines.</p> <p>In general, it implies the ability of individuals or organisations to comply with the provisions of an agreement and to determine to what extent they are compliant.</p> <p>In CSR, compliance is the act of adhering to, and demonstrating adherence to, ethical values, principles, rules of conduct, standard, guidelines,...</p> <p>In order to do it, organisations should set up processes and systems to implement, audit and encourage compliance with the CSR standard that they have voluntarily adopted.</p> <p>The development methodology of an organisational implementation and control infrastructure for social and ethical compliance is a <i>top-down process</i>. <i>The top-down process</i> concerns monitoring the alignment of organisational procedures and individual conduct with organisational rules and ethical principles. Given the ethical principles, the focus is on monitoring compliance. It implies monitoring ethics with dedicated staff structures reporting to the senior management (e.g. to the Managing Director and Board of Directors) - for instance, extending internal auditing to monitoring and assessing areas of social and ethical risks.</p> <p>The top-down process aims to reach a reasonable assurance on observance of law and internal regulations (Code of Ethics). The process implies: audit and control of compliance with rules; compliance audit in written procedures and tacit routine procedures; collecting information on conduct compliance through audit activities; heeding warnings; promoting investigations; and proposal of sanctions and corrective actions.</p> <p>The compliance needs also Ethics training. It facilitates values sharing around the ethical values, principles, rules of conduct, standard, guidelines,...and encourages the introduction and support the implementation and the conformity to the different tools of corporate ethical and social responsibility.</p> <p>Training should enable and responsible all the members of the organisation for the compliance of CSR tools and standard.</p> <p>The different rules of conformity must be assessed according to environmental efficiency, participant cost, market confidence, institutional requirement and feasibility criteria.</p> <p>In CSR, compliance is to show integrity and fairness in every aspect of the business.</p> <p>For example, in the financial services industry, the most important compliance rules come from the Financial Services Authority in the UK and the Securities and Exchange Commission in the US. Most financial services companies have compliance teams whose role is to ensure that the company follows all the necessary rules and regulations.</p>
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CORPORATE GOVERNANCE

Definition

All the relations between the top management of an enterprise, its board of administration, its shareholders and the other stakeholders. Corporate governance also provides the framework within which the objectives of the enterprise are fixed and the means for achieving them, for monitoring the performances and for communicating them to the stakeholders are defined.

Corporate governance is the system of inner rules that presides the management of an enterprise.

All the organisations have an own governance system, but often it turns out implicit and not formalized: also a company in which the head it takes alone every type of decision is an elementary and simple example of governance.

The corporate governance defines the distribution of the rights and responsibilities among the participants to the life of an organisation, with reference to the division of the tasks, responsibilities and decisional power.

The elements of which a system of governance is made up can be several and depend essentially by the interest that we wants to protect: the degree of attention to the measures that can balance the risk of a power abuse is related to the characteristics of the company (dimension, importance of reference shareholders, role of management).

For example, about the role of the administrative organs (board of directors and general executive managers) we have to consider the composition, the procedures of nomination, the independence degree, the remuneration, the mechanisms of inner control and prevention of the conflicts of interest.

In particular, with regard to CSR, are important topics those that regard the participation of the minority stockholders to the decision processes. From this point of view, the limits put on the exercise of the assembly rights and the right to access to relevant information, are crucial aspects.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Definition

In 2001, the European Commission published *Promoting a European Framework for Corporate Social Responsibility, Green Paper* which defined CSR as: "the voluntary integration of the social and ecological preoccupations of enterprises into their commercial activities and their relations with the stakeholders. It is not only a matter of fully meeting the applicable legal obligations, but also of going beyond and of investing more in the human capital, the environment and the relations with the stakeholders".

Moreover, the EU Commission adds: "By stating their social responsibility and voluntarily taking on commitments which go beyond common regulatory and conventional requirements, which they would have to respect in any case, companies endeavour to raise the standards of social development, environmental protection and respect of fundamental rights and embrace an open governance, reconciling interests of various stakeholders in an overall approach of quality and sustainability".

This definition shows that the Commission regards CSR as a form of corporate strategic management that sets its standards of conduct at a level higher than legal constraints, and envisages CSR as a system for the governance of transactions and relations between the firm and its stakeholders. It is clear that here 'governance' is no longer the set of rules simply allocating property rights and defining the owners' control over the management of a firm. Instead, it resembles the neo-institutional view whereby the firm, like the contract and other institutional forms, is a 'governance system' which establishes diverse rights and obligations in order to reduce 'transaction costs' and the negative externalities of transactions.

At least, CSR is a model of extended corporate governance whereby who runs a firm (entrepreneurs, directors and managers) have responsibilities that range from fulfilment of their fiduciary duties towards the owners to fulfilment of analogous fiduciary duties towards all the firm's stakeholders.

By the term 'fiduciary duty' is meant the duty (or responsibility) to exercise authority for the good of those who have granted that authority and are therefore subject to it (Flannigan 1989).

The term "stakeholders" denotes individuals or groups with a major stake in the running of the firm and who are able to influence it significantly (Freeman and McVea 2002, see Stakeholder).

The CSR extends the concept of fiduciary duty from a mono-stakeholder setting (where the sole stakeholder relevant to identification of fiduciary duties is the owner of the firm) to a multi-stakeholder one in which the firm owes fiduciary duties to *all* its stakeholders (the owners included). It is obvious that classification of stakeholders on the basis of the nature of their relationship with the firm must be regarded as important in gauging these further fiduciary duties.

CSR MANAGEMENT SYSTEM

Definition

CSR management systems are a set of correlated and interactive elements and processes enabling to organise and manage the enterprise in a coherent, efficient and especially responsible manner vis-à-vis society, and to reach its objectives. The distinctive feature of these is that their focus on the organisation as a whole and not merely on some parts of it; the organisation should develop its CSR Management System in an integrated way with respect to its core business management systems and decision-making processes.

There are a four key building blocks upon a CSR management system should be developed:

- *Value and principles for CSR*: the guiding principles shaping an organisation's overall approach to CSR and orientating its decision-making processes and on which the entire management system is based;
- *CSR Management Tools*: a number of management tools helping the organisation to address specific issues and themes linked with CSR performance e.g. stakeholder engagement, reporting etc.;
- *CSR Management Process*: an overall organisation process linking together values and principles for CSR, CSR Management Tools and the organisation's core strategy, policies and procedures;
- *Assurance*: procedures of internal audit (self-government by the organisation) stakeholder accountability and external verification (provided by independent third-part) aimed to raise credibility of the system.

CSR management system of an organisation often presents a structure similar to that already developed for different goals (e.g. Quality, Environment, Health & Safety, Security). It then is based on the Plan-Do-Check-Act (PDCA) model that defines a cycle of activities which can be applied to all processes to drive continuous improvement and it can demand the verification by an independent third-party.

In this case a multi-stakeholder bodies, based on multi-stakeholder dialogue,- may control third-party verification and certification of CSR management system compliance, preventing conflicts of interest amongst the auditors and granting credibility to the entire system.

The *logic* of the management system for CSR (and of the standard that regulates it) is the logic that the firm's strategic behaviour must conform to in a context of incomplete information. It has three components, as follows:

A. Generality and abstractness of principles

The principles define the ethical vision that each firm proposes to its stakeholders (which must therefore be completely identified). These principles must consequently offer fair treatment acceptable to each stakeholder. They are abstract and general in form, so that they apply to a wide variety of events, including those which cannot be predicted or described beforehand.

B. Precautionary protocols of behaviour

Definition of the principles allows identification of areas of potential opportunism where interactions between stakeholders and firm put those

	<p>principles at risk. For each of these risk areas, precautionary rules of behaviour can be established which assure the relevant stakeholder that a particular form of opportunism has been avoided. Their conditions of implementation can be established <i>ex ante</i> by the firm, and on these the stakeholder may legitimately form expectations about the firm's behaviour.</p> <p><i>C. Communication and dialogue with stakeholders</i></p> <p>Principles and precautionary rules of behaviour must be communicated, given that reputation depends on them. The stakeholders base their judgements on the match among principles and rules announced <i>ex ante</i>, level of membership into the principles domain exhibited by any events have occurred, and the behaviour adopted.</p>
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CSR STANDARD and CSR GUIDE

Definition

A wide variety of different issues can be included within the CSR definition such as human rights, impact on the community, branding and marketing, ethical investment, environment, corporate governance, health and safety, sustainable development and many others.

To respond to these different issues and approaches a growing number of CSR initiatives, Standards and Guide are have been development in Europe and elsewhere.

They may have different levels of application, content, scope and sources:

- *Normative*: standards based on 'universal values' best expressed in various UN conventions and agreements. These are in many ways best summarised by two normative statements, the UN Global Compact's Nine Principles, and the OECD Guidelines for Multinationals.
- *Generally Accepted Accounting Principles (GAAP)*: CSR Standards dealing with the process of accounting, auditing and reporting at its most general level, such as the Global Reporting Initiative Sustainability Reporting Guidelines, and the AA1000 Series, including both the AA1000 Framework that embeds stakeholder engagement in the process of accounting itself, and the AA1000 Assurance Standard.
- *Generalised Guidelines for CSR strategy and Management Systems*: standard providing an overall management system to embed CSR and sustainability principles within organisations. For example Q-RES, VMS, SIGMA, AA1000 and SD21000; also emerging is the ISO CSR Standard, and arguably the EFQM framework is increasingly suited to inclusion in this class of standards. (See pg. 12)
- *Specialised Systems*: standards covering everything from labour standards to carbon emissions to animal rights to organic certification. Some of these are pure process standards, and some incorporate normative standards, such as SA8000.
- *Regulation*: standards deriving directly or indirectly from legislation, for example in areas such as the management of risk and avoidance of litigation. The law is both part of many of the above, and adds additional aspects but have distinct orientations.

Many of these documents drawn up by consensus which provides, for common and repeated uses, rules, guidelines or characteristics, for activities or their results, guaranteeing an optimal level of order in the context of CSR and Sustainable development applied to enterprises.

ECO - EFFICIENCY

Definition	<p>The term was coined by the <i>World Business Council for Sustainable Development (WBCSD)</i> in 1991 and defined as the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life-cycle, to a level at least in line with the Earth's estimated carrying capacity.</p> <p>Eco-efficiency is a management philosophy and strategy that links financial and environmental performance to create more value with less ecological impact. It encourages business to:</p> <ul style="list-style-type: none"> - <i>reduce the consumption of resources</i>: minimizing the use of energy, materials, water and land, enhancing recyclability and product durability, and closing production loops - <i>reduce the impact on nature</i>: minimizing air emission, water discharges, waste disposal and the dispersion of toxic substances, as well as fostering the sustainable use of renewable resources. - <i>increase product or service value</i>: providing more benefits to customers through product functionality, flexibility and modularity, providing additional services and focusing on selling the functional needs that customers actually want (from a supply-driven economy to a demand-driven economy) <p>Eco-efficiency is not limited simply to making incremental efficiency improvements in existing practices and habits; on the contrary, it should stimulate creativity and innovation in the search for a new way of doing things. It's involved not only in manufacturing and plant management but at any point in the entire life-cycle of a product: it involves the development engineers, purchases, product portfolio managers, marketing specialist and even finance and control.</p> <p>Eco-efficiency is the efficiency with which ecological resources are used to meet human needs and this concept can be used for a variety of purposes and applied on various levels (companies, individuals, governments and other organisations). Business has used a number of tools to implemented this concept (Environmental management system (EMS) - Sustainability management system - etc.)</p> <p>Eco-efficiency is different from <i>sustainability</i> because it integrates only two of sustainability's elements, economy and ecology, while leaving the social outside its embrace. Instead, the concepts of Eco-efficiency and Cleaner Production are almost synonymous. The slight difference between them is that eco-efficiency starts from issues of economic efficiency which have positive environmental benefits, while Cleaner Production starts from issues of environmental efficiency which have positive economic benefits.</p>
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ENVIROMENTAL CAPITAL

Definition	<p>Environmental/Natural capital is an extension of the economic notion of capital (manufactured means of production) to environmental 'goods and services'. It refers to the natural resources (energy and matter) and processes needed by organisations to produce their products and deliver their services. They include <i>sinks</i> that absorb, neutralise or recycle wastes; <i>resources</i>, some of which are renewable (e.g. timber, grain, fish and water), whilst others are not (e.g. fossil fuels); and <i>processes</i>, such as climate regulation and the carbon cycle, which enable life to continue in a balanced and healthy way.</p> <p>Natural capital encompasses the other capitals (social, human, manufactured, financial) as natural resources and ecological systems form the basis of life, on which all organisations (and wider society) depend. The capitals need to be managed for the long term, not just for immediate return and they also need to be recognised as interdependent, where changes in one are likely to cause an impact on another. Likewise, one form of capital cannot simply be traded against another.</p> <p>All organisations rely on natural capital to some degree and have an environmental impact. All organisations for example, currently consume energy and create waste (although some organisations have adopted zero waste or zero emissions strategies). Organisations need to be aware of the limits to our use of the natural environment and the impact that they can have on it now and in the future, and operate within them.</p> <p>Organisations can maintain and enhance natural capital if they, for example:</p> <ul style="list-style-type: none"> – limit and reduce over time the use of substances extracted from the Earth's crust; – substitute abundant minerals for those that are scarce in nature; – ensure that all mined materials are used efficiently within cyclic systems; – systematically reduce dependence on fossil fuels and use renewable resources instead; – eliminate the accumulation of human-made substances and products in nature substitute all persistent and unnatural compounds with substances that can be easily assimilated by natural systems. Eliminate waste, re-use, recycle or re-manufacture where possible; – prevent the physical degradation of nature and protect and enhance biodiversity and eco-system functions; – draw renewable resources only from well-managed and restorative eco-systems; – systematically pursue the most productive and efficient use of resources and land; – adopt the precautionary principle in any situation that may result in the modification of nature.
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ETHICS OFFICER - SUSTAINABLE DEVELOPMENT DIRECTOR

<p>Definition</p>	<p>Ethics Officer or Sustainable Development Director is the person in the organisation in charge of dealing with corporate ethical matters (sustainable development, Code of Ethics; ethical training programmes; reply to employees' ethical questions, etc.).</p> <p>The Ethics Officer/Sustainable Development Director is tasked with integrating their organization's ethics and values initiatives, compliance activities, and business conduct practices into the decision-making processes at all levels of the organization.</p> <p>Ethics Officers/Sustainable Development Directors come from diverse backgrounds such as legal, human resources, finance, environment, auditing, security, on line operations, but share some common characteristics such as:</p> <ul style="list-style-type: none"> - Strong communicator - excellent and effective communication skills, including presentations, public speaking, and one-on-one interactions with employees of all levels, - Objective and thoughtful, - Ability to establish and maintain credibility and trust throughout organization, - Ability to quickly assimilate information relating to complex issues, - Ability to network on all levels of an organization, - Politically savvy, - Personal and professional maturity, - Rationality in tense interpersonal situations, - Organizational knowledge, - Working knowledge of applicable laws and regulations, - Experience with training and development including best practices in ethics and compliance education, - Solid and broad management skills, - Discretion and capability in protecting confidential information, - Able and willing to take a difficult or unpopular position if necessary, - Common sense, - Highest integrity. <p>Ethics Officers/Sustainable Development Directors are often regarded as the collaborators with executive and line management to integrate ethics, values, and compliance into daily operations. They recommend and implement strategies to reinforce appropriate business conduct throughout the organization. They also assist employees at all levels of the organization to determine the right course of action in difficult situations. In order to be successful, the Ethics Officer/Sustainable development Director must have a thorough working knowledge of the corporation's business strategies, policies, standards, and risk areas.</p> <p>An Ethics Officer's/Sustainable Development Director's chief responsibilities may include:</p> <ul style="list-style-type: none"> • Global accountability for developing and directing an organization's ethics, compliance, and business conduct function for the total corporation or organization, • Providing leadership, oversight, and expert advice to ensure
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	<p>appropriate development, interpretation, and implementation of ethics and compliance strategies, policies and programs,</p> <ul style="list-style-type: none"> • Accountability for all program activities relating to standards of conduct including ethical relationships with employees, customers, contractors, suppliers, shareholders, and other stakeholders, • Providing leadership in the development of a compliance risk management program to assess, prioritize, and effectively manage legal and regulatory compliance, • Accountability for the company-wide confidential reporting program (such as a Helpline) allowing employees, customers, suppliers, and other stakeholders to report violations of the organization's ethical standards, violations of law or corporate policy, without fear of retaliation, • Setting the strategy for and administering the organization's annual or periodic ethics and compliance training, and regular communications around ethics, compliance and business conduct issues, • Integrating new acquisitions into the ethics, compliance, and business practices of parent company, • Conducting investigations into alleged violations of company ethics, compliance or business conduct practices and making recommendations for resolution of misconduct (including disciplinary action), • Measuring and assessing company performance in compliance and ethics arenas, • Providing comprehensive reports to the top executive and various committees of the Board of Directors.
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KEY PERFORMANCE INDICATORS (KPIs)

Definition	<p>Indicator is defined as parameter to measure the performance, either qualitative or quantitative, of an organisation. It's a quantifiable, indicative data for the enterprise which expresses the effectiveness and/or the efficiency of whole or part of a system (real or simulated) with respect to a standard, a plan determined and accepted within the framework of an enterprise strategy. A performance indicator is materialised by the trio objective/measure/variable.</p> <p>The performance standards in the field of corporate ethics usually attempt to set up objective indicators for an organisation's performance and use them to measure this performance.</p> <p>The organisation should identify indicators through engagement with its stakeholders. And these should reflect the organisation's performance in relation to: its values and objectives; the values and aspirations of its stakeholders, as determined through a process of consultation among each group of them; wider societal norms and expectations. Developing effective KPIs to measure social and ethical performance is a continuous learning process; initially, indicators can be adopted by looking at national and international standards then, over the years, the company might develop additional indicators enabling to account for specific dimensions of corporate activities and specific issues that matter in the relationship between the company and its stakeholders.</p> <p>The performance indicators are usually grouped under three categories covering the economic, environmental, and social dimensions of the relation with stakeholders:</p> <ul style="list-style-type: none"> - economic performance indicators concerns an organisation's impacts on the economic circumstances of its stakeholders and on economic systems at the local, national and global levels. These impacts can be direct or indirect, positive or negative. <i>For examples:</i> Monetary flow indicator: <ul style="list-style-type: none"> - Stakeholder: supplier - Content: cost of all goods, materials, and services purchased. - environmental performance indicators concerns an organisation's impacts on living and non-living natural systems, including ecosystems, land, air and water. These indicators relate organisation's performance to the broader ecological systems within which it operates. <i>For examples:</i> Emissions, Effluents, and Waste: <ul style="list-style-type: none"> - Stakeholder: Environmental Ministry, NGO, etc. - Content: Greenhouse gas emissions. - social performance indicators concerns an organisation's impacts on the social systems within it operates. Social performance can be gauged through an analysis of the organisation's impacts on stakeholders at the local, national, and global levels. In some cases, social indicators influence the organisation's intangible assets, such as its human capital and reputation and consensus. <i>For examples:</i> Labour/Management Relations <ul style="list-style-type: none"> - Stakeholder: employees
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	<p>- Content: percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country.</p> <p>However, limiting performance indicators to these three categories may not fully capture the global performance of an organisation; therefore, is necessary integrated the economic, environmental, and social dimensions. And provide an internationally accepted common set of key performance indicators to be used for a benchmarking of the performance of the organisations.</p>
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MICRO-CREDIT and MICRO-FINANCE

Definition

The word "micro-credit" did not exist before the seventies. Microcredit is the extension of small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families.

Definitions differ from country to country. Some of the defining criteria used include:

- size: loans are micro, or very small
- target users: micro-enterprises and low-income households
- use of funds: for income generation, and enterprise development, but also for community use (health/education) etc.
- terms and conditions: most terms and conditions for micro-credit loans are flexible and easy to understand, and suited to the local conditions of the community.

Microcredit programmes provide access to finance to those people and projects that are not financed by mainstream banking sources, and stimulate sustainable local regeneration development.

The micro-credit plays a key role at the local level in:

- *Employability.* By supporting self-employment and micro-enterprises, it can help young people and the unemployed (including the long-term unemployed) find and create employment opportunities;
- *Entrepreneurship.* By providing capital and other business support to enterprises that are not the target of mainstream financial institutions, it can make it easier for entrepreneurs to start and run businesses;
- *Equal Opportunities.* Most local and micro-finance is targeted at those who are excluded or marginalised from the mainstream economy, helping them exercise their social and economic citizenship;
- *Social Inclusion.* By helping socially excluded groups to access social, cultural and economic capital, it empowers individuals and communities to exercise their social and economic citizenship;
- *Local Development.* By helping restore local capital (housing, infrastructure, social networks, etc.) and local markets (local shops, neighbourhood services, etc.), it addresses key aspects of local regeneration;
- *New sectors development.* By developing new growth sectors (environment, renewable energies, etc.) and investing in areas of uncared for needs, specifically in social service, it expands the local area regeneration potential.

Micro-finance and micro-credit. The two definitions often overlap with each other, so that their differences are neglected. However, micro-finance refers to all financial services made available to the poor (including savings, insurance, etc), whereas micro-credit is a sub-category within microfinance referring only to credit services. Micro-finance comprises financial services (among them micro-credit, micro-insurance, etc.) to poor populations, who are excluded from the banking system and without any resources or right of ownership. The poorest people are excluded from the traditional banking system because they are not salaried workers, because they offer no guarantee and are often illiterate, or because they do not represent, a priori, a "profitable" investment recipient. They therefore do not have access to the financial services and in particular to savings and credit.

	<p>The fundamental differences between these two terms directly reflect the problems associated with the poor peoples economy and livelihood conditions. Thus, micro-finance covers the acute need of poor peoples' financial services and protect from being vulnerable even further, but micro-credit seems to be more technical and standalone approach to only provide credit services.</p> <p>What is common to both terms is, however, the term "micro" and the target of reference: small loans for short periods and regular deposits of small amounts.</p> <p>Micro-credit and micro-finance are also relevant for rich countries, both as a tool to tackle the rising levels of poverty caused from marginalisation, unemployment and emigration, and as an innovative and effective way of cooperation.</p> <p>An example is the <i>Graamen Bank</i>. Mohammed Yunus, after studying in America (Vanderbilt University), has began lecturing in economics in Chittagong in Bangladesh, his native city. During a practical work session of a lecture on investment, he proposed to his students to interview the manufacturers of bamboo stools of the neighbouring villages. The 42 craftworkers required 27 Dollars in all in order to develop their activity. Nevertheless, all the banks refused to finance even such a small a sum to previously insolvent clients. Yunus declared that he was ashamed of this situation and lent the sum out of his own pocket. By enabling the producers to purchase in advance the bamboo without being subject to the large price variations, they succeeded in creating jobs and managed to reimburse Yunus in full.</p>
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SOCIAL AND ETHICAL ACCOUNTING AUDITING AND REPORTING

Definition

Social and ethical accounting, auditing and reporting (SEAAR) is a generic term for the variety of approaches to the measurement, assessment and communication of social and ethical performance.

SEAAR is the process whereby an organisation can account, report and improve its social and ethical performance. It assesses the social impact of the activities and the ethical behaviour of an organisation, in relation to its aims and those of its stakeholder.

SEAAR consists of three elements:

- *accounting*: systematic development, tracking and analysis of information about the social, ethical, environmental and economic affairs of an organisation and measurement of its social and ethical performance, through quantitative and qualitative indicators;
- *auditing*: verification provided by an independent body aimed to raise accuracy and completeness of the process of collection and data published in the social report;
- *reporting*: publication of a document in which the information on the organisation social and ethical performance is made accessible to all its stakeholders with a legitimate interest.

SOCIAL CAPITAL - HUMAN CAPITAL - INTANGIBLE ASSETS

<p>Definition</p>	<p><i>Social capital</i> is any value added to the activities and economic outputs of an organisation by human relationships, partnerships and co-operation. Social capital includes, for example, networks, communication channels, families, communities, businesses, trade unions, schools and voluntary organisations as well as cultural and social norms, values and trust. Internally, social capital takes the form of shared values, trust, communication and shared cultural norms that help people to work cohesively and so enable organisations to operate effectively. Externally, it is referred to as the social structures that help create a climate of consent and understanding, or a licence to operate, in which trade and the wider functions of society are possible.</p> <p>Organisations can maintain and enhance social capital if they, for example:</p> <ul style="list-style-type: none"> - support the development of the community in which the organisation operates, including economic opportunities (e.g. the use of local service providers, suppliers and producers). - provide safe, supportive living and working conditions, including family-friendly policies; - ensure ethical supply of materials and fair treatment of suppliers, customers and citizens;□ - respect and comply with local, national and international law. - pay taxes and be supportive of the social infrastructure; - implement effective communication systems throughout the organisation, reflecting shared values and objectives; - offer reasonable pricing, accessibility of products and services, and fair and accurate claims in promotional material; - minimise the negative social impacts of products and services and maximise the positive ones; - promote a moral standard that considers corruption and the payment of bribes as unacceptable, including provision for the anonymity and support of 'whistleblowers'; - contribute to open, transparent and fair governance systems. <p>The concept of social capital is inherent in relationships between different actors in society and is different from human capital, which instead refers to the individual, in relation, in particular, to education and training.</p> <p><i>Human capital</i> incorporates the health, knowledge, skills, intellectual outputs, motivation and capacity for relationships of the individual. Within an organisational context, it includes the elements needed for people to engage in productive work and the creation of wealth, thereby achieving a better quality of life.</p> <p>In other words, It refers to those aspects that make human beings productive from the economic standpoint.</p> <p>Organisations can maintain and enhance human capital if they, for example:</p> <ul style="list-style-type: none"> - ensure that they are positively contributing towards meeting human needs such as subsistence, freedom and security, but also identity, empathy, creativity and leisure; - grant employees (and where possible other stakeholders) access to training, development and lifelong learning; - create an favourable environment for learning, innovation and sharing of knowledge;
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	<ul style="list-style-type: none">- respect human rights throughout its operations and geographical regions;- understand and respect human values and their different cultural contexts;- implement diversity policies that enable an organisation to access the variety of human talents and eliminate discrimination;- ensure health and safety, incorporating physical and mental well-being;- support health promotion and education;- provide a reasonable living wage and fair remuneration for employees and business partners;- create opportunities for varied and satisfying work;- adopt fair labour standards, including avoidance of slave, forced or child labour. <p>Social capital and human capital may be considered as intangible assets.</p> <p><i>Intangible assets</i> are defined as assets that are not physical in nature.</p> <p>Generally speaking, assets are goods (property) or values intended to remain durably (for a period exceeding a financial year) within the enterprise. Examples of intangible assets: start-up costs, research costs, development costs, patents, licences, marks/brands, leasing rights, trading fund (goodwill), etc.</p>
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SOCIALLY RESPONSIBLE INVESTMENT (SRI)

Definition

Socially Responsible Investing (SRI) is a practice that made environmental, social and ethical concerns become a part of decision-making processes about the choice and the maintenance of an investment, and about the possibility to exercise the rights connected to the propriety of the titles.

Socially responsible investment (SRI) combines investors' financial objectives with their commitment to social and environmental concerns. It allows them to choose companies or funds that meet certain ethical and moral standards. For example, an investor might choose funds only investing in environmental minded companies ("green funds"), or in hospitals and health care centres, funds that avoid investing in alcohol or tobacco companies.

SRI considers both the investor's financial needs and an investment's impact on society.

There are three major SRI strategies that have evolved over time:

Ethical screening: the inclusion or exclusion of corporate securities in investment portfolios based on social or environmental criteria. Socially concerned investors generally seek to own profitable companies with respectable employer-employee relations, strong records of community involvement, excellent environmental impact policies and practices, respect for human rights around the world, and safe and useful products. Conversely, they often avoid investments in those firms that fall short of the required standards in these areas.

Shareholder influence: seeking to improve a company's ethical, social and environmental behaviour as a shareholder by means of dialogue, pressure support for responsible management and voting at annual general meetings. Social responsible investor, being an owner for quota of the company, has the right-duty to communicate to the management his/her opinion about the government strategies and to ask that some principles be applied to the management choices.

Naturally, the larger the share quota an investor has, the higher the importance his/her opinion as a shareholder. For this reason, in fact, the activity of shareholders is normally exercised from institutional investors. The interests of the "active investor" are the same as those on which the screening is based, with a particular emphasis on the management aspects *day by day*.

Cause-based or community investing: supporting a particular cause or activity by financing it through investment. Unlike making a donation, cause-based investors require that the original investment can be returned by either repayment (for loans) or trading (for shares).

Through socially responsible investing, investors, banks and companies can make sound investment decisions and at the same time enrich society and protect the environment. The socially responsible investors adhere to the theory of the stakeholders (idea that better relations will be profitable for everyone).

Europe's growing stock of green and ethical funds are an answer to investors' demand for new financial opportunities that achieve comprehensive success: economically, environmentally and socially.

SRI is one of the fastest growing sectors of both the European and the global market - there are currently more than €14 billion assets under management in the European SRI market; 86% of investors believe that social and environmental risk management improves a company's market value in the long term.

STAKEHOLDER

Definition

In 1984, R. E. Freeman wrote "stakeholder in an organization is (by its definition) any group or individual who can affect or is affected by the achievement of the organization's objective" (Strategic management: A Stakeholder Approach).

According to Freeman, stakeholder are those individuals and groups of individuals, or institutions representative of collective interests, which have an interest ("stake") in the way an organisation is managed, either because they exchange or provide an input of some kind, but key to the organisation, or because they are substantially affected - in terms of their welfare - by the outcomes of the organisation's activities.

The individuals and groups that affect and/or are affected by an organisation and its activities should be drawn between two categories:

- *Stakeholders in the strict sense*: those who have an interest at stake because they have made specific investments in the firm (in the form of human capital, financial capital, social capital or trust, physical or environmental capital, or for the development of dedicated technologies, etc.) - that is, investments which may significantly increase the total value generated by the firm (net of the costs sustained for that purpose) and which are made specifically in relation to *that* firm (and not in any other) so that their value is idiosyncratically related to the completion of the transactions carried out by or in relation to that firm. These stakeholders are reciprocally dependent on the firm because they influence its value but at the same time - given the specificity of their investment - depend largely upon it for satisfaction of their well-being prospects (lock-in effect).
- *Stakeholders in the broad sense*: those individuals or groups whose interest is involved because they *undergo* the 'external effects', positive or negative, of the transactions performed by the firm, even if they do not directly participate in the transaction, so that they do not contribute to, nor directly receive value from the firm.

For a company, the management of the relations with its stakeholders is very complicated. The difficulty is due to the fact that, on one hand, stakeholders' interests are sometimes conflicting to each other. On the other hand, stakeholders contribute to the company mission fulfilment, so they are supposed to share some of the benefits produced by their contribution. A balancing problem between legitimate claims made by the different stakeholders towards the company has to be solved.

It is important to note that the word stakeholder is "descriptive": it is not a normative concept, because it says nothing about how to balance interests and values. A moral - that is, a prescriptive - criterion is needed to define a balancing criterion acceptable to all stakeholders as a basis for the cooperation necessary to achieve the corporate mission. The company, therefore, has to provide itself with a strategic multi-stakeholder approach and with a method that provides a balancing criterion between various interests and values.

The problem can be solved through Business Ethics, that suggests as finding a criterion of fair and efficient balance of the different interests of its stakeholder.

	<p>Managing a company by fair and efficient relations with its stakeholders can generate various benefits.</p> <p>First of all, it provides an opportunity to counter-act opportunistic conduct harming the legitimate expectations of well-being on the part of stakeholders. Opportunistic behaviour is particularly detrimental for economic organisations as it can persuade investors, employees, customers and consumers to reduce their investments - of work, knowledge or capital - in the company. A second type of benefits is the reduced governance and monitoring costs of the company's transactions when relations based on mutual trust are established. Finally, it also helps the management to identify possible negative social effects of corporate activities by recognising legitimate stakeholders' interests sometimes forgotten or not sufficiently acknowledged and to orientate the corporate strategy towards social and environmental sustainability.</p> <p>Note 1: The distinction between stakeholder <i>in the strict sense/broad sense</i> allows to exceed the problem, a lot discussed, about the division between internal (management, shareholders, employees,...) or external (customers, competitors, suppliers, communities, public authorities, financiers, media, NGOs,...) stakeholders. An individual or a group of individuals can form part of several categories of stakeholders simultaneously. The sectors which concern the stakeholders can be translated into economic, environmental and social aspects.</p> <p>Note 2: Absent or weak actors. Some actors are stakeholder but are not able to formulate or communicate their interests to the firm. Those actors can be absent as future generation or biosphere. Some actors are weak, meaning they have not the power to influence the firm but can be affected by the firm. The usual stakeholder management doesn't take in account the interest of these stakeholders. The use of some principles can be substitute as ethical and precautionary principles.</p>
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SUBSTANTIVE STAKES

Definition	<p>Sustainable development is characterized by a certain number of global stakes, i.e. interests which are threatened by one or several events potentially dangerous, e.g. climatic change or equality at work, etc. Sustainable development stakes are called substantive since they rely on substantive rationality based on substance, knowledge. In other words, behaviour is considered as substantively rational when it is able to fulfil the objectives fixed within imposed limits by given conditions and constraints. The essence of sustainable development concept implies to take account of the request for results in a given framework (therefore of substantive stakes) and not to be only concerned by processes which are characterized by the procedural rationality.</p> <p>This approach is underlined in the draft report “the desirability and feasibility of ISO corporate social responsibility standards” published in April 2002 by the COPOLCO Working Group:</p> <p>“It is clear that CSR has both substantive and process/management system components. That is, CSR pertains to substantive issues such as what constitutes a wage that meets basic needs for a worker, and what level of consumer and environmental protection objectives should be allowed, as well as process/management systems issues such as how to operationalize and measure the impacts of an organization’s activities on consumers, workers, the community, the environment, and others, and to engage in stakeholders dialogue to ensure that those impacts are taken into account in business decisions making. Increasingly, firms are involving the full range of stakeholders in the development and implementations of CSR approaches. ISO 9000 and ISO 14000 management systems standards are process standards, not substantive performance standards. On the one hand, the fact that they are process standards increases their ability to be adapted to different working environments. On the other, it does not provide any automatic assurances that any particular company will meet any particular behaviors, unless the particular firm decides that it should meet those objectives (e.g., only hiring workers over 19). Typically, management systems standards are used in conjunction with other substantives codes or laws, so that in effect the management system standards provide the operational framework within which in particular set of activities take place. For example, the Global reporting Initiative Guidelines and ISO 14000 standards are mutually supportive.”</p>
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SUSTAINABLE DEVELOPMENT and SUSTAINABILITY

Definition

In 1987, the World Commission on Environment and Development created the landmark definition of sustainable development: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs", which became known as the Brundtland Report. In 1992 leaders at the Earth Summit built upon the framework of Brundtland Report to create agreements and conventions on critical issues such as climate change, desertification and deforestation. They also drafted a broad action strategy – Agenda 21– as the workplan for environment and development issues for the coming decades.

Throughout the rest of the 1990s, regional and sectoral sustainability plans have been developed and a wide variety of groups (from businesses to municipal governments to international organizations) have adopted the concept and given it their own particular interpretations.

For some people the term "sustainable development" should be reserved only for development activities and the term "sustainability" should be used as an umbrella term for all of human activity.

Sustainability is became an economic, social, and ecological concept. It is intended to be a means of configuring human activity so that society and its members are able to achieve, at the same time, economic prosperity, social equity and environmental objectives, across the generation.

Sustainability, in fact, means meeting four objectives at the same time:

- social progress which recognises the needs of everyone;
- effective protection of the environment;
- prudent use of natural resources; and
- maintenance of high and stable levels of economic growth and employment

Sustainability implies to reflect about the consequences of our acts or those we are planning, in terms of benefits for society as a whole, now and in the long-term , at every level.

In French the word "sustainability" has two translations: "durabilité" and "viabilité".

Sustainable processes and institutions satisfy certain criteria: they do not deplete the resources required for the future generations; they continually reinforce the capacities of both individuals and institutions; the responsibilities and advantages are widely shared.

The word "sustainability" meaning "viabilité" in French covers all of the conditions within which a system evolves and is able to perpetuate.

Some organisations have attempted to incorporate sustainability into the global economy but the global picture is striking. A quarter of the world's people have to survive on incomes of less than US\$1 a day. A fifth have no access to health care. Huge though the challenge may seem, it is becoming larger: the world's population will increase by half, another three billion people, by 2050.

It consists of accounting for someone's actions and decisions taken in the

	<p>field of sustainable development. In France, the law on New Economic Regulations (NRE) sets out in article 116 and its implementing decrees the obligation for companies under French law and that resort to public savings to account for the social and environmental consequences of their activities in their annual management report. Such activities include water consumption, atmospheric pollution (or release of toxic substances in the atmosphere), annoyance caused by noise, use of renewable energies, training of personnel, subcontracting/outsourcing, integration of handicapped persons, etc.</p>
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VALUES, PRINCIPLES AND VISION

Definition

Values and principles for corporate social responsibility are a set of economic, social, environmental and ethical criteria for judgement - either explicitly stated or implicitly shared by all members of the organisation - defining the organisation's identity, vision and strategy, and guiding and reflecting decision-making processes both at strategic and at operational level.

Values and principles thereby act as the normative ideals of a corporation that shape corporate action in the co-operative relations with its stakeholders by defining a fair balance amongst stakeholders' interests and the corresponding corporate commitments towards them. Stakeholders have the opportunity in this process to accept or reject the offered values and principles as guiding rules for economic and social transactions with the corporation.

In order to be recognised as a basis for fair cooperation among stakeholders, values must be recognised as genuine moral principles. To this aim it is crucial that corporate values satisfy the following formal requirements that make them meaningful from a moral point of view:

Prescriptive - the values necessarily express a commitment about how to act and must represent a guide about how to behave within the organisation;

Universalisable - moral values are universalisable. In other words, any moral judgment about what a particular stakeholder ought to do in some set of circumstances entails a universal judgment about what anyone with that person's characteristics ought to do in those circumstances;

General - values should cover the whole range of corporate activities and the whole spectrum of corporate relations with its stakeholders;

Impartiality - values must be impartially applied to all groups of stakeholders, and to each individual member of each stakeholder group;

Compliance - values must be effectively complied with by all organisation's members;

Stability - values must be set for a defined time-frame (but values can and should evolve over time).

For example, fairness can be considered a moral value. It implies fair distribution of the costs and advantages of human activities. Fairness is the guiding value for balancing the different stakeholder interests and legitimate rights towards the company. The organisation must ensure to each of its stakeholders a fair share of the benefits generated - i.e. a level that would rationally and autonomously accepted by all parts as proportional to the contributions and expectations of everyone. Moreover, the organisation is committed to protect stakeholders from opportunistic behaviour and to reward cooperation.

The organisation should define and develop its own values guiding its overall business (and CSR) strategy.

The corporate Ethical Vision or Sustainable Development Vision comprehends and goes beyond both the organisation's mission and its values and principles. The corporate ethical vision identifies a balancing ethical criterion between many different rights and many different claims of various stakeholders, putting together in a

	<p>unitary vision of strategic nature the corporate mission and values. The ethical vision sets out the way in which the company wants to achieve its mission and justifies the stakeholders' participation in fulfilling the mission. The balancing criterion defines the company ethical identity. Therefore, the ethical vision is the basic guidance for corporate strategic choices.</p>
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